



**JOINT STOCK COMPANY
KAZTEMIRTRANS**

**Separate financial statements
for the year ended 31 December 2015**

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 31 DECEMBER 2015**

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 31 December 2015, 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:

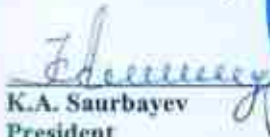
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient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

These separate financial statements of the Company for the year ended 31 December 2015 were approved by management of Joint Stock Company Kaztemirtrans on 24 February 2016.

On behalf of Management:


K.A. Saurbayev
President




E.M. Akhmerzin
Vice-President of Economics
and Finance


I.A. An
Chief Accountant

24 February 2016

24 February 2016

24 February 2016

Astana, Republic of Kazakhstan

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 31 December 2015, 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 31 December 2015, and its financial performance and its cash flows for the year 2015 in accordance with International Financial Reporting Standards.

Emphasis of matter

As described in Note 8 to the separate financial statements as at 31 December 2015, 81% of the Company's trade accounts receivable 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 authorised for issue on 24 February 2016.

Our opinion is not qualified in respect of these matters.

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Olga Belonogova
Engagement partner
Chartered accountant
Oregon, USA
License №10687
2 December 2003



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

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
on 13 September 2006



N. B.
Nurlan Bekenov
General Director
Deloitte LLP

24 February 2016
Almaty, Republic of Kazakhstan

JOINT STOCK COMPANY KAZTEMIRTRANS

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (in thousands of tenge)

	Notes	31 December 2015	31 December 2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	367,147,193	383,380,650
Intangible assets		370,417	496,487
Investments in joint ventures	4	800,690	527,273
Investments in subsidiaries	5	5,406,821	2,311,084
Other non-current assets	6	4,182,751	14,652,209
Total non-current assets		377,907,872	401,367,703
CURRENT ASSETS			
Inventories	7	4,076,961	5,145,474
Trade accounts receivable	8	8,405,531	17,071,527
Other financial assets	9	6,088,314	6,709,168
Prepaid income tax		72,867	602,761
Other recoverable taxes	10	2,646,935	5,757,884
Other current assets	11	7,022,520	674,721
Cash and cash equivalents	12	4,300,619	457,109
		32,613,747	36,418,644
Non-current assets classified as held for sale	13	5,119,899	3,318,916
Total current assets		37,733,646	39,737,560
TOTAL ASSETS		415,641,518	441,105,263


JOINT STOCK COMPANY KAZTEMIRTRANS


SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONTINUED)


(in thousands of tenge)

	Notes	31 December 2015	31 December 2014
EQUITY			
Share capital	14	67,726,866	67,726,866
(Accumulated loss)/retained earnings		(219,104,927)	19,925,120
TOTAL (EQUITY DEFICIT)/EQUITY		(151,378,061)	87,651,986
NON-CURRENT LIABILITIES			
Employee benefit obligations		269,360	153,339
Long-term loans	16	89,507,891	82,854,025
Long-term loans from Parent	17	437,210,067	234,499,138
Deferred income tax liabilities	15	10,368,220	13,387,761
Total non-current liabilities		537,355,538	330,894,263
CURRENT LIABILITIES			
Current portion of long-term loans	16	13,631,259	7,423,837
Current portion of long-term loans from Parent	17	3,826,918	499,220
Current portion of employee benefit obligations		14,524	13,525
Trade accounts payable	18	5,955,322	9,027,964
Taxes payable and obligatory payments to budget	19	1,615,291	831,729
Other current liabilities	20	4,620,727	4,762,739
Total current liabilities		29,664,041	22,559,014
TOTAL LIABILITIES AND EQUITY		415,641,518	441,105,263

On behalf of Management:


K.A. Saurbayev
President


E.M. Akhmetov
Vice-President of Economics
and Finance


I.A. An
Chief Accountant

24 February 2016

24 February 2016

24 February 2016

The notes on pages 10-47 are an integral part of these 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 31 DECEMBER 2015 (in thousands of tenge)

	Notes	2015	2014
Revenue from services provided	21	77,836,350	106,576,439
Cost of services provided	22	(63,731,789)	(85,374,547)
Gross profit		14,104,561	21,201,892
General and administrative expenses	23	(7,915,532)	(6,116,708)
Finance income		456,427	764,423
Finance costs	24	(24,907,439)	(21,265,601)
Foreign exchange loss	25	(224,646,570)	(40,661,974)
Gain from the disposal of subsidiaries		-	1,308,152
Impairment a subsidiary	5	-	(2,346,399)
Other income		1,619,455	966,324
Loss before income tax		(241,289,098)	(46,149,891)
Corporate income tax benefit	15	2,276,605	7,247,670
Loss for the year		(239,012,493)	(38,902,221)
Other comprehensive (loss)/income: <i>Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss:</i>			
Actuary (losses)/income on a fixed payment pension plan		(17,554)	2,440
Other comprehensive (loss)/income for the year		(17,554)	2,440
Total comprehensive loss for the year		(239,030,047)	(38,899,781)

On behalf of Management:


K.A. Saurbayev
President


E.M. Akhmarzin
Vice-President of Economics
and Finance


I.A. An
Chief Accountant

24 February 2016

24 February 2016

24 February 2016

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JOINT STOCK COMPANY KAZTEMIRTRANS

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of tenge)

	Notes	2015	2014
Cash flows from operating activities:			
Loss before income tax		(241,289,098)	(46,149,891)
Adjustments for:			
Depreciation and amortisation	22, 23	21,618,821	21,515,546
Finance costs	24	24,907,439	21,265,601
Finance income		(456,427)	(764,423)
Other income		(1,359,012)	(467,816)
Allowances for doubtful debts	23	1,059,814	485,185
Employee benefit costs	23	99,466	1,477
Impairment a subsidiary	5	-	2,346,399
Gain from the disposal of subsidiaries		-	(1,308,152)
Foreign exchange loss	25	224,646,570	40,661,974
Operating income before changes in working capital:		29,227,573	37,585,900
Change in trade accounts receivable		8,047,071	(11,574,440)
Change in inventories		1,243,289	(2,323,674)
Change in other current assets		5,163,114	1,270,451
Change in trade accounts payable		(3,119,493)	(1,034,910)
Change in other current liabilities, in taxes payable and value added tax recoverable		3,175,322	2,692,762
Cash generated from operations		43,736,876	26,616,089
Interest paid		(22,908,621)	(18,914,677)
Income tax paid		(3,292,170)	(3,170,603)
Net cash inflow from operating activities		17,536,085	4,530,809
Cash flows from investing activities:			
Purchase of property, plant and equipment and advances paid for purchase of non-current assets		(12,074,419)	(13,026,534)
Deposits placed		(37,277,764)	(22,242,490)
Deposits withdrawn		41,347,933	30,385,656
Interest received		455,124	607,635
Proceeds from sale of other non-current assets		1,904,835	368,464
Dividends received from joint ventures		1,358,688	106,777
Net cash inflow on disposal of subsidiaries		-	1,664,434
Net cash inflow from a subsidiary		-	1,123,274
Net cash inflow on acquisition of subsidiary		-	(46)
Purchase of intangible assets		-	(63,064)
Net cash flows used in investing activities		(4,285,603)	(1,075,894)

JOINT STOCK COMPANY KAZTEMIRTRANS


SEPARATE STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of tenge)

	Notes	2015	2014
Cash flows from financing activities:			
Repayment of long-term loans		(9,085,760)	(7,045,069)
Dividends paid		-	(313,074)
Net cash flows used in financing activities		(9,085,760)	(7,358,143)
Net increase/(decrease) in cash and cash equivalents		4,164,722	(3,903,228)
Cash and cash equivalents at the beginning of the year	12	457,109	4,391,854
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(321,212)	(31,517)
Cash and cash equivalents at the end of the year	12	4,300,619	457,109
Non-cash transactions:			
Payables and receivables offset for services received from/rendered to the Parent		7,444,480	26,005,840
Reclassification of property, plant and equipment to assets classified as held for sale	13	5,119,899	242,928
Investments classified as held for sale, reclassified as investments in subsidiaries	5	3,095,737	-
Contribution of property, plant and equipment to charter capital by Parent Company	4	273,417	-

On behalf of Management:


K.A. Saurbayev
President




E.M. Akhmerzin
Vice-President of Economics
and Finance


I.A. An
Chief Accountant

24 February 2016

24 February 2016

24 February 2016

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JOINT STOCK COMPANY KAZTEMIRTRANS


SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of tenge)

	Notes	Share capital	Additionally paid-in capital	Retained earnings/ (accumulated loss)	Total equity/ (equity deficit)
At 1 January 2014		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 for the year		-	-	2,440	2,440
Total comprehensive loss for the year		-	-	(38,899,781)	(38,899,781)
Transfer due to legal registration of shares issue	14	5,429,760	(5,429,760)	-	-
Dividends	14	-	-	(313,074)	(313,074)
At 31 December 2014:		67,726,866	-	19,925,120	87,651,986
Loss for the year		-	-	(239,012,493)	(239,012,493)
Other comprehensive loss for the year		-	-	(17,554)	(17,554)
Total comprehensive loss for the year		-	-	(239,030,047)	(239,030,047)
At 31 December 2015		67,726,866	-	(219,104,927)	(151,378,061)

On behalf of Management:


K.A. Saurbayev
President




E.M. Akhmurzin
Vice-President of Economics
and Finance


I.A. An
Chief Accountant

24 February 2016

24 February 2016

24 February 2016

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JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of tenge)

I. GENERAL INFORMATION

Joint Stock Company Kaztemirtrans (the "Company") was founded according to a resolution of the Board of Directors of JSC National Company Kazakhstan Temir Zholy, the Company's sole shareholder (the "Parent" or "KTZh"). The Company was registered on 21 October 2003. However, capital was paid in several instalments starting from 14 November 2003 (the "Inception Date"), which is when the Company started its operations.

