

“National Company “KazAutoZhol” Joint Stock Company

Financial Statements

for the period from March 12, 2013 (date of establishment)
to December 31, 2013

“National Company “KazAutoZhol” JOINT STOCK COMPANY

CONTENT

| | |
|--|-----------|
| STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2013 | 3 |
| INDEPENDENT AUDITORS' REPORT | 4 |
| STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME..... | 6 |
| STATEMENT OF FINANCIAL POSITION | 7 |
| CASH FLOW STATEMENT | 8 |
| STATEMENT OF CHANGES IN EQUITY | 9 |
| NOTES TO FINANCIAL STATEMENTS..... | 10 |

“National Company “KazAutoZhol” JOINT STOCK COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2013

The Management is responsible for preparation of the financial statements, which authentically present the financial position of “National Company “KazAutoZhol” Joint Stock Company (hereinafter referred to as the Company) as at December 31, 2013, as well as its performance, cash flows, and changes in equity for the period from March 13, 2013 (date of establishment) then ended, in accordance with the International Financial Reporting Standards (hereinafter referred to as the IFRS).

In preparation of the financial statements, the Management is responsible for:

- Provision of proper selection and application of principles of accounting policies;
- Delivery of information, including data on accounting policy in the form ensuring appropriateness, reliability, comparability and intelligibility of such information;
- Disclosure of additional information in cases when fulfillment of IFRS requirements is not enough for users of statements to understand the impact of some or another transactions as well as other events or conditions on financial status and financial performance of the Company; and
- Assessment of ability of the Company to continue its activity in foreseeable future.

The Management is also responsible for:

- Development, introduction and maintenance of effective and sound internal control system in the Company;
- Maintenance of accounting in the form allowing to disclose and explain all transactions of the Company as well as submit reasonably accurate information at any date about the financial status of the Company and ensure the compliance of financial statements with IFRS requirements;
- Maintenance of accounting in compliance with the Legislation of the Republic of Kazakhstan and IFRS requirements;
- Taking all reasonable measures to provide the preservation of assets of the Company; and
- Detecting and prevention of all facts of financial and other abusive acts.

Financial statements of the Company for the period from March 13, 2013 (date of establishment) to December 31, 2013, were approved by the Management of the Company on May 20, 2014.

On behalf of the Management of the Company:

/signature/
E.Kh. Sultanov
Chairman of the Board

/signature/
T.S. Bekmaganbetova
Chief Accountant

/Stamp: The Republic of Kazakhstan, Astana, “NC “KazAutoZhol”” JOINT STOCK COMPANY/

May 20, 2014
Astana, the Republic of Kazakhstan

May 20, 2014
Astana, the Republic of Kazakhstan

“Deloitte” LLP
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050059, Almaty,
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of “National Company “KazAutoZhol” Joint Stock Company,

We have audited the accompanying financial statements of “National Company “KazAutoZhol” Joint Stock Company (hereinafter referred to as the Company) comprising of statement of financial position as of December 31, 2013 and statement of income and other comprehensive income, on changes in equity and cash flows for the period from March 13, 2013 (date of establishment) to December 31, 2013, as well as comments consisting of general provisions of accounting policy and other explanatory information.

Responsibility of the Management of Audited Entity for Financial Statements

Management of Audited Entity shall be responsible for preparation and fair presentation of these financial statements in compliance with the International Financial Reporting Standards, as well as for internal control system which is necessary in management’s opinion for the preparation of financial statements that are free from material misstatements, whether due to frauds or errors.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the financial statements, whether due to frauds or errors. In assessing those risks, the auditor considers internal control system relevant to the preparation and reliability of the financial statements in order to develop audit procedures that are appropriate in such circumstances and not to express an opinion on the effectiveness of internal control system. An audit also includes the assessment of the appropriateness of accounting policies applied and the justification of accounting valuations made by the Management of audited entity, as well as estimation of financial statements in general.

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

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Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013, as well as its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Important Circumstances

As it was mentioned in Notice 19 to the financial statements, 100% of revenues of the Company for the period from March 13, 2013 (date of establishment) to December 31, 2013, were received from the related-party transactions. Our opinion was unqualified as to this issue.

