

Kazakhstan Temir Zholy Finance B.V.
Rotterdam

Annual accounts 2013

February 17, 2014

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Kazakhstan Temir Zholy Finance B.V.
Rotterdam

Annual accounts 2013

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Management Board's report

The management herewith presents to the shareholder the annual accounts of Kazakhstan Temir Zholy Finance B.V. (hereinafter "the Company") for the year 2013.

General

The Company is a limited liability company incorporated under the laws of the Netherlands.

Due to the fact that the majority of the operations consist of US dollar transactions, the Company has adopted the US dollar as its functional currency effective January 1, 2006. As per August 6, 2012, the Company is wholly owned by JSC Kaztemirtrans, Republic of Kazakhstan. The ultimate parent company is JSC National Company Kazakhstan Temir Zholy (a state owned company), Republic of Kazakhstan.

The principal activity of the Company is to act as a finance company. The Company raises funds by issuing bonds in the international capital markets and lends on to group companies.

Furthermore, the Company will do promotional activities for the Company itself as well as for group companies.

Overview of activities for the year

In March 2013 the loan provided to JSC Lokomotiv was fully repaid. Accordingly the Company entered into a loan and guarantee agreement with JSC National Company Kazakhstan Temir Zholy for a total amount of USD 159,262,783. The loan will mature in 2042 and bears an interest of 6.2756%.

During 2013, the Company did not employ personnel, except for the Managing Directors.

The net asset value of the Company as at December 31, 2013 amounts to USD 10,178,951 (2012: USD 8,276,462).

Please note that the Managing Directors Mr. S. Zhaisanbayev and Mrs. Y. Lepskaya resigned as per January 30, 2013 and were replaced by the new Managing Directors Mr. K. Almagambetov and Mrs. S. Nurbayeva.

Risk management

Reference is made to note 5 Financial Instruments on page 14 through page 16 of the annual accounts.

Kazakhstan Temir Zholy Finance B.V.
Rotterdam

Results

The profit for the year 2013 amounts to USD 1,902,489 (2012: USD 1,039,885 profit). The increase of the net income was mainly due to the margin between the interest income and interest expense and less foreign exchange loss compared to the previous year.

Future outlook

No investments are expected to be taken place in the near future.

The management is of the opinion that the present level of activities will be maintained in the near future and no changes in financing or number of employees are expected.

No circumstances are expected which will affect future turnover and profitability. Also no activities in the field of research and development are expected in the near future.

Rotterdam February 17, 2014

Board of Managing Directors:


Intertrust (Netherlands) B.V.


Mr. K. Almagambetov

Mr. W.G. Rieff


Mrs. S. Murbayeva

Kazakhstan Temir Zholy Finance B.V.
Rotterdam

Financial statements

- Statement of profit or loss and other comprehensive income for the year 2013
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements

Statement of profit or loss and other comprehensive income for the year 2013

	Note	2013 USD	2012 USD
Continuing operations:			
Interest income gross		164,948,612	112,459,621
Non-refundable withholding tax		(16,256,015)	(11,058,663)
Interest income net	6	148,692,597	101,400,958
Interest expense	7	(146,893,753)	(100,260,607)
Gross margin		1,798,844	1,140,351
Foreign exchange result	8	375,013	69,309
Other income	9	22,713	510,391
General and administrative expenses	10	(206,333)	(680,166)
Profit before taxation		1,990,237	1,039,885
Income tax	11	(87,748)	-
Profit for the year		1,902,489	1,039,885
Other comprehensive income		-	-
Total comprehensive income for the year		1,902,489	1,039,885

The accompanying notes are an integral part of these financial statements.