The Company's principal activity is to provide carriages operator services, rent of carriages, and provide transportation and forwarding services in the Republic of Kazakhstan and abroad. The Company is the owner of a fleet of cargo carriages in the Republic of Kazakhstan.

The Company has a dominant (monopolistic) market position as a platform and carriage operator; rent of railway carriages and operates according to the Law of the Republic of Kazakhstan "On Competition and the Regulation of Monopolistic Activities".

Following the entry into force of Government Resolution No. 1141 dated 30 December 2015 "On Certain Privatisation Issues for 2016-2020", the proposal was made to privatise JSC Kaztemirtrans as a matter of priority.

In 2015, the Company's average number of employees was 1,580 people (in 2014: 1,623).

The Company's registered office is located at: Republic of Kazakhstan, Astana, 010000, Kunayev Street 10.

The separate financial statements were approved for release by Company management, presented by the President, Vice-President of Economics and Finance, and Chief Accountant on 24 February 2016.

Operational environment

Emerging markets such as 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. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to significant decrease in national export revenue. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016 tenge depreciated significantly against major foreign currencies.

Management of the Company is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Company is at this stage difficult to determine.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) *(in thousands of tenge)*

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Statement of compliance

The Company's separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements are the 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 Company management on 24 February 2016.

Going concern

The separate financial statements of the Company have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business in the foreseeable future. As at 31 December 2015, current assets of the Company exceeded its current liabilities by 8,069,605 thousand tenge (31 December 2014: 17,178,546 thousand tenge). As at 31 December 2015 the Company's equity deficit amounted to 151,378,061 thousand tenge (equity as at 31 December 2014: 87,651,986 thousand tenge). For the year ended 31 December 2015, the total loss of the Company amounted to 239,030,047 thousand tenge (for the year ended 31 December 2014: 38,899,781 thousand tenge). The majority of the losses for 2015 are due to forex losses. As described in Note 25, the net forex loss for 2015 amounted to 224,646,570 thousand tenge (2014: 40,661,974 thousand tenge).

The management believes that the Company will continue as a going concern for the foreseeable future, due to the following:

- In accordance with the approved budget for 2016, the Company expects to generate revenue, resulting in a net profit. The increase in revenue will be driven by an increase in rental activities of the Company, which will reduce costs and maximize profits;
- The Company expects a cash inflow from the sale of assets classified as held for sale (Note 13);
- The Company's management has developed a strategy on debt portfolio management, according to which, the Company expects to refinance loans from JSC Samruk-Kazyna National Welfare Fund in 2017 and loans from KTZh in 2020;
- All loans of the Company are either guaranteed by the Parent or the Company, together with its Parent, represent the borrowing parties in credit agreements;
- The Parent provided a support letter, which confirms the intention of the participant for provision of financial and operational support to the Company. The management believes that with this support, the Company is able to achieve an adequate level of operational profit.

In assessing its going concern basis, the management have considered the Company's financial position, expected future financial performance, its borrowings, available credit facilities and its capital expenditure commitments, considerations of tariffs, currency exchange rates and other risks facing the Company. After making appropriate enquiries, management considers that the Company has adequate resources to continue in operational existence and settle its liabilities and that the going concern basis is appropriate in preparing these consolidated financial statements.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

Adoption of new and revised standards

Standards and Interpretations adopted in the current period:

In the current year, the Company has adopted for the first time the following revised Standards and Interpretations. Adoption of these amendments has not affected the amounts reported in Company's separate financial statements:

- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The application of the amendments has had no impact on the disclosures or amounts recognised in the Company's separate financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of investments portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis, includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

There is no significant effect of these amendments on the separate financial statements of the Company.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

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 effective):

	<u>Effective for annual periods beginning on or after¹</u>
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019
Adjustments to IFRS 1 <i>Initiative in the Disclosure of Information</i>	1 January 2016
Amendments to IAS 16 and IAS 38 - <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28 - <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB ²

¹ Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 can be early adopted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

New standards were issued and several existing standards were revised in 2015. The most significant changes are expected after the application of IFRS 9 and IFRS 15.

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, the 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 1 January 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.

Company's management anticipates that the application of IFRS 9 in the future may have a 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.

IFRS 15 Revenue from Contracts with Customers

Released in May 2014 IFRS 15 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 1 January 2018.

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
- Recognize revenue when (or as) the entity satisfies a performance obligation

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

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 in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The management of the Company anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

The Company has not early adopted standards, amendments and interpretations, which have been issued, but not effective.

IFRS 16 Leases

IFRS 16 Leases brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16 a lessee recognises a right-of-use asset and the lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or if that cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The Company anticipates that application of other standards, amendments or interpretations, which effective from 1 January 2016 and later, will not significantly affect standalone financial statements in the periods of their implementation.

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. Despite 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 uncertainty estimation at the reporting date, that have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Capitalisation of expenses

The Company performs capital repairs, which extend the useful lives of carriages only once during the useful life of the carriages based on the major technical inspection for faults. Technical inspection expenses are capitalised 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 by 5-16 years.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (In thousands of tenge)

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 impairment indication.

The assessment of whether there is an indication of impairment is based on a number of factors, such as change in 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.

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, an impairment is recognized. The recoverable amount is determined as 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 (adjusted WACC) that management believes reflects the current market assessment of the time value of money and the risks specific to the assets. A change in estimated recoverable value can result in impairment or reversal of impairment in the future periods.

Due to existing indicators, the Company performed an impairment test as at 31 December 2015. The key long-term assumptions used in calculation were the annual growth in tariffs of 4% and the pre-tax discount rate of 17.05%. These assumption projections are presented in real terms.

As at 31 December 2015, no impairment has been identified based on the estimate of the value in use of the Company's property, plant and equipment. However, the value in use estimate is sensitive to the following assumptions: discount rate, the appropriate level of sustainable maintenance costs and a forecasted tenge to US Dollar exchange rate. Adverse changes to the planned growth rates of cargo traffic associated with the general trends in the economy, lack of appropriate indexation of tariffs to inflation, the continuing volatility of tenge against foreign currencies, the level of government support, as well as adverse changes in other factors in the future may lead to significant impairment losses in the period in which they occur.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated using the straight-line method over estimated useful lives of assets. The Company determines the useful lives of its assets. The estimates of useful lives, residual values and methods of depreciation are reviewed at each reporting date and adjusted if needed. Any changes are accounted for prospectively as a change in accounting estimate. Estimates with respect to useful lives and liquidation value of assets depend on expected use, repair and maintenance programs, scope of activity, improvement in technologies and other terms of activity. As a result, changes in these estimates, depreciation charges can significantly differ from the amounts reported in prior years.

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.

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.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

Functional and presentation currencies

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 of 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 the Kazakhstan Stock Exchange ("KASE"). For foreign currencies not quoted by KASE, exchange rates are calculated by the National Bank of the Republic of Kazakhstan using the cross-rates to the US Dollars in accordance with the REUTERS's quotations.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate effective at the reporting date of the separate statement of financial position. All currency differences arising from the change in exchange rates subsequent to the date of a transaction are recognised 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.

Principles of the preparation of 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 value.

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 disclosure purposes in these consolidated financial statements is determined on such a basis, except for 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 based on the degree to which inputs to fair value measurements are observable and their significance:

- 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.

Fair value measurements

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified appraisers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 27.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

Inventories

Inventory largely comprises items that are used in the process of operations to support the use of rolling stock, and not for trading purposes.