/signature/

Dulat Taytuleyev
Task Partner
Qualified auditor

Auditor qualification certificate
No. MF-0000095
issued on August 27, 2012
in the Republic of Kazakhstan.

/Stamp: Dulat Muratovich Taytuleyev, Auditor of the Republic of Kazakhstan/

/signature/

“Deloitte” LLP
State License for Audit Activity
in the Republic of Kazakhstan No. 0000015
Type MFU-2 issued by the Ministry of Finance
of the Republic of Kazakhstan on September 13, 2006.

/Stamp: “Deloitte” Limited Liability Partnership, Republic of Kazakhstan, Almaty/

/signature/

Nurlan Bekenov
Director General
“Deloitte” LLP

May 20, 2014
Republic of Kazakhstan, Astana

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD
FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2013**

(In Thousands of Tenge)

| | Note | For the period from March 13, 2013 (date of establishment) to December 31, 2013 |
|---|------|--|
| Incomes | 6 | 41,389,141 |
| Cost value | 7 | <u>(40,757,613)</u> |
| Gross income | | 631,528 |
| Administrative expenses | 8 | (611,073) |
| Other incomes, net | | <u>144</u> |
| Income before tax | | 20,599 |
| Income tax savings | 9 | <u>38,111</u> |
| INCOME for the period being the COMPREHENSIVE INCOME | | <u>58,710</u> |

On behalf of the Management of the Company:

/signature/
E.Kh. Sultanov
Chairman of the Board

/signature/
T.S. Bekmaganbetova
Chief Accountant

/Stamp: The Republic of Kazakhstan, Astana, “NC” KazAutoZhol” JOINT STOCK COMPANY/

May 20, 2014
Astana, the Republic of Kazakhstan

May 20, 2014
Astana, the Republic of Kazakhstan

“National Company “KazAutoZhol” JOINT STOCK COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013
(in thousands of Tenge)

| | Note | December 31, 2013 | March 13, 2013 (date of establishment) |
|--|------|-------------------|--|
| ASSETS: | | | |
| Long-term assets | | | |
| Fixed assets | 10 | 1,394,572 | 1,126,071 |
| Intangible assets | | 34,329 | - |
| Other long-term assets | 11 | 10,835 | - |
| Deferred tax asset | 9 | 3,076 | - |
| Total long-term assets | | 1,442,812 | 1,126,071 |
| Short-term assets | | | |
| Inventory | | 82,308 | 18,423 |
| Short-term trade and other receivables | | 843 | 531 |
| Advances paid | 12 | 2,977,839 | 6,317 |
| Current income tax | | 7,301 | 1,086 |
| Cash and cash equivalents | 13 | 197,771 | 5,597 |
| Total short-term assets | | 3,266,062 | 31,954 |
| Total assets | | 4,708,874 | 1,158,025 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Authorized capital | 14 | 1,426,984 | 1,065,421 |
| Reserves | | 636 | 97 |
| Retained income | | 54,042 | 182 |
| Total equity | | 1,481,662 | 1,065,700 |
| Long-term liabilities | | | |
| Long-term warranty liabilities | 11 | 10,835 | - |
| Deferred tax liabilities | 9 | - | 35,035 |
| Total long-term liabilities | | 10,835 | 35,035 |
| Short-term liabilities | | | |
| Advances received | 17 | 2,863,501 | - |
| Trade accounts payable | 15 | 84,493 | 37,925 |
| Taxes payable | | 36,169 | 9,978 |
| Short-term reserves | | 36,070 | - |
| Contract on Discretionary Management indebtedness | 16 | 18,132 | - |
| Other current liabilities | | 178,012 | 9,387 |
| Total short-term liabilities | | 3,216,377 | 57,290 |
| Total equity and liabilities | | 4,708,874 | 1,158,025 |

On behalf of the Management of the Company:

/signature/

E.Kh. Sultanov
Chairman of the Board

/Stamp: The Republic of Kazakhstan, Astana, “NC” KazAutoZhol” JOINT STOCK COMPANY/

May 20, 2014

Astana, the Republic of Kazakhstan

Notes at pages 8-26 are integral part of these financial statements. Independent Auditors’ Statement is presented on pages 2-3

/signature/

T.S. Bekmaganbetova
Chief Accountant

May 20, 2014

Astana, the Republic of Kazakhstan

“National Company “KazAutoZhol” JOINT STOCK COMPANY

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2013

(in thousands of Tenge)

