

Deloitte



ҚАЗТЕМИРТРАНС

**JOINT STOCK COMPANY
KAZTEMIRTRANS**

Separate Financial Statements
for the year ended December 31, 2014

JOINT STOCK COMPANY KAZTEMIRTRANS

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Management of the Company is responsible for the preparation of the separate financial statements that present fairly the financial position of Joint Stock Company Kaztemirtrans (the "Company") as at December 31, 2014, and the financial results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the separate financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's separate financial position and financial performance;
- making an assessment of the Company's ability to continue as a going concern.

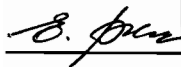
Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the separate financial position of the Company, and which enable them to ensure that the separate financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with Kazakhstani legislation and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud, errors and other irregularities.

The separate financial statements of the Company for the year ended December 31, 2014 were approved by management of Joint Stock Company Kaztemirtrans on February 24, 2015.

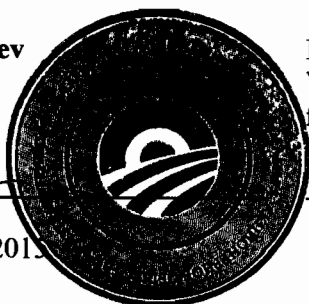
On behalf of Management:

**E.T. Zhakishev
President**



February 24, 2015

Astana, the Republic of Kazakhstan



**E.M. Akhmurzin
Vice-President of economics and
finance**



February 24, 2015

**M.N. Uzenbayev
Chief accountant**



February 24, 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Joint Stock Company Kaztemirtrans

We have audited the accompanying separate financial statements of Joint Stock Company Kaztemirtrans (the "Company") which comprise the separate statement of financial position as at December 31, 2014, the separate statement of profit or loss and other comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control system relevant to the preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014, and its financial performance and its cash flows for the year 2014 in accordance with International Financial Reporting Standards.

Emphasis of matter

As described in Note 8 to the separate financial statements as at December 31, 2014, 92% of the Company's trade accounts receivable as at December 31, 2014 were due from related parties.

We draw attention to Note 2 to these separate financial statements, which describes that these separate financial statements present financial statements of Joint Stock Company Kaztemirtrans. The Company also prepares the consolidated financial statements of the Company and its subsidiaries. These separate financial statements should be read in conjunction with the consolidated financial statements which were authorized for issue on February 24, 2015.

Our opinion is not qualified in respect of these matters.

Olga Belonogova
Engagement Partner
Chartered Accountant
Oregon State, USA
License No.10687
dated December 2, 2003

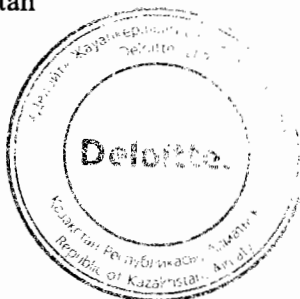


Daudet Kuatbekov
Qualified Auditor
Qualification certificate No.0000523,
dated February 15, 2002
of the Republic of Kazakhstan

Deloitte, LLP

Deloitte, LLP
State audit license of the Republic of Kazakhstan
No.0000015, type MFU - 2, issued by the Ministry
of Finance of the Republic of Kazakhstan
dated September 13, 2006

Nurlan Bekenov
General Director
Deloitte, LLP



February 24, 2015
Almaty, the Republic of Kazakhstan

JOINT STOCK COMPANY KAZTEMIRTRANS

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014 (in thousands of Kazakhstani tenge)

	Notes	December 31, 2014	December 31, 2013
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	383,380,650	392,228,828
Intangible assets		496,487	551,997
Investments in joint ventures	4	527,273	90,000
Investments in subsidiaries	5	2,311,084	8,950,123
Other non-current assets	6	14,652,209	16,085,178
Total non-current assets		401,367,703	417,906,126
CURRENT ASSETS			
Inventories	7	5,145,474	2,821,800
Trade accounts receivable	8	17,071,527	5,807,532
Other financial assets	9	6,709,168	12,517,759
Income tax prepaid		602,761	1,033,386
Other taxes recoverable	10	5,757,884	5,824,156
Other current assets	11	674,721	1,870,166
Cash	12	457,109	4,391,854
		36,418,644	34,266,653
Assets classified as held for sale	5, 3	3,318,916	152,763
Total current assets		39,737,560	34,419,416
TOTAL ASSETS		441,105,263	452,325,542

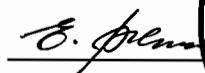
JOINT STOCK COMPANY KAZTEMIRTRANS

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

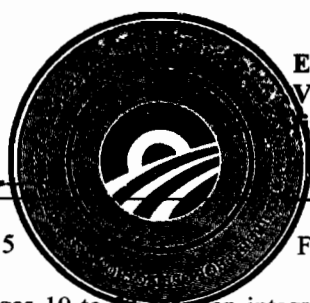
	Notes	December 31, 2014	December 31, 2013
EQUITY			
Share capital	13	67,726,866	62,297,106
Additional paid-in capital	13	-	5,429,760
Retained earnings		19,925,120	59,137,975
TOTAL EQUITY		87,651,986	126,864,841
NON-CURRENT LIABILITIES			
Employee benefit obligations	14	153,339	168,651
Deferred income tax liabilities	15	13,387,761	20,635,431
Long-term bank loans	16	82,854,025	85,172,950
Long-term loans	17	234,499,138	197,506,932
Total non-current liabilities		330,894,263	303,483,964
CURRENT LIABILITIES			
Current portion of long-term bank loans	16	7,423,837	6,310,603
Current portion of long-term loans	17	499,220	425,919
Current portion of employee benefit obligations	14	13,525	10,040
Trade accounts payable	18	9,027,964	9,979,163
Taxes payable and obligatory payments to budget	19	831,729	964,957
Other current liabilities	20	4,762,739	4,286,055
Total current liabilities		22,559,014	21,976,737
TOTAL EQUITY AND LIABILITIES		441,105,263	452,325,542

On behalf of Management:

E.T. Zhakishev
President



February 24, 2015

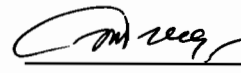


E.M. Akhmurzin
Vice-President of economics and
finance



February 24, 2015

M.N. Uzenbayev
Chief accountant



February 24, 2015

The notes on pages 10 to 35 form an integral part of the separate financial statements. The Independent Auditor's Report is on pages 2-3.

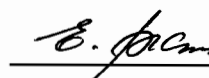
JOINT STOCK COMPANY KAZTEMIRTRANS

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of Kazakhstani tenge)

	Notes	2014	2013
Revenue from services provided	21	106,576,439	106,477,173
Cost of services provided	22	(85,374,547)	(72,425,218)
Gross profit		21,201,892	34,051,955
General and administrative expenses	23	(6,116,708)	(7,230,185)
Finance income	24	764,423	787,082
Finance costs	25	(21,265,601)	(20,223,787)
Foreign exchange loss	26	(40,661,974)	(4,384,071)
Gain from disposal of subsidiaries	5	1,308,152	-
Impairment of subsidiary	5	(2,346,399)	-
Other income	27	966,324	795,832
(Loss)/profit before income tax		(46,149,891)	3,796,826
Corporate income tax benefit/(expense)	15	7,247,670	(1,339,669)
(Loss)/profit for the year		(38,902,221)	2,457,157
Other comprehensive gain/(loss): <i>Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:</i>			
Actuarial remeasurement of employee benefit obligations	14	2,440	(41,677)
Other comprehensive gain/(loss) for the year		2,440	(41,677)
Total comprehensive (loss)/income for the year		(38,899,781)	2,415,480

On behalf of Management:

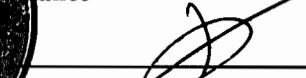
E.T. Zhakishev
President



February 24, 2015



E.M. Akhmurzin
Vice-President of economics and
finance



February 24, 2015

M.N. Uzenbayev
Chief accountant



February 24, 2015

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JOINT STOCK COMPANY KAZTEMIRTRANS

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of Kazakhstani tenge)

	Notes	2014	2013
Cash flows from operating activities:			
(Loss)/profit before income tax		(46,149,891)	3,796,826
Adjustments for:			
Depreciation and amortization	22, 23	21,515,546	20,069,344
Finance costs	25	21,265,601	20,223,787
Finance income	24	(764,423)	(787,082)
Other income	27	(467,816)	(377,139)
Impairment of subsidiary	5	2,346,399	-
Allowance for doubtful debts	23	485,185	200,576
Gain from sale of subsidiaries	5	(1,308,152)	-
Employee benefit costs	14	1,477	(32,471)
Foreign exchange loss		40,661,974	4,384,071
Operating profit before working capital changes		37,585,900	47,477,912
(Increase)/decrease in trade accounts receivable		(11,574,440)	10,410,591
Increase in inventories		(2,323,674)	(24,308)
Decrease/(increase) in other current assets		1,270,451	(616,667)
Decrease in trade accounts payable		(1,034,910)	(17,444,098)
Increase in other current liabilities		2,692,762	4,519,756
Cash generated from operations		26,616,089	44,323,186
Interest paid		(18,914,677)	(18,504,676)
Income tax paid		(3,170,603)	(2,243,723)
Net cash flows generated by operating activities		4,530,809	23,574,787
Cash flows from investing activities:			
Purchase of property, plant and equipment and advances paid for the purchase of non-current assets		(13,026,534)	(30,361,430)
Deposits placed		(22,242,490)	(16,832,155)
Deposits withdrawn		30,385,656	22,255,195
Interest received		607,635	733,244
Proceeds from disposal of property, plant and equipment and assets held for sale		368,464	438,052
Purchase of investments in joint venture	4	-	(90,000)
Dividends received from joint venture		106,777	-
Net cash inflow on disposal of subsidiaries	5	1,664,434	-
Cash received from subsidiary	5	1,123,274	-
Purchase of investment in subsidiary	5	(46)	-
Purchase of intangible assets		(63,064)	-
Net cash flows used in investing activities		(1,075,894)	(23,857,094)

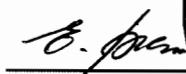
JOINT STOCK COMPANY KAZTEMIRTRANS

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

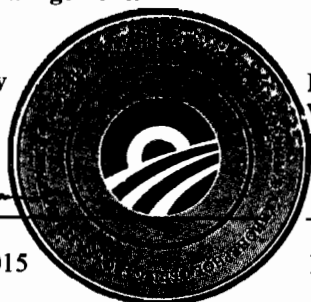
	Notes	2014	2013
Cash flow from financing activities:			
Long-term bank loans receipts		-	493,378
Repayment of long-term bank loans		(7,045,069)	(5,914,809)
Dividends paid		(313,074)	(2,159,371)
Net cash flows used in financing activities		(7,358,143)	(7,580,802)
Net decrease in cash			
Cash at the beginning of the year	12	4,391,854	12,265,906
Effects of exchange rate change on cash, denominated in foreign currencies		(31,517)	(10,943)
Cash at the end of the year	12	457,109	4,391,854
Non-cash transactions			
Offset of receivables against works (services) rendered to and provided by the Parent		26,005,840	16,519,535
Contribution of property, plant and equipment to share capital by the Parent	13	-	5,429,760