Inventories are valued at the lower of cost or net realisable value. Costs comprise charges incurred in bringing inventories to their present location and condition. Net realisable 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. Inventories are accounted for using the weighted average cost method.

Non-current assets classified as 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 a sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management should be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the classification date.

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

Property, plant and equipment

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between 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 derecognised.

The carrying value of an asset, useful life and methods are revised and adjusted, when necessary, at the end of each financial year.

Subsequent costs

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

All other subsequent costs, such as repair and maintenance costs are expensed as incurred.

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 property, plant and equipment	4-10

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

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. The recoverable amount is the 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 the cost method, net of any impairment losses.

Investments in joint ventures

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

Borrowing costs

Borrowing costs that are directly attributable to the 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 capitalisation. All other borrowing costs are recognised in 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 capitalised as an interest expense adjustment must not exceed the interest expense amount that would be capitalised by the Company if the loan had been received in local currency. Any excess of exchange difference is recognised through profit or loss.

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 recognised as additional paid-in capital.

Dividends

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

Recognition of revenue and expenses

Recognition of revenue

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

Revenue from carriage operator services

Revenue from carriage operator services is recognised at the moment when carriages are transferred to the use of a customer.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

Prepayments received from customers for transportation services that have not yet been provided are recorded as advances received from customers at the moment of its receipt. Prepayment is recognised as revenue as services are provided.

Revenue from rent of carriages

Revenue from rent of carriages is recognised based on the actual number of days freight carriages rent.

Recognition of expenses

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

Taxes

Current income tax

Tax assets and liabilities for 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 calculate the amounts in question are those that are enacted or substantively enacted as at the date of a separate statement of financial position.

Deferred income tax

Deferred income tax is tax that will be paid or refunded to the value of the difference between the carrying amount of assets and liabilities in separate financial statements and the relevant tax base used to calculate taxable profit, and is calculated using the liability method.

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 profit 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 taxable profit nor 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 utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable 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 realised 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.

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 recognised as an expense or benefit in profit or loss, except when they relate to items that are recognised 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.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

Leases

Operating lease

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

Provisions

Provisions are recognised in 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 recognised 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 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

3. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended 31 December 2015 is presented below:

	Land	Buildings and constructions	Machinery and equipment	Railway transport	Other transport	Other	Construction in progress	Total
Historical cost								
At 1 January 2015	38,844	6,783,302	4,581,504	468,255,546	297,766	170,893	2,000,787	482,128,702
Additions	-	-	6,704	-	-	4,061	12,124,635	12,135,400
Internal transfer	-	502,990	697,424	11,354,134	-	69,067	(12,623,615)	-
Joint venture share capital contribution (Note 4)	-	-	-	(1,016,795)	-	-	-	(1,016,795)
Transfer to assets classified as held for sale (Note 13)	(30,702)	(5,628,104)	-	(2,987,615)	-	-	-	(8,646,421)
Disposals	-	(382)	(61,206)	(98,015)	(2,800)	(14,572)	(1,360,480)	(1,537,455)
At 31 December 2015	8,142	1,657,806	5,224,486	475,507,255	294,966	229,449	141,327	483,063,431
Accumulated depreciation								
At 1 January 2015	-	(809,910)	(1,579,836)	(96,113,517)	(144,181)	(100,608)	-	(98,748,052)
Charge for the year	-	(146,235)	(480,536)	(20,857,499)	(25,322)	(17,565)	-	(21,527,157)
Joint venture share capital contribution (Note 4)	-	-	-	743,378	-	-	-	743,378
Transfer to assets classified as held for sale (Note 13)	-	661,303	-	2,865,219	-	-	-	3,526,522
Disposals	-	36	58,862	13,572	2,800	13,801	-	89,071
At 31 December 2015	-	(294,806)	(2,001,510)	(113,348,847)	(166,703)	(104,372)	-	(115,916,238)
Net book value at 31 December 2015	8,142	1,363,000	3,222,976	362,158,408	128,263	125,077	141,327	367,147,193

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

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

	Land	Buildings and constructions	Machinery and equipment	Railway transport	Other transport	Other	Construction in progress	Total
Historical value								
As at 1 January 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)	-
Joint venture share capital contribution (Note 4)	-	-	-	(1,898,617)	-	-	-	(1,898,617)
Transfer to non-current 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)
As at 31 December 2014	38,844	6,783,302	4,581,564	468,255,546	297,766	170,893	2,000,787	482,128,702
Accumulated depreciation								
As at 1 January 2014	-	(619,045)	(1,116,246)	(82,182,740)	(124,285)	(87,102)	-	(84,129,418)
Charge for the year	-	(192,487)	(476,591)	(20,688,947)	(22,880)	(16,068)	-	(21,396,973)
Joint venture share capital contribution (Note 4)	-	-	-	1,461,344	-	-	-	1,461,344
Transfer to non-current assets classified as held for sale	-	-	-	4,536,394	-	-	-	4,536,394
Disposals	-	1,622	13,001	760,432	2,984	2,362	-	780,601
As at 31 December 2014	-	(809,910)	(1,579,836)	(96,113,517)	(144,181)	(100,608)	-	(98,748,052)
Net book value at 31 December 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 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

During the year ended 31 December 2015, the Company purchased 857 freight carriages for 11,354,134 thousand tenge (2014: 1,319 freight carriages for 11,837,639 thousand tenge).

As at 31 December 2015 and 2014, the Company did not have property, plant and equipment pledged under loans and other liabilities.

As at 31 December 2015 and 2014, the cost of fully depreciated property, plant and equipment amounted to 5,712,010 thousand tenge and 4,709,894 thousand tenge, respectively.

4. INVESTMENTS IN JOINT VENTURES

As at 31 December, investments in joint ventures included:

	<u>2015</u>	<u>2014</u>
Cost of investments at 1 January	527,273	90,000
Contribution to the share capital of a joint venture	273,417	437,273
Cost of investments at 31 December	<u>800,690</u>	<u>527,273</u>

Information on the Company's joint ventures at 31 December 2015 is presented as follows:

Name	Nature of activities	Country of registration and activities	Share	Voting share
ROSSKAZZHELDORTTRANS LLC	Overseas freight forwarding	Russian Federation	50%	50%
JSC Astyk Trans	Grain transportation	Republic of Kazakhstan	50%	50%

As at 31 December 2015 and 2014, the Company, jointly with Severstal-Participation LLC, held a 50% share in Rosskazzheldortrans. As at 31 December 2015 and 2014, the Company was inactive and the investment cost was zero.

JSC Astyk Trans was established by a foundation agreement dated 8 August 2013. Its founders are Kaztemirtrans with a 50% share and CJSC Rusagrotrans with a 50% share.

During 2015, the Company, in accordance with JSC Kaztemirtrans Board of Directors Resolution No.18 dated 20 November 2014 and a Resolution of an extraordinary meeting of the JSC Astyk Trans Board of Directors (Minutes No.4 dated 10 October 2014) contributed an additional 493 carriages (2014: 1,007 carriages) with a the book value of 273,417 thousand tenge (2014: 437,273 thousand tenge).

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (In thousands of tenge)

5. INVESTMENTS IN SUBSIDIARIES

As at 31 December, investments in subsidiaries were as follows:

Subsidiary	Nature of activities	Country	Share interest, %		Cost of investment		
			2015	2014	2015	2014	
JSC Transport Service Centre	Freight forwarding	Kazakhstan	100.0	100.0	2,300,247	2,300,247	
Kazakhstan Temir Zholy Finance BV	Financing the parent company and its subsidiaries	Netherlands	100.0	100.0	10,791	10,791	
Kazakhstan Carriage Construction Company LLP	Manufacture of freight carriages	Kazakhstan	69.94	69.94	3,095,737	3,095,737	
Regional Forward Logistics LLC	Freight forwarding	Russia	90.00	90.00	46	46	
Investments classified as held for sale, less impairment provision (Note 13)						-	(3,095,737)
						5,406,821	2,311,084

In December 2015, the Company terminated the contract of ownership sale in Kazakhstan Carriage Construction Company LLP (hereinafter – “KCCC LLP”). Before termination of the contract, the Company has classified these investments as held for sale. However, the Company canceled the classification because the sale of an asset in its current condition is not highly probable, accordingly KCCC LLP no longer meets the criteria for assets held for sale. Thus, investments in a subsidiary were reclassified to investments with the historical cost of 5,442,136 thousand tenge less impairment provision of 2,346,399 thousand tenge (Note 13).

As at 31 December 2015, there is a number of court decisions against a subsidiary KCCC LLP based on the claims of creditors for the recovery of accounts payable totalling 2,702,522 thousand tenge. In support of these claims, all the movable and immovable property of KCCC LLP totalling 7,204,736 thousand tenge, including bank accounts in the amount of 12,354 thousand tenge, is arrested, restricted registration/ re-registration of the legal entity and change of the head, founder.