1. GENERAL PROVISIONS

Organization Structure and Activity

“National Company “KazAutoZhol” Joint Stock Company (hereinafter referred to as the Company) was established in execution of Decree of the Republic of Kazakhstan as of February 1, 2013, No. 79 “On Reorganization of “Kazakhautodor-Kokshetau” State Branch Enterprise of “Kazakhautodor” Republican State Enterprise on the basis of the right of economic management of the Automobile Road Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan in compliance with the Legislation of the Republic of Kazakhstan. The date of primary state registration is March 13, 2013, which is confirmed by Certificate of State Registration No. 2934-1901-01-AO.

The shareholder of the Company is the Government of the Republic of Kazakhstan represented by the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan (hereinafter referred to as the Sole Shareholder).

State body exercising rights of possession and use of 100% of state-owned shares of the Company is the Ministry of Transport and Communications of the Republic of Kazakhstan (hereinafter referred to as the Sole Shareholder) based on the Delivery-Acceptance Act.

In accordance with the Articles of Association of the Company, its basic activity is as follows:

- Implementation of budget investment projects on development of public road network of international and republican status on the basis of state assignment;
- Management of designing, construction, reconstruction, repair and maintenance of public roads of international and republican status within the framework of the state assignment;
- Monitoring of progress and quality of construction, reconstruction, repair and maintenance of public roads of international and republican status within the framework of the state assignment;
- Discretionary management of toll roads;
- Management of faults preventing uninterrupted and safe passage of vehicle on toll road;
- Tolling for passage on toll roads; and
- Other types of legal activity in accordance with the Legislation of the Republic of Kazakhstan.

Total number of employees of the Company as at December 31, 2013, was 544 people.

The registered address of the Company: 56/1 Ondiris High Road, Saryarka district, Astana, Republic of Kazakhstan.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31,
2013
(in thousands of Tenge)**

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards Valid in Current Period:

The Company applies the following new or revised standards and interpretations issued by the International Financial Reporting Interpretations Committee (hereinafter referred to as the IFRIC) which entered into force in relation to annual financial statements of the Company for the period from March 13, 2013 (date of establishment) to December 31, 2013:

- Amendments to IFRS 7 “*Financial Instruments - Disclosure*” connected with disclosures about the offset of financial assets and liabilities (valid for accounting periods starting from or after January 1, 2013);
- IFRS 13 “*Fair Valuation*” –Setting the unified approach to assessment on fair value and disclosures about fair value assessment (valid for accounting periods starting from or after January 1, 2013);
- Amendments to IAS 1 “*Presentation of Financial Statements*”– revision of presentation of items of other comprehensive income (valid for accounting periods starting from or after July 1, 2012);
- Amendments to IAS 1 “*Presentation of Financial Statements*”– on inclusion of the statement of financial position at the beginning of prior period (the third report on financial position) and notes related to it (valid for accounting periods starting from or after January 1, 2013);
- Amendments to IAS 19 “*Employees benefits*” – change in procedure of pension plan accounting with fixed payments and discharge allowances (valid for accounting periods starting from or after January 1, 2013);
- Amendments to some current standards and interpretations made by the International Accounting Standards Board within the framework of annual initiative (cycle 2009-2011) aimed at general improvement of current international financial reporting standards. These changes relate to somewordings and issues on presentation of financial statements, issues of acknowledgment and assessment. New wording is valid for accounting periods starting from January 1, 2013.

Application of IFRS 13 as well as amendments to IAS 19 and IAS 1 has not resulted in substantial changes in financial position of the Company and its performance.

New and revised IFRS – issued but not in force

To the date of approval of these financial statements the following standards and interpretations were issued but not entered into force; the Company has not used them in advance.