On behalf of Management:

E.T. Zhakishev
President



February 24, 2015



E.M. Akhmurzin
Vice-President of economics and
finance



February 24, 2015

M.N. Uzenbayev
Chief accountant



February 24, 2015

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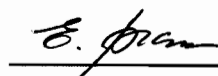
JOINT STOCK COMPANY KAZTEMIRTRANS

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of Kazakhstani tenge)

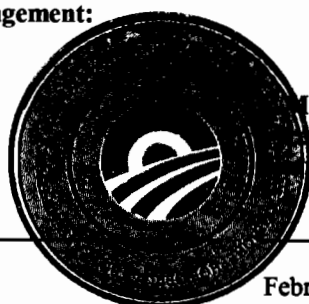
	Notes	Share capital	Additional paid-in capital	Retained earnings	Total equity
At January 1, 2013		61,851,793	445,313	58,881,866	121,178,972
Profit for the year		-	-	2,457,157	2,457,157
Other comprehensive loss		-	-	(41,677)	(41,677)
Total comprehensive income for the year		-	-	2,415,480	2,415,480
Dividends paid	13	-	-	(2,159,371)	(2,159,371)
Contribution into share capital	13	-	5,429,760	-	5,429,760
Transfer due to legal registration of shares issue		445,313	(445,313)	-	-
At December 31, 2013		62,297,106	5,429,760	59,137,975	126,864,841
Loss for the year		-	-	(38,902,221)	(38,902,221)
Other comprehensive income		-	-	2,440	2,440
Total comprehensive loss for the year		-	-	(38,899,781)	(38,899,781)
Dividends paid	13	-	-	(313,074)	(313,074)
Transfer due to legal registration of shares issue	13	5,429,760	(5,429,760)	-	-
At December 31, 2014		67,726,866	-	19,925,120	87,651,986

On behalf of Management:

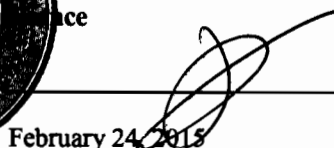
E.T. Zhakishev
President



February 24, 2015

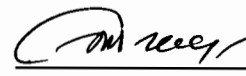


M. Akhmurzin
President of economics and
finance



February 24, 2015

M.N. Uzenbayev
Chief accountant



February 24, 2015

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JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

(in thousands of Kazakhstani tenge)

1. GENERAL INFORMATION

Joint Stock Company Kaztemirtrans (the "Company") was organized according to the decision of the Board of Directors of JSC National Company Kazakhstan Temir Zholy, the sole shareholder of the Company (the "Parent" or "JSC NC KTZh"). The Company was registered on October 21, 2003, however the capital was paid by several contributions starting from November 14, 2003 (the "Inception date") and the Company started its operations since that date.

The Company's principal activity is carriages operator services, rent of carriages, and providing of transportation and forwarding services in the Republic of Kazakhstan and outside it. The Company is the owner of the fleet of cargo carriages of the Republic of Kazakhstan.

The Company is defined as dominating (monopolistic) on the market of the following services: operator services of platform, operator services of carriages, rent of railway carriages and operates according to the Law of the Republic of Kazakhstan "On competition and the Regulation of Monopolistic Activities".

In accordance with complex privatization plan for 2014-2016 approved by the Decree of the Government of the Republic of Kazakhstan No.280 dated March 31, 2014 JSC NC KTZh plans to sale 49% share in the Company.

According to the Action Plan for the reorganization of JSC National Company Kazakhstan Temir Zholy and the implementation of preparatory activities for 2014-2020 approved by the Committee on the development of JSC National Company Kazakhstan Temir Zholy №CKRorg/05-01/5 dated August 29, 2014, for a full and independent exercise of the functions of the national freight carrier will be formed JSC KTZh - Freight on the basis of JSC Locomotive and by merging 51% of shares of JSC Kaztemirtrans. The implementation term of the activity is from September 2014 till July 2015. Currently, no actions are taken to implement the Plan.

The average number of the Company's employees in 2014 was 1,623 people (2013: 1,705 people).

The registered office of the Company is: 10, Kunayev Street, 010000, Astana, the Republic of Kazakhstan.

The separate financial statements were authorized for issue by management of the Company as represented by the President, Vice-president of economics and finance and Chief accountant of the Company on February 24, 2015.

Operational environment

Emerging markets, including Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Company's financial position.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) *(in thousands of Kazakhstani tenge)*

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company's separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements are separate financial statements of the Joint Stock Company Kaztemirtrans. Subsidiaries were not consolidated in these separate financial statements. Investments in subsidiaries, associates and joint ventures were accounted for by the cost method, net of impairment losses. These separate financial statements should be considered together with the consolidated financial statements, which were approved by management of the Company on February 24, 2015.

Adoption of new and revised standards

Standards and interpretations adopted in the current period

In the current year, the Company adopted for the first time a number of new and revised IFRS considered obligatory from January 1, 2014:

- Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment Entities*;
- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 *Impairment of assets - Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to IAS 39 *Financial Instruments: recognition and measurement – Novation of Derivatives and Continuation of Hedge Accounting*;
- IFRIC 21 *Levies*.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities

The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

These amendments do not have any effect on the separate financial statements as Company is not an investment entity.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. There is no effect of these amendments on the Company's separate financial statements.

Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit to periods in which an impairment loss has been recognised or reversed. In addition, they expand and clarify the disclosure requirements applicable when recoverable amount has been determined on the basis of fair value less costs of disposal. These amendments affect disclosures only and do not have any impact of these financial statements.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

These amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. There is no effect of these amendments on the separate financial statements as the Company does not apply hedge accounting.

IFRIC 21 Levies

The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12 and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognised when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognised progressively over specific period or in full at a specific date. The same principles should be applied in interim financial statements. There was no effect of the interpretation on these separate financial statements.

Standards and interpretations issued but not yet in force

The Company has not applied the following new and revised IFRS and IFRIC (issued but not yet in force):

	Valid for reporting periods starting from and after
<i>IFRS 9 Financial Instruments</i>	January, 1 2018
<i>IFRS 14 Regulatory Deferral Accounts</i>	January, 1 2016
<i>IFRS 15 Revenue from Contracts with Customers</i>	January, 1 2017
<i>Adjustments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, regarding clarifications to admissible depreciation and amortisation methods</i>	January, 1 2016
<i>Adjustments to IFRS as part of IFRS Improvements 2010–2012 and IFRS Improvements 2011–2013</i>	July, 1 2014
<i>Adjustments to IFRS as part of IFRS Improvements September 2014</i>	January, 1 2016

During 2014 certain IFRS have been revised and new standards issued that have not yet become effective. The most significant future change is expected from IFRS 9 and IFRS 15.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014, IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The standard is effective from January 1, 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Company anticipates that the application of IFRS 9 in the future may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

The Company did not early adopt any standard, amendment or interpretation that has been issued and is not yet effective.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The standard is effective for annual periods beginning on or after January 1, 2017.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts;
- recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's separate financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) *(in thousands of Kazakhstani tenge)*

The Company did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

Significant accounting judgments and estimates

The preparation of the separate financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of information on contingent assets and liabilities as at the date of the separate financial statements and reported amounts of revenues and expenses during the reporting period. Besides the fact that these estimations are based on historical knowledge and other significant factors, events or actions can be formed in such a way that actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Capitalization of expenses

The Company performs capital repairs which extend useful lives of carriages only once during the useful life of the carriage based on major technical inspections for faults. Expenditures on major technical inspections are capitalized into the cost of such carriages and are proportionally depreciated over the revised remaining useful life. In case of major technical inspection the useful life is increased for 5-16 years.

Impairment of assets

At the end of each reporting period the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss.

The assessment of whether there is an indication of impairment is based on a number of factors, such as expectations of growth in the railway industry, estimates of future cash flows, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate any impairment exists.

If any such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset. If the carrying amount exceeds the recoverable amount impairment is recognised. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that management believes reflects current market assessment of the time value of money and the risks specific to the assets. A change in the estimated recoverable amount could result in an impairment, or reversal of impairment, in future periods.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is computed using the straight-line method over estimated useful lives. The Company establishes useful lives of its assets. The estimates of useful lives, residual values and methods of depreciation are reviewed at each financial year end, and adjusted if appropriate. Any changes are accounted for prospectively as a change in accounting estimate. Estimates of the useful lives and residual value of these assets are based on the expected economic use, repair and maintenance programs, and volume of activity, technological advancements and other business conditions and may require significant future expenditures in order to maintain the property to a high level. If these assumptions were to change, it could result in significantly different depreciation amounts than those previously recorded.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) *(in thousands of Kazakhstani tenge)*

Allowances

The Company creates allowances for doubtful debts. Significant judgment is used to estimate doubtful debts. In estimating doubtful debts historical and anticipated customers' performance are considered. Changes in the economy or specific customer conditions may require adjustments to the allowance for doubtful debts recorded in these separate financial statements.

Going concern

These separate financial statements have been prepared in accordance with IFRS on a going concern basis. Currently, the Company and its parent company follow the State program of development and infrastructure integration of the transport system of the Republic of Kazakhstan till 2020 approved by the President decree No.725 dated January 13, 2014. In accordance with the action plan for the reorganization of JSC National Company Kazakhstan Temir Zholy, it is planned to form the national freight carrier (Note 1).

Segment information

Business segments are the Company's primary format for reporting segment information. For the purpose of these separate financial statements one business segment represented by carriage operator services, rental of carriages and providing transport and freight forwarding services is defined as a reportable segment in the Republic of Kazakhstan.

Functional currency and foreign currency transactions presentation

The separate financial statements are presented in the currency of the economic environment in which the Company operates (its functional currency). For the purposes of these separate financial statements, the separate financial results of activities and separate financial position of the Company are expressed in Kazakhstani Tenge ("tenge"), which is the functional currency of the Company and presentation currency for these separate financial statements.

Tenge is not a fully convertible currency outside the Republic of Kazakhstan. Transactions in foreign currencies are recorded at the market rate prevailing at the date of the transaction using market rates, quoted by Kazakhstan Stock Exchange ("KASE"). For foreign currencies which are not quoted by KASE, the exchange rates are calculated by the National Bank of the Republic of Kazakhstan using the cross-rates to the US dollar in accordance with the quotations received from REUTERS.

Monetary assets and liabilities, denominated in foreign currencies, are translated at the exchange rate prevailing at the reporting date of the separate statement of financial position. All differences arising from the change in exchange rates subsequent to the date of a transaction are recognized in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The following table summarizes the foreign currency exchange rates for tenge at the following dates:

	December 31, 2014	December 31, 2013
US Dollar	182.35	153.61
Euro	221.97	211.17
Russian Ruble	3.17	4.69

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) *(in thousands of Kazakhstani tenge)*

The following table summarizes the foreign currency weighted average exchange rates for tenge for the years ended December 31:

	<u>2014</u>	<u>2013</u>
US Dollar	179.19	152.13
Euro	238.10	202.09
Russian Ruble	4.76	4.78

Basis of preparation of the financial statements

The separate financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Recognition of financial instruments

The Company recognizes financial assets and liabilities in its separate statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received; including or net of any transaction costs incurred and subsequently recorded at either fair value or amortized cost.