The Company’s management has developed a roadmap for the rehabilitation and reorganization of KCCC LLP for 2016 -2017 years, according to which the following activities were provided:

- A memorandum for cooperation in the field of car building with JSC National Company Kazakhstan Engineering was developed. In the framework of this memorandum between JSC Kaztemirtrans and JSC ZIKSTO, it is planned to conclude a contract of trust management of 69.94% share of JSC Kaztemirtrans in the share capital of KCCC LLP;
- Measures are planned to reorganize KCCC LLP, through creation of a joint company with a carriage Company JSC ZIKSTO;
- It is planned to refinance loans of KCCC LLP at JSC ATF Bank, as well as attracting additional funding.

In November 2014, the Board of Directors decreased the nominal value of shares of the subsidiary Kazakhstan Temir Zholy Finance BV (hereinafter – “Issuer” or “KTZh Finance BV.”) from 100 Euro to 1 Euro per share. KTZh Finance BV paid 4,967,820 Euro to the Company (1,123,274 thousand tenge as at the transfer date). The Company recognised 282,607 thousand tenge as foreign exchange gain for this transaction.

In May 2014, the Company acquired a 90% interest in Regional Forward Logistics LLC (hereinafter – “RFL”) to provide quality freight forwarding services, expand market coverage, develop international freight transportation and increase Company income from freight carriage operations.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

6. OTHER NON-CURRENT ASSETS

As at 31 December, other non-current assets included the following:

	<u>2015</u>	<u>2014</u>
Value added tax recoverable	2,965,906	14,454,400
Prepaid expenses	483,861	-
Non-current accounts receivable	474,194	-
Advances to suppliers and contractors	258,790	197,809
	<u>4,182,751</u>	<u>14,652,209</u>

As at 31 December 2015, advances issued to suppliers and contractors mainly included advances for construction of the residential properties of 258,790 thousand tenge (2014: 197,809 thousand tenge).

In 2015, the Company received a value added tax refund from the Government Institution "State Revenue Department of Yesil District" of 12,488,494 thousand tenge.

7. INVENTORIES

As at 31 December, inventories included the following:

	<u>2015</u>	<u>2014</u>
Spare parts	3,528,861	4,572,465
Materials and supplies	198,531	180,903
Scrap metal	142,506	180,327
Fuel	12,472	14,029
Construction materials	7,283	15,069
Other	187,308	182,681
	<u>4,076,961</u>	<u>5,145,474</u>

As at 31 December 2015 and 2014, inventories included scrap metal received from carriages repairs and breaking them down into scrap.

8. TRADE ACCOUNTS RECEIVABLE

As at 31 December, trade accounts receivable included the following:

	<u>2015</u>	<u>2014</u>
Trade accounts receivable from related parties (Note 28)	7,627,315	16,043,705
Trade accounts receivable from third parties	1,762,239	1,392,813
	9,389,554	17,436,518
Less: Allowance for doubtful debts	<u>(984,023)</u>	<u>(364,991)</u>
	<u>8,405,531</u>	<u>17,071,527</u>

Trade accounts receivable for services rendered to related parties amounted to 81% (2014: 92%) of total trade accounts receivable. As at 31 December 2015 and 2014, trade accounts receivable primarily includes receivables from customers based in the Republic of Kazakhstan.

The allowance for doubtful debts relates only to the amount of trade accounts receivable from third parties. Trade accounts receivable from related parties are represented by amounts overdue by less than one year.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

An analysis of age of unimpaired accounts receivable as at 31 December presented below:

	<u>2015</u>	<u>2014</u>
Less than 60 days	4,263,366	16,252,897
60-90 days	2,546,039	719,151
91-120 days	1,596,126	99,479
Total	<u>8,405,531</u>	<u>17,071,527</u>

An analysis of age of impaired accounts receivable as at 31 December presented below:

	<u>2015</u>	<u>2014</u>
91-120 days	366	40,164
over 121 days	983,657	324,827
Total	<u>984,023</u>	<u>364,991</u>

As at 31 December, the Company's trade accounts receivable were denominated in the following currencies:

	<u>2015</u>	<u>2014</u>
Tenge	8,405,531	17,034,394
US Dollar	-	36,040
Russian Rouble	-	1,093
	<u>8,405,531</u>	<u>17,071,527</u>

The movement in the allowance for trade accounts receivable for the years ended 31 December are as follows:

	<u>2015</u>	<u>2014</u>
Allowance for doubtful debts as at the beginning of the year	(364,991)	(118,945)
Accrued for the year	(619,032)	(250,629)
Written off during the year against a previously created allowance	-	4,583
Allowance for doubtful debts as at the end of the year	<u>(984,023)</u>	<u>(364,991)</u>

9. OTHER FINANCIAL ASSETS

As at 31 December, other finance assets are represented by bank deposits with maturity of more than 3 months, but less than one year:

	<u>2015</u>		<u>2014</u>	
	Interest rate	thousand tenge	Interest rate	thousand tenge
JSC Tsesnabank	5.3%	6,015,253	4.5%	2,188,200
JSC Eurasian Bank	5.3%	68,003	5%	4,011,700
JSC Sberbank Russia	13.5%	5,000	-	-
JSC Kazkommertsbank	-	-	4%	364,700
JSC Bank CenterCredit	-	-	7.6%	50,000
		<u>6,088,256</u>		<u>6,614,600</u>
Interest receivable		<u>58</u>		<u>94,568</u>
		<u>6,088,314</u>		<u>6,709,168</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

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

	<u>2015</u>	<u>2014</u>
US Dollar	6,083,256	6,659,168
Tenge	5,058	50,000
	<u>6,088,314</u>	<u>6,709,168</u>

10. OTHER PREPAID TAXES

As at 31 December, other taxes recoverable included:

	<u>2015</u>	<u>2014</u>
Value added tax recoverable	2,644,019	5,756,338
Taxes recoverable other than income tax	2,916	1,546
	<u>2,646,935</u>	<u>5,757,884</u>

11. OTHER CURRENT ASSETS

As at 31 December, other current assets included:

	<u>2015</u>	<u>2014</u>
Other accounts receivable from related parties (Note 28)	3,920,843	-
Advances paid to related parties (Note 28)	2,665,071	204,017
Other accounts receivable	1,121,250	796,445
Prepaid expenses	139,277	5,354
Advances paid to suppliers	62,184	98,135
Claims	18,821	34,914
	<u>7,927,446</u>	<u>1,138,865</u>
Less: Allowance for doubtful debts	<u>(904,926)</u>	<u>(464,144)</u>
	<u>7,022,520</u>	<u>674,721</u>

As at 31 December 2015 and 2014, other current assets were denominated in tenge.

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

	<u>2015</u>	<u>2014</u>
Allowance for doubtful debts at the beginning of the year	(464,144)	(269,173)
Accrued for the year	(440,782)	(234,556)
Written off during the year against a previously created allowance	-	39,585
Allowance for doubtful debts at the end of the year	<u>(904,926)</u>	<u>(464,144)</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

12. CASH AND CASH EQUIVALENTS

As at 31 December, cash and cash equivalents included:

	<u>2015</u>	<u>2014</u>
Short-term deposits	3,416,840	88
Cash in bank accounts	883,779	457,021
	<u>4,300,619</u>	<u>457,109</u>

As at 31 December 2015 short-term deposits are represented by bank accounts with initial maturity of up to 3 months and annual interest rate of 40%-44.5% (2014: annual interest rate of 3.51%).

As at 31 December, cash and cash equivalents were denominated in the following currencies:

	<u>2015</u>	<u>2014</u>
Short-term deposits in tenge	3,416,840	88
Cash in bank accounts in Russian Rouble	507,978	147,585
Cash in bank accounts in tenge	252,436	286,946
Cash in bank accounts in US Dollar	123,365	22,490
	<u>4,300,619</u>	<u>457,109</u>

13. NON-CURRENT ASSETS HELD FOR SALE

As at 31 December, assets held for sale included:

	<u>2015</u>	<u>2014</u>
"Emerald quarter" administrative building	4,997,502	-
Freight carriages held for sale	122,397	223,179
69.94% interest in Kazakhstan Carriage Construction Company LLP (Note 5)	-	3,095,737
	<u>5,119,899</u>	<u>3,318,916</u>

On 29 December 2015, the Company entered into agreement for sale of its share in the "Emerald quarter" administrative building, meanwhile the ownership title has not been transferred to the buyer as at the reporting date. The Company's management expects that the fair value less costs to sell this share will exceed the total carrying value of these assets. Thus, neither at the reclassification of assets to assets classified as held for sale, nor at 31 December 2015, the impairment loss had been recognized.