Statement of financial position as at December 31, 2013

(Before appropriation of current year's result)

	Note	12.31.2013 USD	12.31.2012 USD
Assets			
Non-current assets			
Long-term loans to group companies	12	2,199,742,368	2,199,176,188
Current assets			
Receivables on group companies	13	14,215,591	14,210,716
Other receivables and prepaid expenses	14	1,911,250	448,204
Corporate income tax	17	-	240
Cash and bank balances	15	10,058,739	44,572,484
Total current assets		26,185,580	59,231,644
Total assets		<u>2,225,927,948</u>	<u>2,258,407,832</u>
Shareholder's equity and liabilities			
Capital and reserves			
Share capital		6,909,786	6,611,215
Translation reserve		(970,983)	(672,412)
Retained earnings		2,337,659	1,297,774
Profit for the year		1,902,489	1,039,885
Total equity		10,178,951	8,276,462
Non-current liabilities			
Long-term borrowings	16	2,199,605,784	2,206,144,482
Current liabilities			
Accrued interest	18	14,059,932	43,501,099
Corporate income tax	17	87,499	-
Other liabilities and accrued expenses	19	1,995,782	485,789
Total current liabilities		16,143,213	43,986,888
Total equity and liabilities		<u>2,225,927,948</u>	<u>2,258,407,832</u>

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity for the year ended December 31, 2013

	Share capital	Translation reserve	Retained earnings	Profit for the year	Total
	USD	USD	USD	USD	USD
January 1, 2012	6,503,328	(564,525)	600,878	696,896	7,236,577
Appropriation of profit	-	-	696,896	(696,896)	-
Translation adjustment	107,887	(107,887)	-	-	-
Profit for the year	-	-	-	1,039,885	1,039,885
January 1, 2013	6,611,215	(672,412)	1,297,774	1,039,885	8,276,462
Appropriation of profit	-	-	1,039,885	(1,039,885)	-
Translation adjustment	298,571	(298,571)	-	-	0
Profit for the year	-	-	-	1,902,489	1,902,489
December 31, 2013	6,909,786	(970,983)	2,337,659	1,902,489	10,178,951

The authorized share capital of the Company amounts to EUR 25,090,000 and is divided into 250,900 common shares of EUR 100 each. Issued and paid in are 50,180 shares. In the financial statements, the issued and fully paid-in capital of EUR 5,018,000 is translated into US dollars using the year-end exchange rate of EUR 1 = USD 1.3770 (2012: EUR 1 = USD 1.3175).

Statement of cash flows for the year ended December 31, 2013

	2013 USD	2012 USD
Cash flows from operating activities:		
Interest received	148,296,784	99,925,278
Interest paid	(183,771,307)	(69,510,525)
Income tax refund	-	-
General and administrative expenses	(271,265)	(226,734)
Payment for debt issue costs	33,069	(6,170,696)
Income from other fees received	-	62,664
	(35,712,719)	24,079,987
Cash flows from investing activities:		
Proceeds from issue of notes and long-term borrowings	-	1,387,566,167
Repayment of long-term borrowings	-	(220,000,000)
Long-term loans provided to group companies	(159,262,783)	(1,374,291,388)
Repayments long-term borrowings from group companies	160,084,157	220,000,000
	821,374	13,274,779
Net cash received from operating activities	(34,891,345)	37,354,766
Net change in cash and cash equivalents	(34,891,345)	37,354,766
Foreign exchange fluctuations	377,600	69,309
Cash and cash equivalents at the beginning of the year	44,572,484	7,148,409
Cash and cash equivalents at the end of the year	10,058,739	44,572,484

The accompanying notes are an integral part of these financial statements.

Kazakhstan Temir Zholy Finance B.V.
Rotterdam

Notes to the financial statements

1. General

Kazakhstan Temir Zholy Finance B.V. ("the Company") was incorporated on September 11, 2001 and has its statutory seat in Rotterdam. The registered address of the Company is Prins Bernhardplein 200, 1097 JB Amsterdam.

Since August 6, 2012 the Company is wholly owned by JSC Kaztemirtrans, Republic of Kazakhstan. The ultimate parent company is JSC National Company Kazakhstan Temir Zholy (a state owned company, hereafter also referred to as "the Group"), Republic of Kazakhstan.