Fair value is generally determined by reference to official market quotes. When market quotes are not available, the fair value is determined using generally accepted valuation methods such as discounted future cash flows based on observable market inputs.

Amortized cost is calculated using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

JOINT STOCK COMPANY KAZTEMIRTRANS

~~Trade accounts receivable and other financial assets.~~ STATEMENTS

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss”, “held-to-maturity” investments, “available-for-sale” financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash

Cash comprises cash in bank and on hand.

Trade accounts receivable

Trade accounts receivable are recognized and carried in the separate financial statements at the original invoice amount less an allowance for any doubtful debts. An estimate of allowance for doubtful debts is made when collection of the full amount is no longer probable. The allowance for doubtful debts is reviewed periodically, and as adjustments become necessary, they are reported as expense in the period in which they become known. Bad debts are written-off when identified against an allowance previously accrued.

Other financial assets

Other financial assets are non-derivative financial assets including deposits with fixed or determinable payments that are not quoted in an active market, with original maturity more than three months. Such assets are carried at amortized cost using the effective interest rate method less any impairment.

Impairment of financial assets

Financial assets, except for assets stated at fair value through profit or loss are measured for indication of impairment at each reporting date. The financial assets are impaired when there is objective evidence that as a result of one or several events occurring after initial recognition of the financial asset there was a change in expected future cash flows on the investment. For financial assets stated at amortized cost the amount of impairment represents the difference between the carrying value of an asset and present value of the expected future cash flows discounted at initially effective interest rate.

The carrying value of a financial asset is reduced by the impairment loss directly on all financial assets, except for trade accounts receivable, when the carrying value is decreased by use of the allowance for doubtful debts. When trade accounts receivable are not collectible, they are written off against the allowance for doubtful debts. Subsequent recoveries of amounts previously written off are credited against the allowance for doubtful debts. Changes in the carrying value of the allowance for doubtful debts are recognized in the statement of profit or loss and other comprehensive income for the period.

Except for equity instruments classified as available for sale, if in the subsequent period the amount of the impairment loss is decreased and the decrease can be objectively related to the event occurring after recognition of impairment, then the previously recognized impairment loss is reversed in the statement of profit or loss and other comprehensive income for the period to the extent to which the carrying value of the investment at the date of reverse does not exceed the amount of amortized value, if impairment had not been recognized.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

Financial liabilities

The Company has following financial liabilities: trade and other accounts payables, interest bearing loans and borrowings.

Trade and other accounts payable

Trade and other accounts payable are initially measured at fair value and subsequently measured at amortized cost using effective interest method.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses, other than borrowing costs eligible for capitalization (for example, commission on guarantees of third parties), are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Offsetting

Financial assets and liabilities are only offset and reported at the net amount in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement and has transferred substantially all the risks and rewards of the asset; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability (or part of financial liability) is derecognized when it is discharged in case when the obligation under the liability executed, cancelled or expired.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

Inventories

Inventory largely comprises items that are used in the process of economical activities for supporting use of the carriages, and not for the trading purposes.

Inventories are valued at the lower of cost or net realizable value. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Inventory is accounted for using weighted average cost basis.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost or deemed cost, net of accumulated depreciation and impairment losses.

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended use.

The cost of assets constructed by the Company includes the cost of all materials used in construction, direct labor on the project, financing costs that are directly attributable to the project, and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalized as soon as an asset is ready for its intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year when the asset is derecognized.

Carrying value of asset, useful life and methods are revised and adjusted, in case of need, at the end of each financial year.

Subsequent expenditures

Subsequent expenditures on an item of property, plant and equipment are capitalized to the extent that the flow of the future economic benefits is probable and these expenditures can be reliably measured in accordance with Company's accounting policy.

All other subsequent expenditures, such as repair and maintenance expenditures are charged to expenses when incurred.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) *(in thousands of Kazakhstani tenge)*

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows, as applied to current and comparative years (in years):

Buildings and constructions	20-45
Machinery and equipment	6-15
Transport	15-32
Other	4-10

Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. Recoverable amount is greater of the net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Investments in subsidiaries

Investments in subsidiaries in these separate financial statements are accounted for using cost method, net of any impairment losses.

Investments in associates and joint ventures

Associates are entities over which the Company has significant influence, but does not control their financial and economic activities. A joint venture is a joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using cost method, net of any impairment losses.

Borrowing costs

Borrowing costs that are directly attributable to acquisition, construction and production of qualifying assets, are added to the value of these assets until the assets are mainly ready for intended use or sale. Investment income from a temporary investment of certain loans, expected to be used on qualifying assets, is deducted from borrowing costs on loans, which are allowed for capitalization. All other borrowing costs are recognized in the profit and losses for the period when they arise.

Borrowing costs also include the exchange differences arising from loans in foreign currencies to the extent in which they are considered to be an interest expense adjustment. The exchange difference amount capitalized as an interest expense adjustment must not exceed the interest expense amount which would be capitalized by the Company if the loan was received in the local currency. Any excess of exchange difference is recognized through profit or loss.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) *(in thousands of Kazakhstani tenge)*

Employee benefits

Defined benefit scheme

In accordance with the Labor Union Agreement the Company provides certain benefits to its employees upon their retirement (“Defined Benefit Scheme”). Pursuant to this agreement, the Company provides the following benefits:

- one-time retirement grant;
- annual financial support to pensioners;
- free train passenger tickets;
- funeral aid; and
- material assistance on denture treatment.

The obligation and cost of benefits under the Defined Benefit Scheme are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to the statement of profit or loss and other comprehensive income, so as to attribute the total benefit cost over the service lives of employees in accordance with the benefit formula of the plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit obligation.

The Company presents service cost (including current service cost, past service cost) and net interest expense or income in profit or loss in the line item “employee benefit expenses”. Curtailment gains and losses are accounted for as past service costs. The Company presents the ‘Remeasurement’ component in other comprehensive income.

Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

Dividends

Dividends are recognized as a liability and deducted from the equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed in the separate financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the separate financial statements are authorized for issue.

Recognition of revenue and expenses

Recognition of revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured as a fair value of remuneration received or receivable.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

Revenue from carriage operator services

Revenue from carriage operator services is recognized at the moment of transfer of carriage to customer.

Prepayments received from customers for the transportation services, which were not provided, are recorded as advance received from customers at the moment of its receipt. Prepayment is transferred to revenue account and revenue from services is recorded as services are being rendered.

Revenue from rent of carriages

Revenue from rent of carriages is recognized based on actual number of days of cargo carriages rent.

Recognition of expenses

Expenses are recognized as incurred and are reported in the separate financial statements in the period to which they relate.

Taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the date of the separate statement of financial position.

Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences at the date of the separate statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised in the separate statement of financial position if the temporary differences arise from goodwill or from initial recognition of other assets and liabilities in a transaction (except transactions on business combinations) that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of separate statement of financial position and are recognized to the extent that it has become probable the future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the date of the separate statement of financial position.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred income tax are recognized as an expense or benefit in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Leases

Operating leases

Leases where the lessor retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

Provisions

Provisions are recognized in the separate financial statements when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Subsequent events

Post-year-end events that provide additional information about the Company's separate financial position at the reporting date (adjusting events) are recorded in the separate financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

3. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended December 31, 2014 was as follows:

	Land	Buildings and constructions	Machinery and equipment	Railway transport	Other transport	Other	Construction in progress	Total
Historical cost								
At January 1, 2014	38,843	6,660,700	3,379,772	463,893,940	251,263	169,911	1,963,817	476,358,246
Additions	-	48,307	51,479	-	34,714	1,150	13,240,261	13,375,911
Internal transfer	1	78,159	1,164,247	11,837,639	15,600	2,904	(13,098,550)	-
Contribution into share capital of joint venture (Note 4)	-	-	-	(1,898,617)	-	-	-	(1,898,617)
Transfer to assets classified as held for sale	-	-	-	(4,779,322)	-	-	-	(4,779,322)
Disposals	-	(3,864)	(13,934)	(798,094)	(3,811)	(3,072)	(104,741)	(927,516)
At December 31, 2014	38,844	6,783,302	4,581,564	468,255,546	297,766	170,893	2,000,787	482,128,702
Accumulated depreciation								
At January 1, 2014	-	(619,045)	(1,116,246)	(82,182,740)	(124,285)	(87,102)	-	(84,129,418)
Depreciation charge for the year	-	(192,487)	(476,591)	(20,688,947)	(22,880)	(16,068)	-	(21,396,973)
Contribution into share capital of joint venture (Note 4)	-	-	-	1,461,344	-	-	-	1,461,344
Transfer to assets classified as held for sale	-	-	-	4,536,394	-	-	-	4,536,394
Disposals	-	1,622	13,001	760,432	2,984	2,562	-	780,601
At December 31, 2014	-	(809,910)	(1,579,836)	(96,113,517)	(144,181)	(100,608)	-	(98,748,052)
Net book value at December 31, 2014	38,844	5,973,392	3,001,728	372,142,029	153,585	70,285	2,000,787	383,380,650

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

The movement of property, plant and equipment for the year ended December 31, 2013 was as follows:

	Land	Buildings and constructions	Machinery and equipment	Railway transport	Other transport	Other	Construction in progress	Total
Historical cost								
At January 1, 2013	38,843	6,438,998	3,126,524	436,120,214	246,663	161,855	146,344	446,279,441
Additions	-	51,156	140,566	-	4,600	6,208	30,197,016	30,399,546
Contribution into share capital (Note 13)	-	-	-	5,429,760	-	-	-	5,429,760
Internal transfer	-	170,546	320,838	27,787,002	-	2,591	(28,280,977)	-
Transfer to intangible assets	-	-	(150,028)	-	-	-	(70,028)	(223,056)
Transfer to assets classified as held for sale	-	-	-	(4,594,048)	-	-	-	(4,594,048)
Disposals	-	-	(58,128)	(848,988)	-	(743)	(28,538)	(933,397)
At December 31, 2013	38,843	6,660,700	3,379,772	463,893,940	251,263	169,911	1,963,817	476,358,246
Accumulated depreciation								
At January 1, 2013	-	(436,255)	(807,256)	(67,976,140)	(100,017)	(71,769)	-	(69,391,437)
Depreciation charge for the year	-	(182,790)	(345,021)	(19,437,690)	(24,268)	(16,012)	-	(20,005,781)
Transfer to intangible assets	-	-	22,220	-	-	-	-	22,220
Transfer to assets classified as held for sale	-	-	-	4,479,585	-	-	-	4,479,585
Disposals	-	-	13,811	751,505	-	679	-	765,995
At December 31, 2013	-	(619,045)	(1,116,246)	(82,182,740)	(124,285)	(87,102)	-	(84,129,418)
Net book value at December 31, 2013	38,843	6,041,655	2,263,526	381,711,200	126,978	82,809	1,963,817	392,228,828

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

During the year ended December 31, 2014, the Company purchased 1,319 cargo carriages for 11,837,639 thousand tenge (2013: 1,704 cargo carriages for 23,879,116 thousand tenge).