- Amendments to IFRS 7 “*Financial Instruments - Disclosure*” requiring disclosures in relation to initial use of IFRS 9 (valid for accounting periods starting from or after July 1, 2015);
- IFRS 9 “*Financial instruments*” (valid for accounting periods starting from January 1, 2015);
- Amendments to IFRS 10 “*Consolidated financial statements*” and IFRS 12 “*Disclosure of Interests in Other Entities*” regarding investment companies (valid for accounting periods starting from January 1, 2014);
- Amendments to IFRS 10 “*Consolidated financial statements*” and IFRS 11 “*Joint Arrangements*” and IFRS 12 “*Disclosure of Interest in Other Entities*” connected with transitional provisions.
- Amendments to IFRS 32 Application Guideline “*Financial instruments: Disclosure and Presentation of Information*” regarding the financial assets and financial liabilities offset (valid for accounting periods starting from January 1, 2014);

IFRS 10, 11, 12 are not applicable to financial statements of the Company.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31,
2013
(in thousands of Tenge)**

The Company will apply new and revised standards and new interpretations from the date of their entry into force. IFRS 8 “*Accounting Policies, Changes in Accounting Estimates and Errors*” requires retrospective application of new and revised standards unless otherwise provided in Notes below.

IFRS 9 “*Financial Instruments*” issued in November 2009 introduces new requirements on classification and measurement of financial assets. Amendments to the standard issued in October 2010 introduce requirements on classification, measurement and derecognition of financial liabilities. Basic requirements of IFRS 9 are as follows:

- All recognized financial assets that are within the scope of IAS 39 “*Financial Instruments: Recognition and Measurement*” shall be subsequently measured after initial recognition at amortized cost or fair value. Specifically, debt instruments that are held within the framework of business model (whose objective is to collect the contractual cash flows; such contractual cash flows include solely the payment of principal amount and interest outstanding) are generally measured at amortized cost at the end of subsequent accounting periods. All other debt instruments and equity instruments shall be measured at their fair values at the end of subsequent accounting periods.
- In particular, according to IFRS 9 on financial liabilities referred to FVTPL, the amount of change of fair value of financial liability in connection with changes of credit risk on such liability shall be acknowledged in other comprehensive income only if acknowledgement of the effect of changes in credit risk on liability as part of other comprehensive income will not result in creation or increase of accounting disbalance in profit or loss. Changes of fair value connected with credit risk of financial liability shall not be subsequently reclassified to profit or loss. Previously, according to IAS 39, the whole amount of change of fair value of financial liability specified as FVTPL was acknowledged as part of profits or losses.

The Company expects that use of IFRS 9 could have effect on indicators of financial assets and financial liabilities of the Company presented in financial statements.

Amendments to IFRS 9 “*Financial Instruments*” and IFRS 7 “*Financial Instruments: Information Disclosure*”

Compulsory date of entering into force of IFRS 9 and transitional provisions. In December 2011 the International Accounting Standards Board published amendments to IFRS 9 and IFRS 7. These amendments postponed the compulsory date of IFRS 9 coming into force from January 1, 2013 to January 1, 2015 with the possibility of long-term application. Changes also changed transitional provisions from IAS 39 to IFRS 9.

Amendments to IFRS 32

Offsetting financial assets and financial liabilities and corresponding disclosures. Amendments to IAS 32 present clarifications on application of regulations on offsetting financial assets and liabilities. In particular, there is a clarification of phrases “current legal right for offset”, and meaning of phrase “current legal right for offset”.

Amendments to IAS 32 have effect in relation to annual accounting periods starting from January 1, 2014 with retrospective application of the standard.

The Company believes that application of amendments to IFRS 32 will result in more detailed disclosures in financial statements in relation to financial assets and liabilities offsetting.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31,
2013
(in thousands of Tenge)**

3. BASIS FOR FINANCIAL STATEMENTS PREPARATION. MAIN PRINCIPLES OF FINANCIAL STATEMENTS PREPARATION

Declaration of Conformity

These Financial Statements of the Company were prepared in accordance with IFRS. IFRS include standards and interpretations approved by the International Accounting Standards Committee (hereinafter referred to as the IASC), including International Accounting Standards (hereinafter referred to as the IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (hereinafter referred to as the IFRIC).

The Company was established in 2013. The company had not applied IFRS 1 “*First-time Adoption of International Financial Reporting Standards*” (hereinafter referred to as IFRS 1) when preparing these financial statements as at the beginning of accounting date this Company had any accounts being subject to adjustment in accordance with IFRS.

Financial Statements Preparation Principles

These financial statements of the Company were prepared in compliance with accounting principles on historical cost except for financial instruments which are measured by their fair value. Historical cost is usually determined on the basis of fair value of remuneration in exchange to assets.