The principal activity of the Company is to act as a finance company. The Company raises funds by issuing bonds in the international capital markets and lends on to group companies.

Furthermore, the Company will do promotional activities for the Company itself as well as for group companies.

2. Reporting currency

Due to the fact that the majority of the operations consist of US dollar transactions, the Company has adopted the US dollar as its functional currency effective January 1, 2006.

3. Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IFRS as adopted by the EU and also in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements have been prepared under the historical cost convention.

The financial statements are presented in US dollars, which is the Company's functional and presentation currency.

Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Account Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

IFRS 13 Fair Value Measurement

The Company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Lease, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see notes 5 and 12 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Company has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' [and the 'income statement' is renamed as the 'statement of profit or loss']. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items or other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items or other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 1 Presentation of Financial Statements

(as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Company has applied a number of new and revised IFRSs (see the discussion above), which has resulted in material effects on the information in the statement of financial position as at 1 January 2012. In accordance with the amendments to IAS 1, the Company has presented a third statement of financial position as at 1 January 2012 without the related notes except for the disclosure requirements of IAS *Accounting Policies Changes in Accounting Estimates and Errors*.

The Company also applied IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28R Investments in Associates and Joint Ventures 3 but these have no impact on the Company for current or the previous year.

New and revised IFRSs in issue but not yet adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
Amendments IFRS 10, 12 and IAS 27	Investment Entities ¹
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ¹

¹ Effective for annual periods beginning on or after January 1, 2014

² Effective for annual periods beginning on or after January 1, 2015

New and revised IFRSs in issue but not yet adopted have no impact on the Company for current or the previous year and no impact in the future years 2014 and 2015 is expected.

IFRS 10, 11, 12, IAS 27R and IAS 28R are mandatory effective in EU as from 1 January 2014.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rate of exchange ruling at the balance sheet date. Foreign currency transactions have been translated into US dollars at the exchange rate in effect at the time of transaction. Resulting foreign currency gains and losses are included in the statement of profit or loss and other comprehensive income.

Financial assets

The Company has the following financial assets: loans, receivables and cash and bank balances. The Company's loans to group companies are classified as long-term loans. These loans are non-derivative financial assets with fixed payments that are not quoted in an active market, whose recoverability is based solely on the credit risk of the related company and where the Company has no intention of trading the loan. Loans are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate. The discount and commission costs are amortized over the term of the bond in accordance with the effective interest method.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial instruments

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

Financial assets and liabilities are initially recognized at cost, which is the fair value of the consideration given or received, respectively, including any transaction costs incurred. Any gain or loss at initial recognition is recognized in the current period's statement of profit or loss and other comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Interest bearing loans and borrowings are subsequently measured at amortized costs using the effective interest method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized, as well as through the amortization process.

Other receivables

Other receivables are recognized and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection on the full amount is no longer probable. Bad debts are written-off when the period for allowed claims has expired.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits, short-term and highly liquid investments with original maturity of not more than three months readily convertible to known amount of cash and subject to insignificant risk of change in value.

Statement of cash flows

The statement of cash flows is presented using the direct method.

Loans and borrowings

Loans and borrowings are initially recognized at cost, being the fair value of the consideration received, net of transaction costs incurred.

After initial recognition, loans and borrowings are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issuance costs and any discount or premium on settlement.

Depending on the maturity date of the contract, the loans and borrowings are classified as current or non-current.

Liabilities and other payables

Liabilities and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Revenue recognition

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate method, which is the rate that exactly discounts estimated future risk receipts through the expected life of the financial asset to that asset's net carrying amount.

The effective interest rate method calculates the amortized cost of a financial asset or liability and allocates the interest income or interest expense over the relevant period.

Expenses recognition

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

Corporate income tax

Corporate income tax is calculated at the applicable rate based on income reported in these financial statements, taking into account permanent differences between profit calculated according to the statement of profit or loss and other comprehensive income and profit calculated for taxation purposes. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilized and deferred tax assets realized.