As at December 31, 2014 and 2013, the Company did not have property, plant and equipment pledged under loans and other liabilities.

As at December 31, 2014 and 2013, cost of fully depreciated property, plant and equipment amounted to 4,709,894 thousand tenge and 5,032,004 thousand tenge, respectively.

As at December 31, 2014, the carrying value of carriages classified as assets held for sale 223,179 thousand tenge (as at December 31, 2013: 152,763 thousand tenge).

4. INVESTMENTS IN JOINT VENTURES

Investments in associates and joint ventures included the following as at December 31:

	<u>2014</u>	<u>2013</u>
Cost of investments at the beginning of the year	90,000	-
Contribution of property, plant and equipment into share capital of joint venture	437,273	-
Purchase of share in joint venture	-	90,000
Cost of investments at the end of the year	<u>527,273</u>	<u>90,000</u>

Information about joint ventures of the Company as at December 31, 2014 is as follows:

<u>Name</u>	<u>Country of residence</u>	<u>% of Charter capital held</u>	<u>% of voting interest held</u>	<u>Nature of activity</u>
Roskazzheldortrans LLC	Russian Federation	50%	50%	Freight dispatching to foreign markets
JSC Astyk Trans	Republic of Kazakhstan	50%	50%	Transportation of grain

As at December 31, 2014 and 2013, the Company, jointly with Severstal-Participation LLC, owned 50% of share of Roskazzheldortrans LLC. As at December 31, 2014 and 2013, the Company does not operate and the investment cost was equal to nil.

Joint venture JSC Astyk Trans was established under the charter agreement dated August 8, 2013. Founders of JSC Astyk Trans are JSC Kaztemirtrans with share of 50% and CJSC Rusagotrans with share of 50%.

As at December 31, 2014 the Company in accordance with the decision of Board of Directors of JSC Kaztemirtrans No.18 dated November 20, 2014 and the decision of extraordinary meeting of Board of Directors of JSC Astyk Trans (the minutes No.4 dated October 10, 2014) contributed 1,007 wagons with the book value of 437,273 thousand tenge (Note 3).

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

5. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries comprised the following as at December 31:

Subsidiary	Nature of activities	Country	Share of interest, %		Cost of investment	
			2014	2013	2014	2013
JSC Center of Transportation Services	Organization of dispatching and forwarding services	Kazakhstan	100	100	2,300,247	2,300,247
Kazakhstan Temir Zholy Finance B.V.	Financing of the activity of the Parent and its subsidiaries	The Netherlands	100	100	10,791	851,458
Kazakhstan Carriage Construction Company LLP	Production of cargo carriages	Kazakhstan	69.94	69.94	3,095,737	5,442,136
Ertys service LLP	Flushing-steaming of carriages, preparation of carriage under the pouring	Kazakhstan	-	100	-	224,071
Kazykurt-Yug LLP	Flushing-steaming of carriages, preparation of carriage under the pouring	Kazakhstan	-	100	-	132,211
Regional Forward Logistics LLC	Transport-logistic services	Russia	90	-	46	-
Investments classified as assets held for sale					(3,095,737)	-
					2,311,084	8,950,123

In 2014 the Company sold 100% ownership interest in Ertys Service LLP and Kazykurt-Yug LLP to a third party for 1,664,434 thousand tenge. As a result of this sale the Company lost control over Ertys Service LLP and Kazykurt-Yug LLP.

In November 2014, the Board of Directors made decision to decrease the nominal value of the subsidiary Kazakhstan Temir Zholy Finance B.V.'s share from 100 Euro to 1 Euro for one share. Kazakhstan Temir Zholy Finance B.V. paid 4,967,820 Euro to the Company (1,123,274 thousand tenge as at the date of transfer). The Company recognized 282,607 thousand tenge foreign exchange income from this operation.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

In May 2014, the Company acquired 90% interest in Regional Forward Logistics LLP (“RFL”). The acquisition of RFL was made with a purpose of market extension for the services rendered and for the development of freight transportation, as well as for maximizing the Company’s revenues as the operator of freight transportation.

In accordance with the Government Privatization plan for 2014-2016 approved by the Decree of the Government of the Republic of Kazakhstan No.280 dated March 31, 2014, the Company plans to dispose 69.94% share in Kazakhstan Carriage Construction Company LLP (“KVK”) and expects that the transaction will be completed till December 31, 2015. The Company and the buyer Kamkor Wagon LLP concluded a sale contract as at December 31, 2014, however, as at this date the ownership had not been transferred to the buyer. The Company recognized impairment loss of 2,346,399 thousand tenge on reclassification of the assets and liabilities as held for sale.

6. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following as at December 31:

	<u>2014</u>	<u>2013</u>
Value added tax recoverable	14,454,400	15,537,992
Advances paid to suppliers and contractors	197,809	547,186
	<u>14,652,209</u>	<u>16,085,178</u>

As at December 31, 2014, advances paid to suppliers and contractors, mainly included advances paid for the construction of the residential properties in the amount of 197,809 thousand tenge (2013: 547,186 thousand tenge).

As at December 31, 2014, the Company reclassified value added tax in the amount of 14,454,400 thousand tenge, which will be recoverable in the period more than twelve months (2013: reclassified 15,537,992 thousand tenge).

7. INVENTORIES

Inventories comprised the following as at December 31:

	<u>2014</u>	<u>2013</u>
Spare parts	4,572,465	2,221,090
Raw materials	180,903	167,271
Metal scrap	180,327	199,696
Construction materials	15,069	21,122
Fuel	14,029	10,588
Other	182,681	202,033
	<u>5,145,474</u>	<u>2,821,800</u>

As at December 31, 2014 and 2013 inventories included scrap metals, received as a result of carriages repair and carriages dismantlement.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

8. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable comprised the following as at December 31:

	<u>2014</u>	<u>2013</u>
Trade accounts receivable from related parties (Note 30)	16,043,705	2,163,274
Trade accounts receivable from third parties	<u>1,392,813</u>	<u>3,763,203</u>
	17,436,518	5,926,477
Less: Allowance for doubtful debts	<u>(364,991)</u>	<u>(118,945)</u>
	<u>17,071,527</u>	<u>5,807,532</u>

On December 31, 2014, trade accounts receivable for rendering of carriages operator services were 1,080,353 thousand tenge (2013: 2,410,724 thousand tenge). Trade accounts receivable for services provided to related parties consisted of 92% (2013: 36.5%) from total trade accounts receivable of the Company.

Allowance for doubtful debts relates only to the amount of trade accounts receivable from third parties. Trade accounts receivable from related parties is represented by debts with maturity less than one year.

	<u>2014</u>	<u>2013</u>
Allowance for doubtful debts at the beginning of the year	(118,945)	(18,790)
Accrued for the year	(250,629)	(108,359)
Written-off during the year against previously created allowance	<u>4,583</u>	<u>8,204</u>
Allowance for doubtful debts at the end of the year	<u>(364,991)</u>	<u>(118,945)</u>

Age of receivables as at December 31 is presented as follows:

	<u>2014</u>	<u>2013</u>
Less than 60 days	16,252,897	5,569,790
60-90 days	719,151	202,363
91-120 days	<u>99,479</u>	<u>35,379</u>
Total	<u>17,071,527</u>	<u>5,807,532</u>

Age of impaired trade receivables as at December 31 is presented as follows:

	<u>2014</u>	<u>2013</u>
60-90 days	-	-
91-120 days	40,164	63,726
121+ days	<u>324,827</u>	<u>55,219</u>
Total	<u>364,991</u>	<u>118,945</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

As at December 31 the Company's trade account receivables were denominated in the following currencies:

	<u>2014</u>	<u>2013</u>
Tenge	17,034,394	5,732,127
Russian ruble	1,093	60,023
US Dollar	36,040	15,382
	<u>17,071,527</u>	<u>5,807,532</u>

9. OTHER FINANCIAL ASSETS

As at December 31, other financial assets included bank deposits with maturity more than three months, but less than 1 year:

	<u>2014</u>		<u>2013</u>	
	Interest rate	thousand tenge	Interest rate	thousand tenge
JSC Eurasian Bank	5%	4,011,700	4.5%	3,367,130
JSC Tsesnabank	4.5%	2,188,200	4.2%	7,373,280
JSC Kazkommertsbank	4%	364,700	-	-
JSC Bank Center Credit	7.6%	50,000	-	-
JSC Kazinvestbank	-	-	4.5%	1,766,516
		<u>6,614,600</u>		<u>12,506,926</u>
Interest receivable		94,568		10,833
		<u>6,709,168</u>		<u>12,517,759</u>

As at December 31, other financial assets were denominated in the following currencies:

	<u>2014</u>	<u>2013</u>
US Dollar	6,659,168	12,517,759
Tenge	50,000	-
	<u>6,709,168</u>	<u>12,517,759</u>

10. OTHER TAXES RECOVERABLE

As at December 31, other taxes recoverable consisted of the following:

	<u>2014</u>	<u>2013</u>
Value added tax recoverable	5,756,338	5,823,545
Taxes recoverable other than income tax	1,546	611
	<u>5,757,884</u>	<u>5,824,156</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

11. OTHER CURRENT ASSETS

Other current assets comprised the following as at December 31:

	<u>2014</u>	<u>2013</u>
Advances given to related parties (Note 30)	204,017	1,262,454
Advances given to suppliers	107,904	101,172
Claims	34,914	138,879
Prepaid expenses	5,354	9,681
Other receivables	786,676	627,153
	<u>1,138,865</u>	<u>2,139,339</u>
Less: Allowance for doubtful debts	<u>(464,144)</u>	<u>(269,173)</u>
	<u>674,721</u>	<u>1,870,166</u>

As at December 31, 2014 and 2013, other current assets were denominated in tenge.