14. EQUITY

As at 31 December, the Company's share capital included:

	<u>Number of shares authorized for issue</u>	<u>Issued, number of shares</u>	<u>Par value, In tenge</u>	<u>Share capital, in thousands of tenge</u>
At 31 December 2015	123,000,000	62,303,295	-	67,726,866
Shares paid	-	-	-	-
At 31 December 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 1 January 2014	123,000,000	62,297,106	1,000	62,297,106

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

According to decision of the Parent, Company share capital was formed by shares financed by property, plant and equipment represented mainly by freight carriages contributed to Company's share capital during 2005 and 2004 and during the period from the inception date until 31 December 2003.

In May 2013, the Parent contributed additional property, plant and equipment to share capital of 5,429,760 thousand tenge. This contribution was registered in 2014.

In 2015, the Company did not declare dividends on ordinary shares for the year ended 31 December 2014. On 17 July 2014, the Company declared dividends on ordinary shares for the year ended 31 December 2013 of 313,074 thousand tenge.

15. INCOME TAX

In Kazakhstan, where the Company operates, the income tax rate in 2015 and 2014 was 20%.

The income tax benefit for the years ended 31 December included:

	<u>2015</u>	<u>2014</u>
Adjustment in respect of prior years (Note 26)	742,936	-
Deferred income tax benefit	<u>(3,019,541)</u>	<u>(7,247,670)</u>
	<u>(2,276,605)</u>	<u>(7,247,670)</u>

A reconciliation of income tax benefit applicable to loss before taxation at the statutory income tax rate to income tax benefit was as follows for the years ended 31 December:

	<u>2015</u>	<u>2014</u>
Loss before tax	(241,289,098)	(46,149,891)
Official tax rate	<u>20%</u>	<u>20%</u>
Theoretical tax benefit at the statutory income tax rate	(48,257,820)	(9,229,978)
Tax effect of expenses that are not deductible for tax purposes:		
Adjustment of CIT for previous years	742,936	156,485
Non-deductible expenses	4,046,064	1,282,455
Change in unrecognized deferred tax assets	<u>41,192,215</u>	<u>543,368</u>
Income tax benefit	<u>(2,276,605)</u>	<u>(7,247,670)</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(In thousands of tenge)

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 of assets and liabilities and the amounts reported in the consolidated financial statements, are as follows at 31 December:

	<u>2015</u>	<u>2014</u>
Deferred tax assets:		
Tax losses carried forward	37,828,121	30,914,726
Trade accounts receivable	196,805	72,998
Adjustment to fair value of loans given	151,236	-
Accrued liabilities to employees	32,159	30,919
Other	21,088	533,058
	<u>38,229,409</u>	<u>31,551,701</u>
Deferred tax liabilities:		
Property, plant and equipment and intangible assets	(48,474,395)	(44,939,462)
Prepaid expenses	(123,234)	-
	<u>(48,597,629)</u>	<u>(44,939,462)</u>
Total net deferred tax liabilities	<u>(10,368,220)</u>	<u>(13,387,761)</u>

The Company has not recognized deferred tax assets relating to indexation of liabilities on intragroup loans. In management's opinion, there is low probability that there will be sufficient taxable income available in the future against which such deferred tax assets can be utilized. The total tax effect of unrecognized tax assets as at 31 December 2015 amounted to 41,192,215 thousand tenge (31 December 2014: 543,368 thousand tenge).

16. LONG-TERM LOANS

As at 31 December, long-term loans, including interest, were as follows:

	Maturity date	Interest rate	<u>2015</u>	<u>2014</u>
Long-term loans:				
European Bank of Reconstruction and Development ("EBRD");				
Loan 1	13 April 2020	US Dollar LIBOR 6-month deposits + 3.25%	10,159,499	6,659,422
Loan 2	10 November 2018	US Dollar LIBOR 3-month deposits + 2.95%	32,544,245	23,271,642
JSC NWF Samruk Kazyna	15 September 2017	7.2%	60,000,000	60,000,000
Interest payable			<u>435,406</u>	<u>346,798</u>
			103,139,150	90,277,862
Less: current portion			<u>(13,631,259)</u>	<u>(7,423,837)</u>
			<u>89,507,891</u>	<u>82,854,025</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

As at 31 December 2015 and 2014, loans according to maturity dates were represented as follows:

Within:	2015	2014
1 to 2 years	73,041,836	7,028,714
2 to 3 years	13,084,934	67,028,714
3 to 4 years	2,254,081	7,028,714
4 to 5 years	1,127,040	1,210,804
Over 5 years	-	557,079
Total	89,507,891	82,854,025

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

	2015	2014
Tenge	60,192,000	60,192,000
US Dollar	42,947,150	30,085,862
	103,139,150	90,277,862

On 29 March 2010, the Company and EBRD signed a 10-year loan agreement for US Dollar 50,000,000. Interest is payable semi-annually on 13 April and 13 October. The principal is payable in equal instalments semi-annually starting from 13 April 2013 until 13 April 2020. The Loan is guaranteed by KTZh.

On 1 December 2010, the Company and EBRD signed an 8-year loan agreement for US Dollar 200,000,000. Under the agreement, the Company receives two tranches as follows: tranche 1 is in tenge, and is worth up to the equivalent of US Dollar 100,000,000, while tranche 2 is worth up to US Dollar 100,000,000. Interest is payable quarterly on 10 February, 10 May, 10 August and 10 November. The principal is payable in equal instalments semi-annually starting from 10 May 2013 until 10 November 2018. The loan is guaranteed by KTZh.

As at 31 December 2015, the Company negotiated with creditors to change thresholds for financial covenants in order to avoid the non-compliance on obligations to creditors. As at 31 December 2015, waiver was received on credit agreement concluded with EBRD.

On 13 April 2011, the Company and JSC NWF Samruk Kazyna signed a loan agreement for 60,000,000 thousand tenge to purchase freight carriages. The loan maturity date is 15 September 2017. Interest is payable quarterly on 15 March, 15 June, 15 September 15 and 15 December, starting from 15 June 2011. The principal is payable when the loan matures. The loan is guaranteed by KTZh.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

17. LONG-TERM LOANS FROM PARENT

As at 31 December, long-term loans included:

	Maturity date month/year	Interest rate, per annum %	2015	2014
JSC NC KTZh				
Loan 1	10 July 2042	6.95%	270,956,396	145,252,439
Loan 2	10 July 2042	5.578%	67,894,000	36,470,000
Loan 3	6 October 2020	6.375%	98,359,671	52,776,699
Interest due on long-term loans (Note 28)			<u>3,826,918</u>	<u>499,220</u>
			441,036,985	234,998,358
Less: current portion of long-term loans			<u>(3,826,918)</u>	<u>(499,220)</u>
			<u>437,210,067</u>	<u>234,499,138</u>

Long-term portion of loans to be repaid as follows:

	2015	2014
Between 1 to 5 years	98,359,671	-
Over 5 years	<u>338,850,396</u>	<u>234,499,138</u>
	<u>437,210,067</u>	<u>234,499,138</u>

On 6 October 2010 KTZh Finance BV, a JSC Kaztemirtrans subsidiary, issued 10-year Eurobonds, which were granted to KTZh and its subsidiary JSC Locomotive. The loans were provided less Eurobond issue costs of 0.0035% of the loan amount. The interest rate consists of the Eurobond coupon rate, non-resident income tax rate, and the issuer's margin set according to the Netherlands' law. Interest is payable semi-annually on 6 April and 6 October.

On 10 July 2012 the Issuer issued Eurobonds of US Dollar 800,000,000 due to mature on 10 July 2042. Interest is payable semi-annually on 10 January and 10 July. On 10 July 2012, KTZh Finance BV and JSC Kaztemirtrans entered into an intergroup loan agreement for US Dollar 800,000,000.

On 8 November 2012 the Issuer issued Eurobonds of US Dollar 300,000,000 to mature on 10 July 2042 (tranche 4), to the KTZh subsidiary – JSC Locomotive and the Company. The interest rate consists of the Eurobond coupon rate, non-resident withholding income tax rate, and the margin set according to Netherlands' law. Interest is payable semi-annually on 8 May and 8 November.

In conjunction with the replacement of the initial issuer KTZh Finance BV with KTZh on debt securities issued under tranches No. 3, 4 and 5 during 2014, the Company, its subsidiary KTZh Finance BV and KTZh concluded an addendum to the initial intragroup loan to replace the initial lender KTZh Finance BV with KTZh for loans received of US Dollar 1,290,000,000 (234,742,000 thousand tenge as at the transfer dates). The annual interest rate is 6.95%. The interest on loan 1 is payable semi-annually on 10 January and 10 July. The interest on loan 2 is payable semi-annually on 10 January and 10 July. The annual interest rate is 5.578%. The interest on loan 3 is payable semi-annually on 6 April and 6 October. The annual interest rate is 6.375%.