4. Significant accounting judgments and estimates and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results may differ from management's estimates made at the time of preparing these financial statements. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Management is not aware of any key sources of estimation uncertainty.

5. Financial instruments

The Company's principal financial instruments comprise loans granted, borrowings and bank balances. During the year, the Company did not undertake trading in financial instruments.

Currency risk

Most of the Company's cash inflows and outflows, as well as receivable and payable balances are denominated in US dollars.

The currency risk exposure is limited to the funding of the Company (the shares of the Company have been issued and paid in euros) and the cash on bank accounts (EUR accounts).

Given the size and the nature of the currency risk the Company has decided not to use foreign exchange or forward contracts to manage its exposure to changes in foreign exchange rates.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The interest rate risk for the Company is limited due to the fact that the principle activity is to obtain funding to finance group companies. Funding raised is lent out to group companies on a 1-to-1 base. Terms of funding obtained are mirrored by the terms of the loans given to group companies. The only distinction is the fixed margin between the interest on the amounts borrowed and the interest on the amounts that have been lent out.

Furthermore, the Company actively monitors changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

Given the size and nature of the interest rate risk, the Company has decided not to hedge the interest rate risk exposure.

Credit risk

Financial instruments, which potentially subject the Company to credit risk, consist primarily of loans receivable. While the Company may be subject to losses up to the contract value of the instruments in the event of non-performance by its counterparts, it does not expect such losses to occur. No collateral is required by the Company to support financial instruments subject to credit risk. Cash is placed in financial institutions, which are considered at the time of deposit to have minimal risk of default.

JSC National Company Kazakhstan Temir Zholy, JSC Kaztemirtrans and JSC Lokomotiv have unconditionally and irrevocably guaranteed the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes.

As the net equity of these group companies as per December 31, 2013 is higher than the amount of the loans receivable, there is no indication that the loans given to the group companies will be impaired in the near future or that the loans receivable will not be received.

Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

As funding of the Company is solely used to finance group companies, the terms of loans taken are mirrored by the terms of loans given to group companies. As such, when loans taken are due, loans given to group companies are due as well. Furthermore, the interest due dates for loans taken and loans given are equal while the Company earns a fixed spread.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate	Less than 1 year	1-5 years	5+ years	Total
	%	USD	USD	USD	USD
December 31, 2013:					
Fixed interest rate instruments	7.0000	24,500,000	386,750,000	-	411,250,000
Fixed interest rate instruments	6.3750	44,625,000	223,125,000	744,625,000	1,012,375,000
Fixed interest rate instruments	6.9500	76,450,000	382,250,000	2,858,350,000	3,317,050,000
		<u>145,575,000</u>	<u>992,125,000</u>	<u>3,602,975,000</u>	<u>4,740,675,000</u>
December 31, 2012:					
Fixed interest rate instruments	7.0000	24,500,000	411,250,000	-	435,750,000
Fixed interest rate instruments	6.3750	44,625,000	223,125,000	789,250,000	1,057,000,000
Fixed interest rate instruments	6.9500	76,450,000	382,250,000	2,934,800,000	3,393,500,000
		<u>145,575,000</u>	<u>1,016,625,000</u>	<u>3,724,050,000</u>	<u>4,886,250,000</u>

Fair values

The fair values of financial instruments, consisting of cash, receivables, payables and obligations under debt instruments, are considered to be equal to their carrying values.

6. Interest income net

Specification:

	2013	2012
	USD	USD
Interest income group companies:		
Interest long-term borrowings	164,861,901	112,430,717
Non-refundable withholding tax	(16,256,015)	(11,058,663)
	148,605,886	101,372,054
Bank interest	86,711	28,904
	<u>148,692,597</u>	<u>101,400,958</u>

The interest income is mainly generated from the provided loans as disclosed in note 12.