The movement of the allowance for doubtful debts for the years ended 31 December comprised the following:

	<u>2014</u>	<u>2013</u>
Allowance for doubtful debts at the beginning of the year	(269,173)	(183,357)
Accrued for the year	(234,556)	(92,217)
Written-off during the year against previously created allowance	39,585	6,401
Allowance for doubtful debts at the end of the year	<u>(464,144)</u>	<u>(269,173)</u>

12. CASH

Cash comprised the following as at December 31:

	<u>2014</u>	<u>2013</u>
Cash in bank accounts	457,109	4,391,854
	<u>457,109</u>	<u>4,391,854</u>

As at December 31, cash was denominated in various currencies as follows:

	<u>2014</u>	<u>2013</u>
Cash on bank accounts in tenge	287,034	4,100,106
Cash in bank accounts in Russian rubles	147,585	220,662
Cash on bank accounts in US Dollars	22,490	70,928
Cash in bank accounts in Euro	-	158
	<u>457,109</u>	<u>4,391,854</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) *(in thousands of Kazakhstani tenge)*

13. EQUITY

The Company's share capital as at December 31, was represented as follows:

	Number of shares authorized for issue	Issued, number of shares	Par value, in tenge	Share capital, in thousands of tenge
At December 31, 2014	123,000,000	62,303,295	-	67,726,866
Shares paid	-	760	1,000	760
Shares paid	-	5,429	1,000,000	5,429,000
At December 31, 2013	123,000,000	62,297,106	1,000	62,297,106
Shares paid	-	445,313	1,000	445,313
At December 31, 2012	123,000,000	61,851,793	1,000	61,851,793

According to the decision of the Parent, the Company's share capital was formed by the issue of shares. These issues were contributed by property, plant and equipment represented mainly by cargo carriages contributed to the Company's share capital during 2005 and 2004 and in the period from the inception date till December 31, 2003.

In May 2013 the Parent made an additional contribution to the share capital in the amount of 5,429,760 thousand tenge by property, plant and equipment. In 2014, the legal registration of this contribution was made.

On July 17, 2014 the Company declared dividends on common shares for the year ended December 31, 2013 in the amount of 313,074 thousand tenge. On August 21, 2013, the Company declared dividends on common shares for the year ended December 31, 2012 in the amount of 2,159,371 thousand tenge.

14. EMPLOYEE BENEFIT OBLIGATIONS

State contribution scheme

The Company pays social tax according to the legislation of the Republic of Kazakhstan. Social tax and payroll are expensed as incurred. The social tax charges in 2014 and 2013 amounted to 330,179 thousand tenge and 328,996 thousand tenge, respectively (Notes 22 and 23).

The Company also withholds and contributes 10% from salaries of its employees as the employees' contribution to the cumulative pension fund.

Defined benefits scheme

Post retirement benefit obligations under this scheme are payable in accordance with the Labor Union Agreement concluded between the Company and its employees for 2012-2014.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

Total obligation for the Company's Defined Benefit Scheme comprised the following as at December 31:

	<u>2014</u>	<u>2013</u>
Present value of short-term defined benefit scheme	13,525	10,040
Present value of long-term defined benefit scheme	153,339	168,651
	<u>166,864</u>	<u>178,691</u>

The reconciliation of the present value of the defined benefit obligation with specified payments is as follows for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Total obligation at the beginning of the year	178,691	182,757
Actuarial gain recognized for the year	(18,971)	(32,471)
Current service cost	9,190	-
Interest cost	11,258	-
Actuarial remeasurement recognized in other comprehensive income	(2,440)	41,677
Benefit paid during the year	(10,864)	(13,272)
Total obligation at the end of the year	<u>166,864</u>	<u>178,691</u>

The estimates of the Company's obligations were made on the basis of the published statistical data regarding mortality and the actual Company's data concerning the number, age, sex and years of service of the employees and pensioners and the Company's turnover statistics. Other principal assumptions at the reporting date were as follows:

	<u>2014</u>	<u>2013</u>
Discount rate	6.70%	6.30%
The expected rate of future annual material assistance increases	4.50%	4.70%
The expected rate of future annual minimum salary increases	4.50%	4.70%
The expected rate of future annual railway ticket price increases	7.50%	7.70%

The defined benefit scheme is unfunded.

15. INCOME TAX

The income tax rate in the Republic of Kazakhstan, where the Company operates, was 20% in 2014 and 2013.

Income tax (benefits)/expenses comprised the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Current income tax expense	-	-
Deferred income tax (benefit)/expenses	(7,247,670)	1,339,669
	<u>(7,247,670)</u>	<u>1,339,669</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

Reconciliation of income tax expenses applicable to (loss)/profit before income tax at the statutory income tax rate to income tax expenses for the years ended December 31 is as follows:

	<u>2014</u>	<u>2013</u>
(Loss)/profit before income tax	(46,149,891)	3,796,826
Statutory tax rate	20%	20%
Theoretical tax expenses at the statutory tax rate	(9,229,978)	759,365
Tax effect of expenses that are not deductible in determining taxable profit:		
Charities and social events	11,932	20,902
Effect on impairment of a subsidiary (Note 5)	469,280	-
Employee benefit expenses	(1,877)	(9,149)
Adjustments of prior year income tax	156,485	-
Non-deductible expenses on accrual of allowance	46,803	59,547
Effect of unused tax losses	543,368	62,191
Other	756,317	446,813
Income tax (benefit)/expense	<u>(7,247,670)</u>	<u>1,339,669</u>

Deferred tax balances calculated by applying the statutory tax rates in effect at the respective reporting dates to the temporary differences between the tax basis as assets and liabilities and the amounts reported in the separate financial statements, were as follows at December 31:

	<u>2014</u>	<u>2013</u>
Deferred tax assets:		
Unused vacation reserves	30,919	30,110
Trade accounts receivable	72,998	23,789
Taxes payable	5,305	6,264
Interest payable	527,753	296,248
Tax losses carried forward	30,914,726	17,605,941
	<u>31,551,701</u>	<u>17,962,352</u>
Deferred tax liabilities:		
Property, plant and equipment and intangible assets	(44,939,462)	(38,597,783)
	<u>(44,939,462)</u>	<u>(38,597,783)</u>
Total deferred tax liabilities, net	<u>(13,387,761)</u>	<u>(20,635,431)</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

16. LONG-TERM BANK LOANS

As at December 31, long-term loans including interest comprised the following:

	Maturity date	Interest rate	2014	2013
Long-term loans:				
European Bank of Development and Reconstruction ("EBRD")				
Loan 1	April 13, 2020	6 months LIBOR+3.25%	6,659,422	6,629,806
Loan 2	November 10, 2018	3 months LIBOR+2.95%	23,271,642	24,504,777
JSC "NWF "Samruk Kazyna"	September 15, 2017	7.2%	60,000,000	60,000,000
Interest payable			346,798	348,970
			90,277,862	91,483,553
Less: current portion			(7,423,837)	(6,310,603)
			82,854,025	85,172,950

As at December 31, the information on maturities was as follows:

During:	2014	2013
1 to 2 years	7,028,714	4,941,663
2 to 3 years	67,028,714	6,981,604
3 to 4 years	7,028,714	65,961,633
4 to 5 years	1,210,804	5,750,784
More than 5 years	557,079	1,537,266
Total	82,854,025	85,172,950

As at December 31, the Company's long-term loans were denominated in the following currencies:

	2014	2013
Tenge	60,192,000	60,192,000
US Dollar	30,085,862	31,291,555
	90,277,862	91,483,553

On March 29, 2010, the Company and EBRD signed a loan agreement for the amount of 50,000,000 US Dollars for 10 years. Interest is payable semiannually on April 13 and October 13. Principal amount is payable by equal installments semiannually starting on April 13, 2013 till April 13, 2020. The Loan is guaranteed by the JSC NC KTZh.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

On December 1, 2010, the Company and EBRD signed Loan agreement for the amount of 200,000,000 US Dollars for 8 years. In accordance with the agreement the Company is provided with 2 Tranches with the following terms: tranche 1 is in tenge, not more than equivalent 100,000,000 US Dollars, tranche 2 in the amount of not more than 100,000,000 US Dollars. Interest is payable quarterly on February 10, May 10, August 10 and November 10. Principal amount is payable by equal installments semiannually starting on May 10, 2013 till November 10, 2018. The Loan is guaranteed by the JSC NC KTZh. As at December 31, 2014, the Company was in compliance with all covenants of the loan agreement with EBRD.

On April 13, 2011, the Company and JSC NWF Samruk Kazyna signed a loan agreement for the amount of 60,000,000 thousand tenge for purchase of cargo carriages. Maturity date of the loan is September 15, 2017. Interest is payable quarterly on March 15, June 15, September 15 and December 15, starting on June 15, 2011. Principal amount is payable at the end of the loan maturity. The Loan is guaranteed by the JSC NC KTZh.

17. LONG-TERM LOANS

Long-term loans comprised the following as at December 31:

	<u>Maturity date month/year</u>	<u>Interest rate, % per annum</u>	<u>2014</u>	<u>2013</u>
JSC NC KTZh				
Loan 1	10 June, 2042	6.95%	145,252,439	-
Loan 2	10 July, 2042	5.578%	36,470,000	-
Loan 3	October 6, 2020	6.375%	52,776,699	-
Kazakhstan Temir Zholy Finance B.V.				
Loan 1	October 6, 2020	7.168%	-	44,439,326
Loan 2	July 10, 2042	7.800%	-	122,345,606
Loan 3	July 10, 2042	6.275%	-	30,722,000
Interest payable on long-term loans (Note 30)			499,220	425,919
			234,998,358	197,932,851
Less: current portion of long-term loans			(499,220)	(425,919)
			234,499,138	197,506,932
Long-term portion to be repaid as follows:				
			<u>2014</u>	<u>2013</u>
More that 5 years			234,499,138	197,506,932
			234,499,138	197,506,932

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

On October 6, 2010 Kazakhstan Temir Zholy Finance B.V. (the "Issuer"), a subsidiary of JSC Kaztemirtrans, issued Eurobonds for 10 years, which were granted to JSC NC KTZh and its subsidiary, JSC Locomotive. These loans were given less cost for the issuance of the Eurobonds totaling to 0.0035% of the loan amount. The interest rate consists of coupon rate on Eurobonds, non-resident withholding income tax rate, and the margin set according to the legislation of the Kingdom of Netherlands. Interest is payable semiannually on April 6 and October 6.

On July 10, 2012 the Issuer issued Eurobonds in the amount of 800,000,000 US Dollars with the maturity date on July 10, 2042. Interest is payable semiannually on January 10 and July 10. On July 10, 2012 an intergroup loan agreement was concluded between Kazakhstan Temir Zholy Finance B.V. and JSC Kaztemirtrans for the amount of 800,000,000 US Dollars.

On November 8, 2012 the Issuer issued Eurobonds in the amount of 300,000,000 US Dollars with the maturity date on July 10, 2042 (tranche 4), which were granted to the subsidiary of JSC NC KTZh – JSC Locomotive and the Company. The interest rate consists of coupon rate on Eurobonds, non-resident withholding income tax rate, and the margin set according to the legislation of the Kingdom of Netherlands. Interest is payable semiannually on May 8 and November 8.

In conjunction with the replacement of initial issuer Kazakhstan Temir Zholy Finance BV to JSC NC KTZh on debt securities issued under tranches No.3, No.4 and No.5 during 2014 the Company, its subsidiary Kazakhstan Temir Zholy Finance BV and JSC NC KTZh concluded an addendum to the initial intragroup loan agreement on the replacement of the initial lender of Kazakhstan Temirzholy Finance BV to JSC NC KTZh on the loans received in the total amount of 1,290,000,000 US Dollars, (234,742,000 thousand tenge as at the dates of transfer). The annual interest rate is 6.95%. The interest on loan 1 is payable semiannually on January 8 and July 8. The interest on loan 2 is payable semi-annually on May 6 and November 6. The annual interest rate is 5.578%. . The interest on loan 3 is payable semi-annually on April 4 and October 4. The annual interest rate is 6.375%.