Functional Currency and Presentation Currency

National currency of the Republic of Kazakhstan is Kazakhstani Tenge (hereinafter referred to as Tenge) and the same currency is functional for the Company so these financial statements were presented using it. All numerical indicators presented in Tenge were rounded to the nearest thousand.

Ongoing Concern Principle

These financial statements were prepared on the basis of assumption that the Company will be committed to the principle of ongoing concern and that there are no indicators of the intent of the Company or need of liquidation, or substantial activity reduction in foreseeable future. This implies that the Company will be able to discharge the indebtedness at maturing in the course of its ordinary activities.

Use of Professional Judgments, Estimates and Assumptions

When preparing these financial statements, the management used professional judgments, assumptions and estimates related to the issues of representation of assets and liabilities and disclosure of information about contingent assets and liabilities. Actual results may differ from these estimates.

Assumptions and estimates made on their basis are under constant analysis for necessity to change them. Changes in estimates shall be acknowledged in such accounting period when they were revised and in all subsequent periods affected by the specified changes.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31,
2013
(in thousands of Tenge)**

4. Fundamental principles of the accounting policy

Recognition of Income and Expenses

Income shall be reflected on fair replacement cost received or being subject to receipt. Incomes shall be acknowledged in such amount which presents probability of entry economic benefits to the Company and the amount of such incomes can be measured reliably. Sales income shall be acknowledged after deduction of value-added tax.

Rendering of Services

Income on service contracts shall be acknowledged on the basis of the degree of completion. Degree of completion of services rendering on contracts with direct costs reimbursement shall be acknowledged according to the rates fixed in contract as the work advances and direct cost incurred.

Company's Policy on acknowledgement of income on construction contracts is presented below.

Construction Contracts

If financial result of construction contract can be reliably calculated, incomes and expenses shall be recognized proportionally to the degree of completion of works under the contract at the accounting date. The degree of completion is determined as the share of expenses for execution of works up to the accounting date in the total estimated amount under contract, except for cases when this share does not reflect the degree of works completion. Deviations from amounts of work completed, claims and premiums shall be taken into account in such a degree when they can be reliably measured and their receipt is considered as highly probable.

If financial result under construction contract cannot be measured reliably, then income shall be reflected only in the amount of expected reimbursement of incurred charges under the contract. Contract expenses shall be attributed to expenses of the period when they were incurred.

If the probability of excess of expenses under contracts over total income is high, then the expected loss shall be reflected immediately and in full.

Imposition of Taxes

Corporate income tax is represented by the amount of current corporate income tax and deferred corporate tax.

Current Corporate Income Tax

Current corporate income tax is determined on the basis of taxable income per annum.

Deferred Income Tax

Deferred tax shall be acknowledged for temporary differences between the balance sheet assets and liabilities in financial statements and corresponding tax bases used at calculation of taxable income. Liabilities on deferred corporate income tax shall be recognized for all taxable temporary differences. Assets on deferred corporate income tax shall be acknowledged for all deductible temporary differences in such a degree when the receipt of taxable profit is probable and against which deductible temporary differences can be implemented.

Balance sheet assets on deferred corporate income tax shall be reviewed in the end of each accounting period and reduced to the extent to which there is no possibility to get taxable income against which deductible temporary differences can be implemented.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31,
2013
(in thousands of Tenge)**

The volume of assets and liabilities on the deferred corporate income tax shall be determined on the basis of expected tax rates in the period when extinguishment of liabilities or sell-off of assets is expected based on tax legislation and approved before the end of accounting period. Measurement of assets and liabilities on deferred corporate income tax reflects tax consequences of Company plans at the end of accounting period on reimbursement or repayment of balance sheet assets and liabilities.

Current and Deferred Corporate Income Taxes

Current and deferred corporate income taxes shall be acknowledged as income or expenses of current period except for cases when they refer to the items which do not acknowledged as part of expenses of the period (in statement on comprehensive income or directly in the equity), then such deferred tax also shall not be acknowledged as part of expenses of the period.

Fixed Assets

Items of fixed assets shall be reflected according to actual value after deduction of accumulated amount of Depreciation and impairment losses. Actual value shall include all expenses directly connected with acquisition of corresponding asset.