7. Interest expense

Specification:

	2013	2012
	USD	USD
Interest long-term borrowings	146,893,753	100,260,607
	<u>146,893,753</u>	<u>100,260,607</u>

8. Foreign exchange result

This item represents mainly the exchange result on the EUR bank account. See also note 15. The exchange rate USD-EUR moved between January 1, 2013 and December 31, 2013 between 0,7590 and 0,7262.

9. Other income

Specification:

	2013	2012
	USD	USD
Compensation break cost facility agreement	-	85,535
Financial advisory services JSC Lokomotiv	22,713	424,856
	<u>22,713</u>	<u>510,391</u>

10. General and administrative expenses

Specification:

	2013	2012
	USD	USD
Management and administration fees	86,373	80,922
Tax advise fees	17,049	3,661
Audit fees(*)	35,321	34,584
Notary fees	-	512
General expenses	488	3,008
Travel expenses	13,975	23,171
Break cost facility agreement	-	85,535
Financial advisor fees	49,833	443,038
Bank charges	3,294	5,735
	<u>206,333</u>	<u>680,166</u>

* Audit fees are solely related to Deloitte Accountants B.V., Amsterdam. No other services are provided by Deloitte Accountants B.V.

	Deloitte Auditors	Other Auditors	Total network
	USD	USD	USD
2013			
Audit of the financial statements	35,321	-	35,321
Other audit engagements	-	-	-
	<u>35,321</u>	<u>-</u>	<u>35,321</u>
	Deloitte Auditors	Other auditors	Total network
	USD	USD	USD
2012			
Audit of the financial statements	34,584	-	34,584
Other audit engagements	-	470,206	470,206
	<u>34,584</u>	<u>470,206</u>	<u>504,790</u>

11. Income tax

The Company has concluded Advance Pricing Agreements (APAs) with the Dutch tax authorities concerning the minimum margin required between the proceeds as received from the loans (Notes) and the loans granted to group companies. These APAs were signed in April 2007. The 2013 and 2012 income tax due has been calculated based on the results reported in these financial statements and the APAs as concluded with the Dutch tax authorities. On the income that can be allocated to the Company the double taxation relief is applicable and the income tax payable can be compensated with the paid withholding tax on interest in the Company.

A taxable income for 2013 was calculated of USD 18,366,222, 25% (2012: approximately USD 12,188,661; 25%) corporate income tax has been calculated. Due to the double taxation relief, the actual amount payable is EUR 63,543 (USD 87,499).

The total amount of unused tax credits as per December 31, 2013 amount to USD 47,938,244 (2012: USD 36,252,491).

12. Loans to group companies

Specification long-term:

	Maturity date	Interest rate per annum	12.31.2013	12.31.2012
		%	USD	USD
Loans granted in 2007	May 11, 2016	7.8433	350,000,000	350,000,000
Loans granted in 2010	Oct 6, 2020	7.1678	700,000,000	700,000,000
Loans granted in 2012	July 10, 2042	7.8000	800,000,000	800,000,000
Loans granted in 2012	July 10, 2042	6.2756	358,441,409	359,400,968
			<u>2,208,441,409</u>	<u>2,209,400,968</u>
Repayment principal amount			-	(138,185)
			<u>2,208,441,409</u>	<u>2,209,262,783</u>
Less:				
discount on loans granted			(8,699,041)	(10,086,595)
			<u>2,199,742,368</u>	<u>2,199,176,188</u>

From the total amount of outstanding loan USD 867,830 can be stated as current loan.

Part of the loans granted in 2012 with a interest rate of 6.2756% was shifted between group companies, therefor the loan to Lokomotiv JSC was repaid as per March 29, 2013 and

a new loan was granted to JSC National Company Kazakhstan Temir Zholy as per March 29, 2013.

The price of the issue and the effective interest rate for the loans with a maturity date of May 11, 2016 amounted to 98.292% and 8.0863%, respectively, the price of the issue and the effective interest rate for the loan with a maturity date of October 6, 2020 amounted to 100% and 6.3750%. The price of the issue and the effective interest rate for the loans with a maturity date of July 10, 2042 amounted to 99.443% and 6.9500%.