These loans are denominated in tenge and subject to indexation of principal amount in accordance with US Dollars exchange rate of National Bank of the Republic of Kazakhstan as at each payment date and quarterly as at reporting dates for the purpose of liabilities accounting.

18. TRADE ACCOUNTS PAYABLE

Trade accounts payable comprised the following as at December 31:

	<u>2014</u>	<u>2013</u>
Accounts payable to related parties (Note 30)	3,814,834	5,464,988
Accounts payable to third parties	<u>5,213,130</u>	<u>4,514,175</u>
	<u>9,027,964</u>	<u>9,979,163</u>

As at December 31, 2014 and 2013 trade accounts payable of the Group were mainly represented by accounts payable for property, plant and equipment, inventory and the services for repairs of carriages and wheel pairs.

JOINT STOCK COMPANY KAZTEMIR`RANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

As at December 31, trade accounts payable were denominated in various currencies as follows:

	<u>2014</u>	<u>2013</u>
Tenge	8,597,853	9,928,125
Russian ruble	92,061	51,038
US Dollar	338,050	-
	<u>9,027,964</u>	<u>9,979,163</u>

19. TAXES PAYABLE AND OBLIGATORY PAYMENTS TO BUDGET

As at December 31, taxes payable and obligatory payments to budget comprised the following:

	<u>2014</u>	<u>2013</u>
Withholding tax on non-residents	401,675	671,813
Pension contribution	47,372	32,323
Personal income tax	22,453	26,112
Social contribution liabilities	19,874	12,117
Social tax	14,632	19,728
Other	325,723	202,864
	<u>831,729</u>	<u>964,957</u>

20. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following as at December 31:

	<u>2014</u>	<u>2013</u>
Advances received for carriage operator services	2,043,276	2,468,466
Advances received for rent of cargo carriages	1,072,177	42,994
Advances received for sales of scrap metal	709,145	917,014
Advances received for freight services	603,482	536,979
Unused vacation reserve	154,594	150,551
Tender participant's guarantees	58,134	41,982
Payables to employees	40,703	34,163
Other	81,228	93,906
	<u>4,762,739</u>	<u>4,286,055</u>

As at December 31, 2014 and 2013, other current liabilities were denominated in tenge.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

21. REVENUE FROM SERVICES PROVIDED

Revenue from services provided for the years ended December 31, comprised the following:

	<u>2014</u>	<u>2013</u>
Revenue from carriage operator services	83,194,920	73,569,839
	<u>100,570,457</u>	<u>100,477,175</u>

For the year ended December 31, 2014, 97% of revenue from carriage operator services was received from companies that are residents of the Republic of Kazakhstan (2013: 93%).

22. COST OF SERVICES PROVIDED

Cost of services provided for the years ended December 31, comprised the following:

	<u>2014</u>	<u>2013</u>
Railway tariff	39,985,135	36,425,071
Depreciation and amortization	21,184,749	19,752,042
Cargo carriages and spare parts repair expenses	13,444,009	7,361,666
Material and services	7,014,658	5,309,893
Personnel costs, including short-term provisions	1,520,187	1,311,852
Security expenses	264,311	322,897
Other services	1,961,498	1,941,797
	<u>85,374,547</u>	<u>72,425,218</u>

Personnel costs for the years ended December 31, comprised the following:

	<u>2014</u>	<u>2013</u>
Salaries	1,350,753	1,178,592
Social tax (Note 14)	166,647	137,041
Unused vacation provision accrual/(recovery)	2,787	(3,781)
	<u>1,520,187</u>	<u>1,311,852</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

23. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, comprised the following:

	<u>2014</u>	<u>2013</u>
Taxes	2,794,954	3,844,144
Personnel costs, including short-term provisions	1,505,291	1,809,606
Allowance for doubtful debts	485,185	200,576
Depreciation and amortization	330,797	317,302
Professional services (consulting, audit, legal)	178,093	145,495
Operating lease expenses	163,370	157,272
Other services	659,018	755,790
	<u>6,116,708</u>	<u>7,230,185</u>

Personnel costs for the years ended December 31, comprised the following:

	<u>2014</u>	<u>2013</u>
Salaries	1,340,505	1,613,840
Social tax (Note 14)	163,532	191,955
Accrual of unused vacation provision	1,254	3,811
	<u>1,505,291</u>	<u>1,809,606</u>

24. FINANCE INCOME

Finance income for the years ended December 31, comprised the following:

	<u>2014</u>	<u>2013</u>
income on short-term investments and deposits	694,037	310,803
Finance income on bank accounts	70,386	476,279
	<u>764,423</u>	<u>787,082</u>

25. FINANCE COSTS

Finance costs for the years ended December 31, comprised the following:

	<u>2014</u>	<u>2013</u>
Finance costs on long-term loans	6,148,494	5,613,071
Finance costs on long-term bank loans	15,032,111	14,578,405
Amortization of discount on long-term loans	84,996	32,311
	<u>21,265,601</u>	<u>20,223,787</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

26. FOREIGN EXCHANGE LOSS

On February 11, 2014, the National Bank of the Republic of Kazakhstan took the decision to temporarily reduce its intervention in setting the tenge exchange rate. As a result, the official exchange rate of tenge to US Dollar fell to KZT 184.5 per US Dollar as at February 13, 2014, i.e. by approximately 19%. The foreign exchange loss for 2014 mainly incurred due to debts securities issued and loans of the Company, as the major part were denominated in foreign currency (Notes 16 and 17).

27. OTHER INCOME

Other income for the years ended December 31 included:

	<u>2014</u>	<u>2013</u>
Income from disposal of property, plant and equipment	201,800	339,965
Income from disposal of scrap metal and spare parts	270,603	18,596
Income from materials recognition resulted from other long term assets liquidation	159,239	37,174
Penalties on non-fulfilment of contracts	38,662	286,918
Income from recovery of claims	94,216	56,123
Income from rent	-	1,920
Other	201,804	55,136
	<u>966,324</u>	<u>795,832</u>

28. COMMITMENTS AND CONTINGENT LIABILITIES

Contractual commitments

As at December 31, 2014 and 2013, the Company had contractual commitments of 3,233,108 thousand tenge and 39,992,322 thousand tenge, respectively. These commitments include amounts on acquisition of property, plant and equipment.

Legal claims

The Company is subject to various legal proceedings related to business operations, such as property damage claims. The Company does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Company's separate financial position or results of operations.

Compliance with the legislation

Since the Company has a dominant (monopolist) position in the market of operator services of platforms, operator services of carriages, rent of railway carriages, the Agency on Regulation of National Monopolies monitors tariffs (prices) for these services.

The Company assesses the likelihood of occurrence of material liabilities and accrues provisions in its separate financial statements only when it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated.

No provision has been made in these separate financial statements for any of the contingent liabilities mentioned above.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) *(in thousands of Kazakhstani tenge)*

Contingent liabilities related to Kazakhstani taxation system

Different Kazakhstani legislative acts and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are quite usual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstani laws, decrees and related regulations is severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes additionally accrued. Interest is assessed at 22.5%. As a result, penalties and interest can result in amounts that are multiples of any incorrectly reported taxes resulting in an understatement.

The Management of the Company believes that it has paid or accrued all taxes that are applicable. Where practice concerning the provision of taxes is unclear, the Company has accrued tax liabilities based on management's best estimate. The Company's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

The risk in the application of a reduced rate of withholding tax for non-resident is possible, in the cases, when the final (actual) recipient of the income may be other non-residents of the Republic of Kazakhstan.

Because of the uncertainties associated with the Kazakhstani tax system, the potential amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at December 31, 2014. It is not practicable to determine the amount of unasserted claims that may arise, if any, or the likelihood of any unfavorable outcome.

Insurance

The Company is obliged to insure the employer's responsibility for injuries of employees, and responsibility of the owner of vehicle.

In 2014 and 2013, significant portion of property, plant and equipment of the Company was not insured. The Company did not have insurance coverage for business interruption and liability for damage to third parties' property or environmental damage arising from accidents with the Company's property or relating to the Company's operations.

Guarantees

On May 11, 2006, the Issuer issued two tranches of Eurobonds totaling 800,000 thousand US Dollars which circulate outside of the United States of America in accordance with Regulation S under the United States Securities Act of 1933. On May 11, 2011 the Issuer repaid tranche 1 in the amount of 450,000 thousand US dollars. Under the trust agreement signed with the Issuer and other participants of the issue of Eurobonds the Parent, the Company and JSC Locomotive provide jointly and individually an unconditional and irrevocable guarantee for timely repayment of the principal and accrued interest on the Eurobonds.

On October 6, 2010 the Issuer issued Eurobonds totaling 700,000 thousand US Dollars (Note 17), in accordance with Rule 144A/Regulation S under the United States Securities Act. Under the trust agreement signed with the Issuer and other participants of the issue of Eurobonds the Parent, the Company and JSC Locomotive provide jointly and individually an unconditional and irrevocable guarantee for timely repayment of the principal and accrued interest on the Eurobonds. Guarantee period is 10 years.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) *(in thousands of Kazakhstani tenge)*

On November 8, 2012, the Issuer issued Eurobonds totaling 300,000 thousand US Dollars (Note 17), in accordance with Rule 144A/Regulation S under the United States Securities Act. Under the trust agreement signed with the Issuer and other participants of the issue of Eurobonds the Parent, the Company and JSC Locomotive provide jointly and individually an unconditional and irrevocable guarantee for timely repayment of the principal and accrued interest on the Eurobonds. Guarantee period is 30 years.

On November 26, 2012, the Company provided a guarantee jointly with the Parent to the benefit of JSC Locomotive in the framework of the credit agreement concluded between JSC Locomotive and Export-Import Bank of USA on 424,856,806 US Dollars. Guarantee period is 10 years.

On December 3, 2010 the Company provided guarantees within the loan agreement between Kazakhstan Carriage Construction Company LLP and JSC ATF Bank on 1,495,000 thousand tenge with maturity till December 4, 2017.

On February 19, 2010, the Company provided guarantees within the loan agreement between Kazakhstan Carriage Construction Company LLP and JSC BRK on 679,542 thousand tenge with maturity of 5 years.

On February 26, 2010 a bank loan agreement was signed by JSC Development Bank of Kazakhstan and Kazakhstan Carriage Construction Company LLP ("KVK") for the amount of 1,450,542 thousand tenge. This loan was secured by pledged equipment and future cash receipts, guarantees of the Company and Repair Corporation Kamkor LLP. As disclosed in Note 5, on December 31, 2014 the Company and the buyer Kamkor Wagon LLP concluded a sale contract of 69.94% share in Kazakhstan Carriage Construction Company LLP, however, as at this date the ownership had not been transferred to the buyer. In accordance with this contract, the guarantee liabilities are transferred to the buyer at the date of ownership transfer.