Depreciation shall be acknowledged so that to write off the cost of fixed asset minus residual value during its useful lifetime on the straight-line basis. Evaluations of useful life, residual value and method of depreciation shall be reviewed at each accounting date and effect of such changes shall be reflected prospectively in financial statements.

Depreciation deductions of fixed assets begin from the moment of their commissioning.

The Company shall conduct an assessment of remaining useful economic life of fixed assets at the end of each accounting period and in case if expectations differ from preceding assessments all changes shall be taken into account as change in accounting estimate in compliance with IAS 8 “*Accounting policy, changes in accounting estimates and errors*”.

Expected useful life of fixed assets in accounting and comparative periods was as follows:

| | |
|---|------------|
| Machines | 5-30 years |
| Equipment | 5-30 years |
| Vehicles | 5-20 years |
| Computer and peripheral units | 5-10 years |
| Office furniture and other fixed assets | 5-10 years |

Financial Assets

Financial assets shall be acknowledged and cease to be acknowledged at the date of transaction when purchase and sale of investment is carried out under contract requiring the provision of investment within the terms fixed at certain market and shall be initially measured according to its fair value after deduction of transaction costs except for financial assets classified by fair value through profit and loss which initially are measured by fair value.

Financial assets are classified by the following categories:

- Financial assets taken into account by fair value through profit and loss (FVTPL);
- Receivables.

Classification depends on the nature and purpose of financial instruments and shall be determined in the moment of initial recognition.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31,
2013
(in thousands of Tenge)**

Financial Assets accounted on Fair Value through Profit And Loss

Financial asset shall be classified as financial assets accounted on fair value through profit and loss in case if it was held for sale or announced as FVTPL.

Financial assets can be determined as FVTPL at initial recognition if:

- such recognition eliminates or substantially reduces inconsistency of evaluation or recognition which would have appear in other cases; or
- financial asset forms the part of financial assets or liabilities of the Company or both which is managed and its efficiency is estimated on the basis of fair value in compliance with the strategy of management of Company’s risks and investments, and information about formation of groups is presented internally thereupon; or
- it forms the part of contract containing one or more built-in derivative and IAS 39 “*Financial Instruments: Recognition and Measurement*” allows to identify the whole combined contract (asset or liability) as FVTPL.

FVTPL financial assets shall be accounted on fair value with recognition of any and all profit of losses in profit and loss statement. Net profit or loss recognized in profits or losses includes any dividends or interest income received on financial asset and shall be disclosed as part of “other profits and losses” in the statement of comprehensive income.

Financial Assets Derecognition

The Company shall derecognize financial asset in case of termination of contractual right for cash flows from asset or if the Company transfers financial asset and all substantial risks connected with asset ownership to the third party.

Financial Liabilities

Financial liabilities shall be classified as financial liabilities accounted for on fair value through profit or loss (hereinafter referred to as the FVTPL) or as other financial liabilities.

Financial Liabilities accounted for on Fair Value through Profit or Loss

Financial liabilities shall be accounted for as financial liabilities on fair value through profit or loss in case of financial liability is held for further sale or announced as FVTPL.

Financial liability can be defined as FVTPL at initial recognition in case if:

- such recognition eliminates or substantially reduces inconsistency of evaluation or recognition which would have appear in other cases; or
- financial liability forms the part of financial assets or liabilities of the Company or both which is managed and its efficiency is estimated on the basis of fair value in compliance with the strategy of management of Company’s risks and investments, and information about formation of groups is presented internally thereupon; or
- it forms the part of contract containing one or more built-in derivative and IAS 39 “*Financial Instruments: Recognition and Measurement*” allows to identify the whole combined contract (asset or liability) as FVTPL.

FVTPL financial liabilities shall be accounted on fair value with recognition of any and all profit of losses in profit and loss statement. Net profit or loss recognized in profits or losses includes paid up remuneration on financial liability and shall be disclosed as part of “other profits and losses” in the statement of comprehensive income.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31,
2013
(in thousands of Tenge)**

Financial Liabilities Derecognition

The Company shall cease to recognize financial liabilities only in case if liabilities of the Company were paid up, cancelled or terminated.