Fair value

The fair value of the loans is:

	Maturity date	12.31.2013	12.31.2012
		USD	USD
Loans granted in 2007	May 11, 2016	385.818.198	401.082.293
Loans granted in 2010	Oct 6, 2020	764.681.855	853.788.832
Loans granted in 2012	July 10, 2042	806.366.778	1.016.552.069
Loans granted in 2012	July 10, 2042	301.544.948	381.840.393

The fair value of the loans is calculated using the (i) the discounted cash flows method, (ii) spread calculated from the corresponding loan contract (including margin, but excluding the gross up for withholding taxes) and (iii) discount curve (based on OIS rates) obtained from Bloomberg.

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

Credit risk

The Company's maximum exposure of credit risk relates to loans to group companies and receivables on group companies (note 12 and 13).

13. Receivables on group companies

Specification:

	12.31.2013	12.31.2012
	USD	USD
Interest receivable USD 350,000,000 loans	3,835,712	3,825,232
Interest receivable USD 700,000,000 loans	11,959,389	11,926,713
Interest receivable USD 800,000,000 loans	-	(1,560,000)
Interest receivable USD 359,400,968 loans	-	1,597,740
	15,795,101	15,789,685
Less: interest withholding tax	(1,579,510)	(1,578,969)
	<u>14,215,591</u>	<u>14,210,716</u>

14. Other receivables and prepaid expenses

This represents the refundable value added tax, receivable on double paid invoice and recharged invoice to group entity.

Loan interest accrued Notes 800,000,000; tranche 4	1,390,000	-
Loan interest accrued Notes 300,000,000; tranche 5	521,250	-
Other receivables to group entity	-	448,204
	<u>1,911,250</u>	<u>448,204</u>

15. Cash and bank balances

	12.31.2013	12.31.2012
	USD	USD
ABN AMRO Bank current account EUR	172,520	9,232
ABN AMRO Bank current account USD	494,893	37,338,696
ABN AMRO short-term deposit EUR	500,000	-
ABN AMRO short-term deposit USD (per January 2, 2013 at 0.2757%)	-	3,000,000
ABN AMRO short-term savings account EUR	8,891,326	4,224,556
	<u>10,058,739</u>	<u>44,572,484</u>

The funds maintained in the current account are freely available. The fixed term deposits mature and are rolled over on a daily basis.

16. Borrowings

Specification long-term borrowings:

	Maturity date	Interest rate per annum %	12.31.2013 USD	12.31.2012 USD
Notes placed at price:				
98.292% - tranche 2	May 11, 2016	7.000	350,000,000	350,000,000
99.643% - tranche 3	Oct 6, 2020	6.375	700,000,000	700,000,000
99.443% - tranche 4	July 10, 2042	6.950	800,000,000	800,000,000
120.244% - tranche 5	July 10, 2042	6.950	300,000,000	300,000,000
			<u>2,150,000,000</u>	<u>2,150,000,000</u>
Less:				
Discount on Notes issued			(8,604,724)	(9,814,283)
Premium for tranche 5			58,210,508	59,124,598
Additional interest premium tranche 5			-	6,834,167
			<u>2,199,605,784</u>	<u>2,206,144,482</u>

The total amount can be stated as non-current.

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The Company ("the Issuer") issued 5 tranches of Notes totalling USD 2,150,000,000. The issue of the Notes is guaranteed by JSC National Company Kazakhstan Temir Zholy and its subsidiaries JSC Kaztemirtrans and JSC Lokomotiv ("the Guarantors").

During the year there was no default in the payment of interest.

Within the indicated issue the Company received from the investors:

The first tranche Notes were repaid in May, 2011.

Second tranche: Notes in the amount of USD 350,000,000 with maturity on May 11, 2016. The price of the issue and the effective interest rate amounted to 98.292% and 7.8433%, respectively. The interest on Notes of the tranche is accrued at the rate of 7.00% per annum.