On December 3, 2010 an agreement was signed by JSC ATF Bank and Kazakhstan Carriage Construction Company LLP to open a non-renewable credit line for the amount of 2,428,091 thousand tenge with drawdown option in tenge and in US Dollars. The loan is secured by pledged equipment and future cash receipts, guarantee of the Company of 1,495,000 thousand tenge. As disclosed in Note 5, on December 31, 2014 the Company and the buyer Kamkor Wagon LLP concluded a sale contract of 69.94% share in Kazakhstan Carriage Construction Company LLP. In accordance with this contract, the guarantee liabilities are transferred to the buyer at the date of ownership transfer.

On June 20, 2014 the Company and JSC Locomotive jointly provided a guarantee for the issuer JSC NC KTZh under the issue of debt securities in accordance with Rule 144A/Regulation S under the United States Securities Act, for the amount of 185,000,000 Swiss francs. Under the trust agreement signed with the issuer and other participants of the issue of bonds the Company and JSC Locomotive provide jointly and individually an unconditional and irrevocable guarantee for timely repayment of the principal and accrued interest on the bonds. Guarantee period is 8 years.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

On June 20, 2014 the Company and JSC Locomotive jointly provided a guarantee for the issuer JSC NC KTZh under the issue of debt securities in accordance with Rule 144A/Regulation S under the United States Securities Act, for the amount of 100,000,000 Swiss francs. Under the trust agreement signed with the issuer and other participants of the issue of bonds the Company and JSC Locomotive provide jointly and individually an unconditional and irrevocable guarantee for timely repayment of the principal and accrued interest on the bonds. Guarantee period is 5 years.

As at December 31, 2014 and 2013, the Company did not have any liabilities related to those guarantees.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's major financial instruments are loans, cash, short-term deposits and other financial assets, as well as accounts receivable and accounts payable. Applicable risks to the Company's financial instruments are interest rate risk, foreign currency risk and credit risk. The Company also monitors the market risk and liquidity risk arising on all of its financial instruments.

Capital risk management

The Company manages capital risk to ensure that the Company can continue as a going concern maximizing profits for its Parent and optimizing debt to equity ratio.

The Company's capital structure includes share capital and retained earnings as disclosed in the separate statement of changes in equity.

Summary of significant accounting policies

The significant accounting policies and adopted methods, including criteria of recognition, basis for estimates and the basis for recognition of income and expenses with respect to each class of financial assets, financial liabilities and equity instruments are disclosed in Note 2 to the separate financial statements.

Objectives of financial risk management

Risk management is an essential element of the Company's operations. The Company monitors and manages financial risks relating to the Company's operations through internal reports on risks which describe the exposure to risk by the degree and size of risks. These risks include the market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and interest rate risk related to cash flow. The description of the Company's risk management policies in relation to those risks follows.

Interest rate risk

Interest rate risk is the risk of changes in market interest rates which can result in decrease of returns on investments and increase in cash outflow on borrowings of the Company. The Company limits the interest rate risk by monitoring changes in interest rates in currencies in which cash, investments and borrowings are denominated, and through receipt of borrowings with fixed interest rates and floating interest rates.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

The Company's exposure to the interest rate risk relates mainly to deposits, other financial assets and long-term borrowings (Notes 9, 16 and 17). The weighted average effective interest rates were as follows for the years ended December 31:

	2014 (% per annum)	2013 (% per annum)
Deposits: Tenge	7.6%	-
Deposits: US Dollars	4-5%	4.2%-4.5%
Non-current debt liabilities		
Long-term loans: US Dollars	7.84%	3.19-7.8%
Long-term loans: Tenge	5.578-7.2%	7.2%

Interest rate risk, sensitivity analysis

Mainly, changes in interest rates have an impact on loans, by changing their fair value (liabilities with fixed interest rates), or future cash flows on them (liabilities with floating rates).

The analysis below presents sensitivity in terms of fluctuation of interest rates on non-derivative instruments as at the reporting date. As for the liabilities with floating interest rates, the analysis was prepared based on the assumption that the amount of outstanding liabilities remained outstanding for the whole year. In preparation of management reports on interest rate risks for the key management of the Company, an assumption is made that the interest rate will be changed by 1% which is in compliance with the management's expectations regarding reasonably possible fluctuations of interest rates.

If interest rates on liabilities were 1% more/less and all other variables remained unchanged, the Company's profit for the year ended December 31, 2014 and retained earnings as at December 31, 2014 would decrease/increase by 298,827 thousand tenge (2013: 785,645 thousand tenge).

Currency risk

The Company's short-term and long-term payables are denominated in US Dollars and recognized in tenge. The decrease in the exchange rate of tenge to US Dollar can result in increase of expenses of the Company. The Company limits foreign currency risk by monitoring changes in exchange rates in the currencies in which its cash and loans are denominated.

Foreign currency sensitivity analysis

The Company is mainly exposed to change in US Dollar exchange rates.

The following table reflects the Company's sensitivity to 20% increase and decrease in the value of tenge with respect to US Dollar. 20% - is sensitivity rate used in preparation of internal reports on currency risk for key management and represents the management's evaluation of reasonably possible changes in exchange rates. The sensitivity analysis includes only outstanding monetary positions in foreign currency and adjusts their balance at the end of the period taking into account 20% of change in exchange rates. The sensitivity analysis includes a) cash b) other financial assets c) loans; when cash, other financial assets and loans are denominated in US Dollar. The following table indicates changes in financial assets and liabilities, in case of strengthening of tenge by 20% with respect to the relevant currency. The positive figure indicates the increase in profits for the reporting period and negative indicates the decrease in profits. In case of weakening of tenge by 20% with respect to the relevant currency, there will be an equal and opposite effect on profits.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

	Effect of US Dollar	
	2014	2013
Financial assets	(1,343,540)	(2,520,814)
Financial liabilities	53,084,454	45,844,881
Net effect	51,740,914	43,324,067

It mainly relates to risk on the Company's bank deposits and long-term loans denominated in US Dollars at the end of the year.

The carrying value of financial assets and financial liabilities denominated in foreign currencies as at December 31 is presented below:

	Financial assets		Financial liabilities	
	2014	2013	2014	2013
US Dollars	6,717,698	12,604,069	265,422,270	229,224,406
Russian ruble	148,678	280,685	92,061	51,038
Euro	-	158	-	-

Credit risk

The credit risk arising from counterparties' failure to meet the terms of the agreements with financial instruments of the Company is usually limited to the amounts, if any, by which the amount of liabilities of counterparties exceeds the liabilities of the Company to these counterparties. The Company's policy provides for conduct of operations with financial instruments with a number of solvent counterparties. The maximum exposure to the credit risk is represented by the carrying value of each financial asset.

The concentration of the credit risk can arise in the case of several debts from one borrower or group of borrowers with similar borrowing terms for which there is a basis to expect that changes in economic terms or other circumstances can equally affect their capacity to meet their obligations.

The Company's policy provides for constant control over transactions to be held with customers who have adequate credit history and that the transactions do not exceed set credit limits.

As at December 31, 2014 the Company, primarily, placed cash on current and deposit accounts of banks with credit rating level not lower than "B" according to the rating system of Standard & Poor's.

Market risk

The market risk is the risk of possible fluctuations in the value of the financial instrument as a result of changes in market prices. Due to the fact that the Company has a dominating position on the market, the risk of possible fluctuations in the value of the financial instruments is remote.

Liquidity risk

The Company's Parent is liable for managing liquidity risk having created a liquidity risk management system for the Company management that meets requirements for managing liquidity and short-term, medium-term and long-term financing. The Company manages the liquidity risk by maintaining adequate reserves, loans and accessible credit lines, monitoring potential and actual cash flows and comparing the maturity dates of financial assets and liabilities.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

Liquidity risk tables

The following tables reflect contractual terms of the Company for its non-derivative financial liabilities. The table was prepared based on the undiscounted cash flows on financial liabilities on the basis of the earliest date at which the Company will be required to pay. The table includes cash flows both on interest and principal.

	Weighted average effective interest rate	Up to 3 months	3 months – 1 year	1-5 years	Above 5 years	Total
December 31, 2014						
<i>Non-interest bearing:</i>						
Trade accounts payable	-	9,027,964	-	-	-	9,027,964
Other current liabilities	-	582,540	-	-	-	582,540
<i>Interest bearing:</i>						
Loans with fixed interest rate	5.578-7.20%	-	19,813,856	133,669,616	510,258,756	663,742,228
Loans with floating interest rate	3.20%-3.615%	-	8,570,860	25,892,240	629,077	35,092,177
December 31, 2013						
<i>Non-interest bearing:</i>						
Trade accounts payable	-	9,979,163	-	-	-	9,979,163
Other current liabilities	-	170,051	-	-	-	170,051
<i>Interest bearing:</i>						
Loans with fixed interest rate	7.17%-7.20%	-	4,745,919	130,319,147	472,969,455	608,034,521
Loans with floating interest rate	3.19%-3.61%	-	7,543,700	27,444,198	1,636,288	36,624,186

The following table reflects expected maturities of non-derivative financial assets of the Company. The table was prepared based on undiscounted contractual terms of financial assets, including interest to be received on these assets, except when the Company expects the cash flow in a different period.

	Weighted average effective interest rate	Up to 3 months	3 months – 1 year	1-5 years	Above 5 years	Total
December 31, 2014						
<i>Non-interest bearing:</i>						
Cash and cash equivalents	-	457,109	-	-	-	457,109
Trade accounts receivable	-	-	17,071,527	364,991	-	17,436,518
Other current assets	-	821,590	-	454,375	-	1,275,965
<i>Interest bearing:</i> Other financial assets	4-5%	-	6,742,454	-	-	6,742,454
December 31, 2013						
<i>Non-interest bearing:</i>						
Cash and cash equivalents	-	4,391,854	-	-	-	4,391,854
Trade accounts receivable	-	5,807,532	-	118,945	-	5,926,477
Other current assets	-	766,032	-	-	-	766,032
<i>Interest bearing:</i> Other financial assets	4.2-4.5%	-	12,785,798	-	-	12,785,798

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

Fair values of financial instruments

The following methods and assumptions were used by the Company to estimate the fair value of financial instruments:

Cash

The carrying value of cash approximates their fair value due to the short-term nature of maturity of these financial instruments.

Trade and other accounts receivable and payable

For assets and liabilities with maturity less than twelve months the carrying value approximates fair value due to the short-term nature of maturity of these financial instruments.

For assets and liabilities with maturity longer than twelve months the carrying value represents the current value of estimated future cash flows discounted using market rates effective as at the end of the reporting year.