These loans are denominated in tenge and are indexed against the principal amount in accordance with the National Bank US Dollar exchange rate as at each payment date and quarterly as at reporting dates for the purpose of liability accounting.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

18. TRADE ACCOUNTS PAYABLE

As at 31 December, trade accounts payable included:

	<u>2015</u>	<u>2014</u>
Accounts payable to third parties	3,386,786	5,213,130
Accounts payable to related parties (Note 28)	2,568,536	3,814,834
	<u>5,955,322</u>	<u>9,027,964</u>

As at 31 December 2015 and 2014, the Company's trade accounts payable were mainly represented by accounts payable for property, plant and equipment, inventories, and the services for repairs of carriages and wheel pairs.

As at 31 December, the Company's trade accounts payable were denominated in the following currencies:

	<u>2015</u>	<u>2014</u>
Tenge	4,338,561	8,597,853
Russian Rouble	1,098,637	92,061
US dollar	518,124	338,050
	<u>5,955,322</u>	<u>9,027,964</u>

19. TAXES PAYABLE AND OBLIGATORY PAYMENTS TO BUDGET

As at 31 December, taxes payable and obligatory payments to budget included:

	<u>2015</u>	<u>2014</u>
Withholding tax on non-residents	1,046,146	401,675
Pension fund contributions	22,129	47,372
Individual income tax	17,852	22,453
Social tax	12,856	14,632
Social insurance liabilities	9,760	19,874
Others	506,548	325,723
	<u>1,615,291</u>	<u>831,729</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

20. OTHER CURRENT LIABILITIES

As at 31 December, other current liabilities included:

	<u>2015</u>	<u>2014</u>
Advances received for carriage operator services	3,269,764	2,043,276
Advances received for carriage rent services	647,107	1,072,177
Advances received for sales of scrap metal	179,648	709,145
Advances received for freight services	170,201	201,007
Unused vacation reserve	160,793	154,594
Tender participant's guarantees	83,420	58,134
Payables to employees	22,364	40,703
Other liabilities	87,430	483,703
	<u>4,620,727</u>	<u>4,762,739</u>

As at 31 December 2015 and 2014, other current liabilities were predominantly denominated in tenge.

21. REVENUE FROM SERVICES INCOME

Revenue from services provided for the years ended 31 December included:

	<u>2015</u>	<u>2014</u>
Revenue from carriage operator services	43,210,947	83,194,920
Revenue from rent of carriages	29,163,790	18,089,135
Revenue from freight forwarding	3,074,544	1,989,861
Other sales revenue	1,508,891	890,065
Revenue from carriages repairs	520,227	2,225,519
Fines received	357,951	186,939
	<u>77,836,350</u>	<u>106,576,439</u>

For the year ended 31 December 2015, 86% of revenue from carriage operator services were generated from companies – residents of the Republic of Kazakhstan (2014: 97%).

22. COST OF SERVICES

The cost of services provided during the years ended 31 December included:

	<u>2015</u>	<u>2014</u>
Railway tariffs	24,091,650	39,985,135
Depreciation and amortisation	21,325,740	21,184,749
Repairs to freight carriages, junctions and parts	8,404,718	13,444,009
Materials and supplies	5,186,082	7,014,658
Personnel costs, including short-term provisions	1,473,863	1,520,187
Security expenses	234,821	264,311
Other services	3,014,915	1,961,498
	<u>63,731,789</u>	<u>85,374,547</u>

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

Personnel costs for the years ended 31 December included:

	<u>2015</u>	<u>2014</u>
Salaries	1,317,171	1,350,753
Social tax	162,606	166,647
(Recovery)/Accrual of unused vacations reserve	(5,914)	2,787
	<u>1,473,863</u>	<u>1,520,187</u>

23. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December included:

	<u>2015</u>	<u>2014</u>
Taxes	4,088,401	2,794,954
Personnel costs, including short-term reserves	1,390,651	1,505,291
Allowances for doubtful debts (Notes 8 and 11)	1,059,814	485,185
Depreciation and amortisation	293,081	330,797
Operating lease expenses	233,215	163,370
Allowances for actuarial calculations in relation to employee retirement benefits	99,466	1,477
Professional services (consulting, audit and legal)	54,458	178,093
Other services	696,446	657,541
	<u>7,915,532</u>	<u>6,116,708</u>

Staff costs for the years ended 31 December included:

	<u>2015</u>	<u>2014</u>
Salaries	1,232,224	1,340,505
Social tax	146,312	163,532
Unused vacation reserve	12,115	1,254
	<u>1,390,651</u>	<u>1,505,291</u>

24. FINANCE COSTS

Finance costs for the years ended 31 December included:

	<u>2015</u>	<u>2014</u>
Interest expense on long-term loans	19,360,866	15,032,111
Interest expense on long-term loans from Parent	5,460,057	6,148,491
Amortization of a discount on long-term loans	86,516	84,999
	<u>24,907,439</u>	<u>21,265,601</u>

25. FOREIGN EXCHANGE LOSSES

In 2015, the government and National Bank introduced a new monetary and credit policy based on inflation targeting, and transitioned to a freely floating exchange rate. As the Company has transactions and bank accounts in foreign currency, and a loan from KTZh that is indexed (Notes 16 and 17), its net exchange loss for 2015 was 224,646,570 thousand tenge (2014: 40,661,974 thousand tenge). The currency risk is described in Note 27.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

26. FINANCING AND CONTINGENT LIABILITIES

Contractual liabilities

As at 31 December 2015, the Company had contractual liabilities of 9,437,025 thousand tenge (2014: 3,233,108 thousand tenge), which include obligations to purchase property plant and equipment, inventories and services provided.

Litigation

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 legislation

Since the Company has a dominant (monopolist) position as a platform operator, operating carriages and leasing railway carriages, the regulator 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 obligations 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.

Contingent liabilities related to the Kazakhstan taxation system

Kazakhstan legislative acts and regulations are not always clearly written and their interpretation is subject to the opinions of local tax inspectors and the Ministry of Finance. Instances of inconsistent opinions between local, regional and national tax authorities are quite usual. The current regime of penalties and interest on reported and violations of laws, resolutions and regulations is severe. Penalties include the confiscation of the amounts at issue (for currency law violations), and fines of generally 50% of 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.

Company management believes that it has paid or accrued all applicable taxes. 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 recognise 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 Kazakhstan.

In view of the uncertainties associated with the Kazakhstan tax system, potential taxes, penalties and interest, if any, may exceed the amount expensed to date and accrued as at 31 December 2014. It is not possible to determine the amount of unasserted claims that may arise, if any, or the likelihood of any unfavourable outcome.

The tax inspection of the Department of state income of the Ministry of Finance of the Republic of Kazakhstan for 2010-2012 was completed on 26 June 2015. As a result of tax inspection an additional accrual of corporate income tax for 2010 of 742,936 thousand tenge, late payment interest of 371,468 thousand tenge and a fine of 38,523 thousand tenge. The Company paid the outstanding amount, but did not agree with the resolution, disputing the Tax Committee resolution in court. The Company assesses the chances of a positive case outcome as probable.

JOINT STOCK COMPANY KAZTEMIRTRANS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

Insurance

The Company is obliged to take out insurance against injuries to employees and liability insurance of vehicle owner.

In 2015 and 2014, significant portion of the Company's property, plant and equipment was not insured. It was not insured against business interruptions and damage to third party property or the environment due to accidents at its facilities or relating to its operations.

Guarantees

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

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

On 7 October 2014, the subsidiary KTZh Finance BV, KTZh and JSC Locomotive entered into an additional trust agreement to replace the initial issuer KTZh Finance BV with KTZh for the Eurobonds of US Dollar 700,000,000.

On 8 November 2012, the Issuer issued Eurobonds of US Dollar 300,000 thousand (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 Eurobond participants, the Parent, Company and JSC Locomotive provide jointly and individually an unconditional and irrevocable guarantee for the timely repayment of the Eurobond principal and accrued interest. The guarantee period is 30 years.

On 3 December 2010, the Company provided guarantees under the loan agreement between Kazakhstan Carriage Construction Company LLP and ATF Bank for 1,495,000 thousand tenge until 4 December 2017.

On 19 February 2010, the Company provided guarantees under the loan agreement between Kazakhstan Carriage Construction Company LLP and BRK for 679,542 thousand tenge for 5 years.