Third tranche: Notes in the amount of USD 700,000,000 with maturity on October 6, 2020. The price of the issue and the effective interest rate amounted to 100% and 7.1678%. The interest on Notes of the tranche is accrued at the rate of 6.375% per annum.

Fourth tranche: Notes in the amount of USD 800,000,000 with maturity on July 10, 2042. The price of the issue and the effective interest rate amounted to 100% and 7.0200%. The interest on Notes of the tranche is accrued at the rate of 6.950% per annum.

Fifth tranche: Notes in the amount of USD 300,000,000 with maturity on July 10, 2042. The price of the issue and the effective interest rate amounted to 120.244% and 5.6480%. The interest on Notes of the tranche is accrued at the rate of 6.950% per annum. The premium on issue price is disclosed separately as well as the additional premium representing accrued interest for the period July 10, up to the issue date.

The fair value of the borrowings is:

	Maturity date	12.31.2013 USD	12.31.2012 USD
Notes placed at price:			
110.168% - tranche 2	May 11, 2016	385,588,000	400,585,500
109.266% - tranche 3	Oct 6, 2020	764,862,000	851,620,000
99.536% - tranche 4	July 10, 2042	796,288,000	1,007,872,000
99.536% - tranche 5	July 10, 2042	298,608,000	377,952,000

The market values of the Notes are obtained from Bloomberg using the mid CBBT Price as of the valuation date as the pricing source.

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

Market (interest) risk:

The interest is fixed and, therefore, change in market interest will not affect any income or expense.

The interest on Notes, issued in May 2007, is accrued and repayable each half year for the previous period at the maturity dates, which fall on May 11 and November 11 each year.

The interest on Notes, issued in October 2010, is accrued and repayable semi-annually in arrears on April 6 and October 6 in each year.

The interest on Notes, issued in 2012, is accrued and repayable semi-annually in arrears on January 10 and July 10 in each year.

Under the Terms and Conditions of the issue of Notes, which do not provide for establishing financial ratios, the Issuer, the Guarantors and the subsidiaries of the Guarantors, whose common assets, revenues or income before tax referred to the ultimate parent company represent 10 or more percent of the consolidated gross assets, consolidated revenue or sum of consolidated income before tax ("the significant subsidiaries"), depending on the situation of the ultimate parent company and its subsidiaries, should comply with certain covenants and requirements, such as: absence of collateral, not permitted by the Terms and Conditions of the Notes issue; limitation on change of business and disposal of property; limitations on merger and consolidation with other legal entities.

In addition, the Terms and Conditions of the issue of Notes include default cases: default on interest or principal at the maturity date; Issuer's and Guarantor's non-compliance with any terms and conditions of the Terms and Conditions of the issue of Notes; default of Issuer, Guarantors or their significant subsidiaries on any other financial liability; insolvency or bankruptcy of Issuer, Guarantors or their significant subsidiaries; Government's seizure or compulsory disposal of all Issuer's, Guarantors' or significant subsidiaries' assets or income, or its significant portion.

Under the Terms and Conditions of the issue of Notes in case of a default of the Issuer, Guarantors and their significant subsidiaries on any financial covenant, investors are entitled to require repayment of Notes. Under the terms of the loan agreement, the loan shall be fully repaid in May 2016 (tranche 2), in October 2020 (tranche 3) and July 2042 (tranche 4 and tranche 5). As at December 31, 2013, the Group complied with all requirements of the Terms and Conditions of the issue of Notes.

17. Corporate income tax

This represents the balance of corporate income tax payable for the years 2012 and 2013 less advance amounts paid.