Loans

Average market rates on borrowed funds were as follows as at December 31:

	2014 (% per annum)	2013 (% per annum)
Tenge		
with maturity from 1 to 5 years	10.3	8.5
with maturity over 5 years	10.9	11.3
Foreign currencies		
with maturity from 1 to 5 years	9.6	9.3
with maturity over 5 years	8.6	7.4

As at December 31, 2014 fair value of long-term loans received from JSC NC KTZh (as at December 31, 2013: received from Kazakhstan Temir Zholy B.V.) was as follows:

Loans No.	Maturity date	December 31 2014	December 31 2013
No.3	October 6, 2020	52,609,117	48,663,152
No.4	July 10, 2042	144,983,372	123,866,001
No.5	July 10, 2042	36,404,000	25,845,406
		233,996,489	198,374,559

The fair value hierarchy of the loans is Level 2. There were no transfers between the Levels during the year.

Management believes that carrying value of bank loans approximately equal to fair value.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

30. RELATED PARTY TRANSACTIONS

Due to and from the related parties as at December 31, 2014 and 2013 transactions with related parties (including profit oriented state-owned entities) for the years then ended are presented as follows:

Revenue from related parties

	Nature of transaction	2014	2013
JSC NC Kazakhstan Temir Zholy	Rent out carriages	11,687,876	15,137,917
JSC Center of Transportation Services	Operating	1,955,034	1,018,634
Regional forward logistics LLP	Operating of carriages	709,716	-
Repair Corporation Kamkor LLP	Rent out carriages	650,854	681,033
JSC Kaztransservice	Repair services	317,959	271,769
JSC Center of Transportation Services	Repair of carriages	115,315	36,944
JSC NC Kazakhstan Temir Zholy	Auxiliary services CDRs	80,384	103,110
JSC Transtelecom	Repair services (auxiliary services)	67,909	61,650
JSC Locomotive	Rent	60,323	29,335
JSC Temirzholsu	Rent	42,176	102,720
JSC NC Kazakhstan Temir Zholy	Fines received	43,229	4,886
JSC Passenger Transportation	Rent	23,046	26,490
JSC Center of Transportation Services	Parking rent	20,515	19,134
JSC Center of Transportation Services	Fines received	17,601	3,466
Repair Corporation Kamkor LLP	Sale of inventory	9,155	62,767
JSC Locomotive Service Center	Rent	4,914	8,668
JSC Almaty carriage repair plant	Rent	1,910	1,622
JSC Remlocomotive	Repair services (auxiliary services)	941	848
JSC Passenger Transportation	Repair services (auxiliary services)	899	566
JSC Locomotive	Repair of carriages (auxiliary services)	505	29
JSC Center of Transportation Services	Penalties received	202	233
JSC Lesozashita	Rent	3	14
Repair Corporation Kamkor LLP	Repair services (auxiliary services)	-	48,792
Kazakhstan Carriage Construction Company	Sale of inventory	-	21,150
JSC Transtelecom	Rent	-	2,907
Repair Corporation Kamkor LLP	Penalties received	-	11,497
JSC Vokzal servis	Rent	-	114
JSC Temirzholsu	Repair services (auxiliary services)	-	18
		15,810,466	17,656,313

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kazakhstani tenge)

Purchases from related parties

	Nature of transaction	2014	2013
JSC NC Kazakhstan Temir Zholy	Railway tariff	30,285,296	31,114,231
Kazakhstan Carriage Construction Company LLP	Purchase of carriages	10,180,933	21,150,205
Repair Corporation Kamkor LLP	Repair of cargo carriages	8,393,662	5,049,319
JSC Center of Transportation Services	Operating	3,498,273	-
	Rent, repair and maintenance, copying,		
JSC NC Kazakhstan Temir Zholy	Training	1,043,007	848,595
Regional forward logistics LLC	Operating	526,189	-
Ertys service LLP	Flushing-steaming	492,309	518,705
KazyKurt-Yug LLP	Flushing-steaming	417,919	435,040
JSC Militarized Railway Guard	Security services	264,311	322,896
TsAz, branch of JSC NC Kazakhstan Temir Zholy	Building maintenance	222,634	210,182
JSC Transtelecom	Rent	120,006	112,112
JSC Transtelecom	Communication services	80,127	83,923
Repair Corporation Kamkor LLP	Sale of inventory	65,747	62,762
JSC Kazakh academy of transportation and communication	Rent	25,942	1,324
JSC Temirzholsu	Water, drain	10,391	10,160
Repair Corporation Kamkor LLP	Other	9,090	8,501
JSC Temirzholsu	Rent	6,425	6,059
JSC Passenger Transportation	Tickets	3,149	2,943
JSC Vokzal Servis	Rent	1,658	1,341
JSC Center of Transportation Services	Other	1,330	593
JSC Locomotive Service Center	Rent	317	286
Repair Corporation Kamkor LLP	Repair of inventory	-	23,155
Kazakhstan Carriage Construction Company LLP	Sale of inventory	-	21,150
JSC Kaztransservice	Other	-	1,783
LLP Research and development institute of technology	Rent	-	9,415
		55,648,715	59,994,680

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

Trade accounts receivable from related parties (Note 8)

	Nature of transaction	2014	2013
JSC NC Kazakhstan Temir Zholy	Operating	7,475,849	-
Kazakhstan Carriage Construction Company LLP	Carriage purchase	4,549,082	1,471,571
Kazakhstan Carriage Construction Company LLP	Rent out carriages	2,604,045	-
JSC Center of Transportation Services	Repair of carriages	808,529	326,277
JSC Kedentrasservice	Operating	160,168	-
JSC NC Kazakhstan Temir Zholy	Construction of building	134,196	-
JSC NC Kazakhstan Temir Zholy	Repair of spare parts	125,021	-
JSC Kaztransservice	Repair of carriages	83,006	78,361
Regional forward logistics LLC	Operating	78,394	-
Repair Corporation Kamkor LLP	Repair of carriages	14,774	58,178
LLP Research and development institute of transport	Research documentation	5,625	-
JSC Kazakh academy of transportation and communication	Research documentation	2,794	-
JSC Bogatyr Komir	Operating	746	-
JSC Locomotive	Rent out carriages	566	88
JSC Passenger Transportation	Rent	464	239
JSC Locomotive	Repair of carriages	339	-
JSC Kaztransoil	Operating	107	-
JSC NC Kazakhstan Temir Zholy	Rent of carriages	-	201,397
Ertys service LLP	Washing, steaming wagons	-	26,430
JSC NC Kazakhstan Engineering (JSC Semipalatinsk Machinery Plant)	Services	-	733
		16,043,705	2,163,274

Advances paid to related parties (Note 11)

	Nature of transaction	2014	2013
JSC NC Kazakhstan Temir Zholy	Freight-forwarding services	184,287	1,245,257
JSC NC Kazakhstan Engineering	Spare parts	16,443	11,921
JSC Kazpost	Post services	2,110	1,895
JSC NC KazTransGas Aimak	Fuel	1,175	1,105
JSC Kazmunaigaz onimderi	Fuel	2	-
LLP Samruk Kazina Contract	Others	-	2,201
JSC NC Kazakhstan Temir Zholy	CDRs	-	75
		204,017	1,262,454

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

Trade accounts payable to related parties (Note 18)

	Nature of transaction	2014	2013
JSC Center of Transportation Services	Rent of space	1,623,834	40,569
Repair Corporation Kamkor LLP	Repair of carriages	1,269,253	998,066
Branch of JSC "NC Kazakhstan Temir Zholy CRS	Delay of trains	592,004	428,160
Kazakhstan Carriage Construction Company LLP	Carriage purchase	219,938	3,604,775
JSC Militarized Railway Guard	Security services	45,407	60,025
JSC Transtelecom	Communication services	29,988	11,567
JSC Kazakhstan Academy of transport and communication	Seminar	29,054	969
JSC Temirzholsu	Water, drain, rent of premises	2,218	1,633
Regional forward logistics LLC	Operating	1,852	-
JSC Passenger Transportation	Tickets	588	549
JSC Vokzal Servis	Rent	379	383
JSC Center of Transportation Services	Rent	230	114
JSC Almaty carriage repair plant	Operating wagons	89	100
Ertys service LLP	Flushing-steaming	-	173,880
KazyKurt-Yug LLP	Flushing-steaming	-	94,890
JSC NC Kazakhstan Engineering	Other	-	26,240
JSC NC Kazakhstan Temir Zholy	Dividends	-	20,776
LLP Research and development institute of transport	Research documentation	-	1,757
JSC Locomotive Service Center	Rent of space	-	334
JSC Kazpost	Other	-	189
JSC Kazakhtelecom	Other	-	12
		3,814,834	5,464,988

Advances received from related parties

	Nature of transaction	2014	2013
JSC Kedentransservice	Rent of carriages	832,937	589,005

Loans received from related parties and interest payable (Note 17)

		2014	2013
JSC NC Kazakhstan Temir Zholy	Principal amount	234,499,138	-
	Interest payable	499,220	-
Kazakhstan Temir Zholy Finance B.V.	Principal amount	-	197,506,932
	Interest payable	-	425,919
		234,998,358	197,932,851

Outstanding balances at year-end are unsecured, interest free, while settlement is made in cash. For the years ended December 31, 2014 and 2013, the Company did not make any allowance for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED) (in thousands of Kazakhstani tenge)

Transactions with profit oriented state-owned entities were as follows for the years ended December 31:

	Description of transaction	<u>2014</u>	<u>2013</u>
JSC Kedentransservice	Rent out carriages, Operating	6,471,555	-
JSC Bogatyr Komir	Operating	3,462,446	3,918,343
JSC NC KazMunaiGas	Operating	3,177,680	2,184,056
JSC KazMunaiGas Onimderi	Operating	241,879	23
JSC Kazcink	Operating	90,127	-
JSC Air Astana	Operating	27,475	5,243
JSC JV KATKO	Operating	9,826	-
JSC Intergaz Central Asia	Operating	9,474	
JSC NC Kazakhstan Engineering (Plant named after Kirov)	Operating	6,254	8,838
JSC NAC Kaztomprom (JSC Ulba metallurgical plant)	Rent out carriages	5,587	3,559
JSC Kaztransoil	Operating services	5,469	-
JSC KazMunaiGas Exploration and development	Operating services	1,368	-
JSC Samruk Energo	Operating services	503	591
Samruk Kazyna Contract LLP	Map of monitoring	-	12,719
JSC BTA Bank	Insurance	-	8,753
JSC NC Kazakhstan Engineering (Plant named after Kirov)	Spare parts supply	-	11,543
JSC Kaztransoil	Operating	-	5,063
JSC Kaztrans Gas Aimak	Fuel	-	2
JSC Kazakhtelecom	Communication services	-	69
JSC Kazpost	Postal services	-	10,255
		<u>13,509,643</u>	<u>6,169,057</u>

Remuneration to key management personnel of the Company

The key management personnel consisted of 11 persons as at December 31, 2014 and 2013. Remuneration to key management personnel for the years ended December 31 was as follows:

	<u>2014</u>	<u>2013</u>
Salaries	125,561	120,753
Pension deductions	11,070	11,945
Social tax	10,694	10,344
Income tax	11,850	10,751
Social deductions	1,505	1,245
	<u>160,680</u>	<u>155,038</u>