Employee Benefits

Discounting shall not apply when determining the value of liability in relation to short-term remunerations to the employees and corresponding expenses shall be acknowledged as far as employees fulfill their employment duties.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATED UNCERTAINTY

In the process of application of accounting policy of the Company which is described in Note 4, the management shall apply estimates and assumptions in relation to balance sheet asset and liabilities which are not evident from other sources.

Estimated and associated assumptions are based on historical experience and other factors which are considered to be acceptable. Actual results can differ from these estimates.

Estimates and underlying assumptions are checked on a regular basis. Changes in estimates shall be acknowledged in the period when estimate was reviewed if the change has impact only on that period or in period of change and future periods if the change has impact both on current and future periods.

Below you will find critical estimates except for these which include estimates made by the management in the process of application of accounting policy of the Company and those which had the most substantial impact on amounts recognized in the consolidated financial statements:

Fixed Assets Useful Life

The Company appraises the remaining useful life of fixed assets to the end of each accounting period and in case if expectations differ from the previous appraisals then changes shall be accounted as changes in estimates in compliance with IAS 8 “*Accounting policy, changes in estimates and errors*”.

Deferred Income Tax Assets

Deferred income tax assets shall be checked at each accounting date and reduced inasmuch as there is no probability that there will be sufficient taxable profit allowing to use the whole or part of deferred tax asset. Appraisal of this possibility includes judgments based on expected indicators.

6. PROFIT

| | For the period from March 13, 2013 (date of establishment to December 31, 2013) |
|--|--|
| Proceeds from rendering of services on arrangement of works on motor roads management and government assignment on maintenance, running repairs of roads | 41,389,141 |
| | <hr/> 41,389,141 <hr/> |

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31,
2013
(in thousands of Tenge)**

The Company receives proceeds from rendering of services on development of public road networks (designing, construction, reconstruction, repair and maintenance of auto roads).

The Company performs these services within the frameworks of governmental assignments on arrangement of works for implementation of investment projects of republican status as well as on performance of repair works at motor road of republican status.

7. COST

| | For the period from March 13, 2013 (date of establishment to December 31, 2013) |
|--|--|
| Services provided by third parties | 40,611,636 |
| Materials and supplies | 65,131 |
| Wages and corresponding tax deductions | 40,175 |
| Depreciation and amortization | 27,124 |
| Other | 13,547 |
| | <hr/> 40,757,613 <hr/> |

8. ADMINISTRATIVE EXPENSES

| | For the period from March 13, 2013 (date of establishment to December 31, 2013) |
|--|--|
| Wages and corresponding tax deductions | 499,677 |
| Rental costs | 40,641 |
| Business travel expenses | 17,626 |
| Materials and supplies | 5,049 |
| Communications services | 4,269 |
| Bank services | 3,125 |
| Consultation and other services | 3,091 |
| Public services | 2,894 |
| Other expenses | 34,701 |
| | <hr/> 611,073 <hr/> |

“National Company “KazAutoZhol” JOINT STOCK COMPANY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2013
(in thousands of Tenge)

9. TAXATION

| | For the period from March 13, 2013 (date of establishment to December 31, 2013) |
|------------------------------|--|
| Current income tax expenses | - |
| Deferred income tax recovery | 38,111 |
| | <u>38,111</u> |

Deferred taxes reflect net impact of tax to temporary differences between the balance sheet asset and liabilities reflected for the purposes of accounting and taxation management. Deferred tax assets and liabilities were calculated at the rates which are expected to be used during the period of assets recovery or liquidation of obligations.

Impact of tax to main temporary differences resulting in generation of assets and liabilities on deferred income tax as at December 31 was presented as follows:

| | December 31, 2013 | March 13, 2013 (date of establishment) |
|------------------------------------|--------------------------|---|
| Deferred tax asset | | |
| Reserves | 11,190 | 577 |
| Taxes | 1,027 | 21 |
| Prior year losses | 21,184 | - |
| | <u>33,401</u> | <u>598</u> |
| Assets on deferred income tax | | |
| Deferred tax liability: | | |
| Fixed assets and intangible assets | (30,325) | (35,633) |
| | <u>3,076</u> | <u>(35,035)</u> |