18. Accrued interest

Specification:

	12.31.2013	12.31.2012
	USD	USD
Loan interest accrued Notes 350,000,000; tranche 2	3,423,288	3,413,934
Loan interest accrued Notes 700,000,000; tranche 3	10,636,644	10,607,582
Loan interest accrued Notes 800,000,000; tranche 4	-	26,410,000
Loan interest accrued Notes 300,000,000; tranche 5	-	3,069,583
	<u>14,059,932</u>	<u>43,501,099</u>

19. Other liabilities and accrued expenses

Specification:

	12.31.2013	12.31.2012
	USD	USD
Interest pre-received USD 800,000,000 loans	1,560,000	-
Interest pre-received USD 359,400,968 loans	563,007	-
	2,123,007	-
Less: interest withholding tax	(212,301)	-
Total pre-received interest loans	1,910,706	-
Tax advisor fees	10,736	8,132
Audit fees	35,458	34,584
Administration fees	84	127
Interest payable to group companies	-	18,091
Other expenses	3,947	424,855
VAT	34,851	-
	<u>1,995,782</u>	<u>485,789</u>

All these amounts can be qualified as current liabilities.

20. Contingent liabilities and commitments

Contingent liabilities

In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in these financial statements.

21. Related-party transactions

The Company is wholly owned by JSC Kaztemirtrans since August 6, 2012, which holds 100% of its issued and outstanding shares.

During the year, the Company provided loans to the ultimate parent company, JSC National Company Kazakhstan Temir Zholy, and affiliated companies:

	Loan amounts as at 12.31.2013	Interest amounts 2013
	USD	USD
- JSC National Company Kazakhstan Temir Zholy	642,441,409	44,392,578
- JSC Lokomotiv	276,000,000	22,429,851
- JSC Kaztemirtrans	1,290,000,000	95,737,667
	<u>2,208,441,409</u>	<u>162,560,096</u>

Intertrust (Netherlands) B.V., a company incorporated in the Netherlands, acts as a director of the Company. Intertrust (Netherlands) B.V. provides administrative services to the Company. During the year, Intertrust (Netherlands) B.V. charged USD 86,373 (2012: USD 80,922) for services as a director and for administrative services.

All loans to group companies are provided against an at arm's length mark-up. The administrative services and directorship are charged at an at arm's length fee.

The Directors who receive a remuneration from the parent or ultimate parent are not paid any remuneration by the Company and the remuneration is also not recharged by the parent or ultimate parent, this is a related party relation not at arm's length.

22. Personnel

During 2013, the Company did not employ personnel, except for the Managing Directors. However, they are not on the payroll as they are paid by the parent or ultimate parent.

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23. Directors

The Board of Managing Directors consists of:

Intertrust (Netherlands) B.V.

Mr. W.G. Rieff

Mr. K. Almagambetov

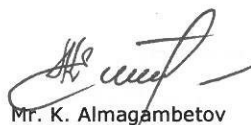
Mrs. S. Nurbayeva

The remuneration paid to the Directors was EUR 2,000 (2012: EUR 2,000). The Directors who receive remuneration from the parent company do not receive any remuneration from the Company for their directorship.

24. Approval of the financial statements

The financial statements were approved by the Board of Managing Directors and authorized for issue on February 17, 2014.

Board of Managing Directors:


Intertrust (Netherlands) B.V.
Mr. K. Almagambetov

Mr. W.G. Rieff


Mrs. S. Nurbayeva

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Other information

Independent auditor's report

The independent auditor's report is recorded on the next page.

Statutory rules concerning appropriation of the profit

According to Article 16 of the Company's Articles of Association, the net profit for the year is at the disposal of the shareholder.

Proposed appropriation of the profit for 2013

Management proposes to add the net profit for the year 2013 amounting to USD 1,902,489 to the retained earnings.

Post balance sheet event

There are no significant subsequent events to include.

Independent auditor's report

To: The shareholders of Kazakhstan Temir Zholy Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 of Kazakhstan Temir Zholy Finance B.V., Rotterdam, which comprise the statement of financial position as per December 31, 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Management Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the 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 financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.



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Rotterdam

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Kazakhstan Temir Zholy Finance B.V. as per December 31, 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether Management Board's Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that Management Board Report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, February 17, 2014

Deloitte Accountants B.V.

Signed on the original by A.A. Osinga