On 26 November 2012, the Company and Parent provided a guarantee for JSC Locomotive under the credit agreement with JSC Locomotive to the US Export Import Bank for US Dollar 424,856,806. The guarantee period is 10 years.

On 26 February 2010 a bank loan agreement was signed by the Development Bank of Kazakhstan and Kazakhstan Carriage Construction Company LLP for 1,450,542 thousand tenge. The loan was secured by equipment and future cash receipts, Company and Kamkor Repair Corporation LLP guarantees. Due to the cancellation of the transaction to sell a 69.94% share in Kazakhstan Carriage Building Company LLP with Kamkor Wagon LLP, guarantee liabilities had not transferred to the buyer as at 31 December 2015.

On 3 December 2010, ATF Bank and Kazakhstan Carriage Construction Company LLP signed an agreement to open a non-renewable credit line of 2,428,091 thousand tenge with a drawdown option in tenge and in US Dollar. 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 31 December 2014, due to the cancellation of the transaction to sell a 69.94% share in Kazakhstan Carriage Building Company LLP with Kamkor Wagon LLP, warrant liabilities had not transferred to the buyer as at 31 December 2015.

On 20 June 2014, the Company and JSC Locomotive jointly provided a guarantee for the issuer KTZh to issue debt securities in accordance with Rule 144A/Regulation S under the United States Securities Act, for 185,000,000 Swiss Francs. Under a trust agreement signed with the issuer and other bond participants, the

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

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Company and JSC Locomotive provide jointly and individually an unconditional and irrevocable guarantee for the timely repayment of the bond principal and accrued interest. The guarantee period is 8 years.

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

As at 31 December 2015 and 2014, the Company had no liabilities related to these guarantees.

27. 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 it can continue as a going concern maximising profits for its Parent Company and optimising its 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 a decrease on investment returns and an increase in cash outflow due to borrowings. 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 the receipt of borrowings with fixed and floating interest rates.

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 31 December:

	2015 (% per year)	2014 (% per year)
Deposits: tenge	13.5%	7.6%
Deposits: US Dollar	5.3%	4-5%
Non-current debt liabilities:		
Long-term loans: US Dollar	3.58%-6.95%	7.84%

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

Long-term loans: tenge	7.2%	5,578-7.2%
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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 matches 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 31 December 2015 and retained earnings as at 31 December 2015 would decrease/increase by 425,460 thousand tenge (2014: 298,827 thousand tenge).

Currency risk

The Company's short-term and long-term payables are denominated in US Dollar and recognised in tenge. The decrease in the tenge/US Dollar exchange rate can result in increased expenses. 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 40% increases and decreases in the value of the tenge with respect to the US Dollar. 40% - is the sensitivity rate used in the preparation of internal currency risk reports for key management and represents 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 a 40% 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, if the tenge strengthens by 40% with respect to the relevant currency. A positive figure indicates an increase in profits for the reporting period and negative indicates a decrease in profits. If tenge weakens by 40% with respect to the relevant currency, there will be an equal and opposite effect on profit.

	US Dollar effect	
	2015	2014
Finance assets	(2,482,648)	(1,343,540)
Finance liabilities	193,800,903	53,084,454
Net effect	191,318,255	51,740,914

This mainly relates to the risk to the Company's bank deposits and long-term loans denominated in US Dollar as at year-end.

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

	Finance assets		Finance liabilities	
	2015	2014	2015	2014
US Dollar	6,206,621	6,717,698	484,502,259	265,422,270

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

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Credit risk

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

Credit risk concentration can arise in the event of several debts from one borrower or group of borrowers with similar borrowing terms, where 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 31 December 2015 the Company, primarily, placed cash on current and deposit accounts in banks with credit ratings of at least "B" according to Standard & Poor's.

Market risk

Market risk is the risk of possible fluctuations in the value of financial instruments as a result, of changes in market prices. As the Company has a dominating market position, 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.

In order to prevent cases of non-fulfillment of obligations to creditors as at 31 December 2015 the Company agreed to change the thresholds of financial covenants. Thus, the Group received a waiver on the nonuse of financial ratios as of December 31, 2015 as part of the loan agreement with the EBRD.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

Liquidity risk tables

The following table reflects the Company's contractual terms for its non-derivative financial liabilities. The table was prepared using 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 for both interest and principal.

	Weighted average effective interest rate	Up to 3 months	3 months – 1 year	1-5 years	Over 5 years	Total
31 December 2015						
<i>Non-interest bearing:</i>						
Trade accounts payable	-	5,955,322	-	-	-	5,955,322
Other current liabilities	-	193,214	-	-	-	193,214
<i>Interest bearing:</i>						
Long-term loans with a variable interest rate	3.58%–4.13%	-	14,645,785	31,331,991	-	45,977,776
Long-term loans with a fixed interest rate	5.58%–7.20%	-	33,303,689	276,115,457	828,621,861	1,138,041,007
31 December 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>						
Long-term loans with a variable interest rate	3.20%–3.615%	-	8,570,860	25,892,240	629,077	35,092,177
Long-term loans with a fixed interest rate	5.58%–7.20%	-	19,813,856	133,669,616	510,258,756	663,742,228

The following table reflects the expected maturity dates of the Company's non-derivative financial assets. It was prepared based on the undiscounted contractual terms of financial assets, including interest to be received on them, 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	Over 5 years	Total
31 December 2015						
<i>Non-interest bearing:</i>						
Cash and cash equivalents	-	883,779	-	-	-	883,779
Trade accounts receivable	-	8,405,531	-	984,023	-	9,389,554
Other current assets	-	1,121,250	-	-	-	1,121,250
<i>Interest bearing:</i>						
Cash and cash equivalents	40%–44.5%	3,451,286	-	-	-	3,451,286
Other financial assets	5.3%–13.5%	-	6,242,643	-	-	6,242,643
31 December 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 finance assets	4%–5%	-	6,742,454	-	-	6,742,454

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

Fair value 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 its fair value due to the short-term maturity of these financial instruments.

Trade and other accounts receivable and payable

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

For assets and liabilities with maturity longer than twelve months, the carrying amount 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 31 December:

	2015 (% per year)	2014 (% per year)
Tenge		
1 to 5 years	13.9	10.3
Over 5 years	9.3	10.9
Foreign currency		
1 to 5 years	8.1	8.2
Over 5 years	5.8	9.6

As at 31 December 2015, the fair value of long-term loans received from KTZh (as at 31 December 2014 received from KTZh Finance BV) amounted to:

Tranche No.	Maturity date	31 December 2015	31 December 2014
№1	11 July 2042	271,063,618	144,983,372
№2	11 July 2042	67,915,514	36,404,000
№3	6 October 2020	100,047,459	52,609,117
		<u>439,026,591</u>	<u>233,996,489</u>

Management of the Company believes that the carrying amount of the long-term loans, except those from KTZh, is approximately equal to their fair value.

The fair value hierarchy of the loans is level 2. There were no changes between the levels during the year.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

28. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Also parties under common control of the Group are considered to be related. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions that unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Amounts due to and from the related parties as at 31 December 2015 and 2014, and transactions with related parties (including state-owned commercial entities) for the years then ended are presented as follows:

Income from related parties

	Nature of the transaction	2015	2014
KTZh	Rent out carriages	21,219,749	11,687,876
JSC Transport Service Centre	Operations	4,840,032	1,955,034
RFL LLC	Operations	1,880,405	709,716
KTZh	Fines received	84,070	43,229
KTZh	Auxiliary services	82,144	80,384
JSC Transtelecom	Rent, repair services (auxiliary services)	77,076	67,909
JSC Transport Service Centre	Carriage repair services	61,737	115,315
JSC Locomotive	Rent out carriages	38,140	60,323
Kamkor Repair Corporation LLP	Rent out carriages	23,216	650,854
JSC Transport Service Centre	Parking rent	21,910	20,515
JSC Passenger Transportation	Rent out carriages	16,227	23,046
Kamkor Repair Corporation LLP	Repair services (auxiliary services)	6,076	-
JSC Locomotive	Repair services (auxiliary services)	4,977	505
JSC Almaty Carriage Repair Plant	Rent out carriages	2,256	1,910
Scientific Research Institute of Technology LLP	Others	1,875	-
JSC Kazakh Academy of Transport and Communication	Others	950	-
Kamkor Repair Corporation LLP	Fines received	872	-
JSC Passenger Transportation	Repair services (auxiliary services)	603	899
JSC Transport Service Centre	Fines received	301	17,601
JSC Locomotive Service Centre	Rent out carriages	290	4,914
JSC KTZ Express	Others	228	-
JSC Temirzholsu	Rent out carriages	63	42,176
JSC Kaztranservice	Repair services	-	317,959
Kamkor Repair Corporation LLP	Inventory sales	-	9,155
JSC Remlocomotive	Repair services (auxiliary services)	-	941
JSC Transport Service Centre	Fines received	-	202
JSC Lesozashita	Rent out carriages	-	3
		<u>28,363,197</u>	<u>15,810,466</u>

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

(in thousands of tenge)

Purchases from related parties

	Nature of the transaction	2015	2014
KTZh	Railway tariffs	13,740,394	30,285,296
PFL LLC	Operations	3,628,416	526,189
JSC Transport Service Centre	Operations	1,952,559	3,498,273
Kamkor Repair Corporation LLP	Freight carriage repairs	1,805,197	8,393,662
KTZh branch TsAz	Building maintenance	238,230	222,634
JSC Militarised Railway Security	Security services	234,819	264,311
KTZh	Floor space lease, repair, TsIS service, copying, training	209,000	1,043,007
JSC Transtelecom	Rent	195,111	120,006
JSC Transport Service Centre	Freight carriage repairs	97,540	-
JSC Transtelecom	Telecommunication services	63,751	80,127
KCCC LLP	Inventory sales	16,801	-
Scientific Research Institute of Technology LLP	Rent	16,741	-
JSC Passenger Transportation	Tickets	11,054	3,149
JSC Temirzholsu	Water, drains	10,629	10,391
JSC Temirzholsu	Rent	6,874	6,425
Kamkor Repair Corporation LLP	Others	4,048	9,090
JSC Vokzal-service	Rent	1,681	1,658
JSC Transport Service Centre	Others	242	1,330
JSC Locomotive Service Centre	Rent	142	317
JSC Locomotive	Rent of locomotive traction	133	-
KCCC LLP	Carriage purchases	-	10,180,933
Yertys service LLP	Tank flushing	-	492,309
Kazykurt-South LLP	Tank flushing	-	417,919
Kamkor Repair Corporation LLP	Inventory sales	-	65,747
JSC Kazakh Academy of Transport and Communication	Rent	-	25,942
		<u>22,233,362</u>	<u>55,648,715</u>

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

Trade accounts receivable from related parties (Note 8)

	Nature of the transaction	31 December 2015	31 December 2014
KTZh	Rent out carriages	3,210,393	-
KCCC LLP	Carriage purchases	2,468,231	4,549,082
RFL LLC	Operations	1,733,816	78,394
JSC Transport Service Centre	Carriage repairs	158,554	808,529
Kamkor Repair Corporation LLP	Carriage repairs	50,399	14,774
JSC Locomotive	Rent out carriages	4,069	566
Branch of KTZh Trunkline Department	Spare part repairs	1,495	125,021
JSC KTZ Express	Operations	255	-
JSC Passenger Transportation	Rent out carriages	103	464
Branch of KTZh TsD	Operations	-	7,475,849
KCCC LLP	Rent out carriages	-	2,604,045
JSC Kedentransservice	Operations	-	160,168
Branch of KTZh ZRKP	Housing construction	-	134,196
JSC Kaztransservice	Carriage repairs	-	83,006
Transport Scientific Research Institute LLP	Scientific research documentation	-	5,625
JSC Kazakh Academy of Transport and Communication	Scientific research documentation	-	2,794
Bogatyр Komir LLP	Operations	-	746
JSC Locomotive	Carriage repairs	-	339
JSC KazTransOil	Operations	-	107
		<u>7,627,315</u>	<u>16,043,705</u>

Other accounts receivable on related party claims (Note 11)

	Nature of the transaction	31 December 2015	31 December 2014
KTZh	Downtime claims	3,753,427	-
JSC Astyk Trans	Downtime claims	167,416	-
		<u>3,920,843</u>	<u>-</u>

Advances paid to related parties (Note 11)

	Nature of the transaction	31 December 2015	31 December 2014
JSC KTZh	Freight forwarding services	2,547,241	184,287
JSC Vostokmashzavod	Others	105,000	-
JSC NC Kazakhstan Engineering	Spare parts	8,285	16,443
JSC Kazpost	Postal services	2,042	2,110
JSC NC KazMunaiGas Onimderi	Fuel	1,864	2
JSC NC KazTransGas Aimak	Fuel	639	1,175
		<u>2,665,071</u>	<u>204,017</u>

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

Trade accounts payable to related parties (Note 18)

	Nature of the transaction	31 December 2015	31 December 2014
RFL LLC	Operations	1,138,846	1,852
JSC Transport Service Centre	Floor space lease	804,549	1,623,834
JSC KTZh	Rent out carriages	342,676	-
Branch of KTZh TsZhS	Auxiliary services	134,176	592,004
KCCC LLP	Carriage purchases	60,758	219,938
JSC Militarised Railway Security	Security services	39,650	45,407
JSC Transtelecom	Telecommunication services	26,395	29,988
JSC NC Kazakhstan Engineering	Others	15,001	-
JSC Kedentransservice	Rent	3,106	-
JSC Temirzholsu	Water, drain, floor space lease	1,662	2,218
JSC Passenger Transportation	Tickets	1,109	588
JSC Kazzinc	Operations	223	-
JSC Vokzal-service	Rent	158	379
JSC Kazpost	Others	119	-
JSC Almaty Carriage Construction Plant	Carriage operations	100	89
JSC Kazakhtelecom	Others	8	-
Kamkor Repair Corporation LLP	Carriage repairs	-	1,269,253
JSC Kazakh Academy of Transport and Communication	Seminar	-	29,054
JSC Transport Service Centre	Lease	-	230
		<u>2,568,536</u>	<u>3,814,834</u>

Advances received from related parties

	Nature of the transaction	31 December 2015	31 December 2014
JSC KazMunaiGas - refinery and marketing	Carriage operations	71,175	-
JSC Kaztransservice	Carriage operations	1,846	-
JSC NC Kazakhstan Engineering	Carriage operations	1,229	-
RFL LLC	Carriage operations	707	-
JSC KTZh Express	Carriage operations	266	-
JSC NAC Kazatomprom	Carriage operations	19	-
Kazzinc LLP	Carriage operations	19	-
JSC Kedentransservice	Carriage operations	-	832,937
		<u>75,261</u>	<u>832,937</u>

Loans received from related parties and interest due (Notes 16 and 17)

		31 December 2015	31 December 2014
KTZh	Principal	437,210,067	234,499,138
KTZh	Interest payable	3,826,918	499,220
JSC NWF Samruk Kazyna	Principal	60,000,000	60,000,000
JSC NWF Samruk Kazyna	Interest payable	192,000	192,000
		<u>501,228,985</u>	<u>295,190,358</u>

Outstanding balances at year-end are unsecured, interest free, while settlement is made in cash. For the years ended 31 December 2015 and 2014, 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.

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(in thousands of tenge)

Operations with state-owned commercial organisations as at 31 December are presented as follows:

	Nature of the transaction	2015	2014
JSC Kedentransservice	Operations	5,218,396	6,471,555
JSC KazMunaiGas Onimderi	Operations	2,555,057	241,879
JSC KazMunaiGas – refinery and marketing	Operations	583,160	-
JSC Bogatyr Komir	Operations	119,517	3,462,440
JSC Kazzinc		48,188	90,127
JSC NC Kazakhstan Engineering	Operations	10,176	6,254
JSC Air Astana	Operations	10,002	27,475
JSC KazTransOil	Operations	3,222	5,469
JSC KazMunaiGas Exploration Production	Operations	1,155	1,368
JSC NAC Kazatomprom (JSC Ulbin Metallurgical Plant)	Rent out carriages	957	5,587
JSC Samruk-Energy	Operations	373	503
Bogatyr Komir LLP	Fines	218	-
JSC Atyrau International Airport	Operations	150	-
JSC Aktobe International Airport	Operations	8	-
JSC Pavlodar Airport	Operations	7	-
JSC NC KazMunaiGas	Operations	-	3,177,680
Katuo LLP	Operations	-	9,826
JSC Intergas Central Asia	Operations	-	9,474
		<u>8,550,586</u>	<u>13,509,643</u>

Remuneration to key management personnel of the Company

As at 31 December 2015 and 2014, key management personnel consists of 7 and 11 people, respectively. Remuneration paid to key management personnel for the years ended 31 December is represented as follows:

	2015	2014
Salaries	76,450	125,561
Pension contributions	6,893	11,070
Social tax	6,848	10,694
Income tax	5,886	11,850
Social contributions	940	1,505
	<u>97,017</u>	<u>160,680</u>

29. SUBSEQUENT EVENTS

In January 2016, the Company sold its share in administrative building ‘Emerald Quarter’ for the total amount of 5,602,457 thousand tenge including VAT.