Below is the reconciliation on official rate of income tax and actual amount of income tax accounted in the statement of comprehensive income of the Company:

| | For the period from March 13, 2013 (date of establishment to December 31, 2013) |
|---|--|
| Profit before income tax expenses | 20,599 |
| Official tax rate | 20% |
| Theoretical expenses on income tax on official rate | (4,120) |
| Nonadmitted sustained tax losses of previous years | 21,184 |
| Permanent differences connected with depreciation of fixed assets under trust agreement | 21,047 |
| Income tax expenses | <u>38,111</u> |

“National Company “KazAutoZhol” JOINT STOCK COMPANY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2013

(in thousands of Tenge)

10. FIXED ASSETS

| | Machines | Equipment | Vehicles | Computer and peripheral devices | Office furnitures and other fixed assets | Construction-in- progress | Total |
|---|----------|-----------|-----------|---------------------------------------|--|------------------------------|-----------|
| Initial cost | | | | | | | |
| As at March 13, 2013 (date of establishment) | 196,328 | 5,822 | 931,622 | 2,166 | 133 | - | 1,126,071 |
| Purchased | 80,184 | 44,528 | 199,183 | 7,635 | 4,621 | 3,297 | 339,448 |
| Disposal | - | - | - | (1) | - | (3,297) | (3,298) |
| As at December 31, 2013 | 276,512 | 50,350 | 1,120,805 | 9,800 | 4,754 | - | 1,462,221 |
| Accumulated depreciation | | | | | | | |
| As at March 13, 2013 | - | - | - | - | - | - | - |
| Accumulated for the period | (21,160) | (1,132) | (44,614) | (582) | (161) | - | (67,649) |
| Disposal | - | - | - | - | - | - | - |
| As at December 31, 2013 | (21,160) | (1,132) | (44,614) | (582) | (161) | - | (67,649) |
| Balance value | | | | | | | |
| As at December 31, 2013 | 255,352 | 49,218 | 1,076,191 | 9,218 | 4,593 | - | 1,394,572 |
| As at March 13, 2013 (date of establishment) | 196,328 | 5,822 | 921,622 | 2,166 | 133 | - | 1,126,071 |

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER
31, 2013
(in thousands of Tenge)**

11. OTHER LONG-TERM ASSETS AND LONG-TERM WARRANTY LIABILITIES

Other long-term assets and other long-term **warranty liabilities** in the amount of 10,835 thousands of Tenge (March 13, 2013: 0 Tenge) present guarantees received in compliance with contracts on performance of liabilities on services rendering. These guarantees are reimbursable termination of the contract.

12. ADVANCES PAID

As at December 31, 2013 and as at March 13, 2013 (date of establishment), advances paid are presented as follows:

| | December 31, 2013 | March 13, 2013 (date of establishment) |
|--|--------------------------|---|
| Advances paid for delivery of supplies | 4,376 | 2,369 |
| Advances paid for execution of works and rendering of services | 2,971,063 | 3,910 |
| Other advances | 2,400 | 38 |
| Total | <u>2,977,839</u> | <u>6,317</u> |

As at December 31, 2013 and as at March 13, 2013 (date of establishment), paid advances were expressed in Tenge.

13. CASH AND CASH EQUIVALENTS

| | December 31, 2013 | March 13, 2013 (date of establishment) |
|--------------------|--------------------------|---|
| Bank accounts cash | 193,765 | 21 |
| Cash on hand | 4,006 | 5,576 |
| Total | <u>197,771</u> | <u>5,597</u> |

As at December 31, 2013 and as at March 13, 2013 (date of establishment) cash and cash equivalents were expressed in Tenge.

As at December 31, 2013, the Company has cash restricted for use in the amount of 10,835 thousands of Tenge (March 13, 2013: 0 Tenge) which were reflected as part of other long-term assets (See Note 11).

14. EQUITY

“National Company “KazAutoZhol” Joint Stock Company was established by the Decree of the Government of the Republic of Kazakhstan as of February 1, 2013. In 2013, the equity capital of the Company was paid by the Sole Shareholder at the cost of the property at the rate of 1,065,421 thousands of Tenge as well as cash at the rate of 361,563 thousands Tenge. The number of authorized shares of the Company paid by the Sole Shareholder was 1,426,984 of ordinary shares with the nominal value of 1,000 Tenge.

All share of the Company belong to the Ministry of Transport and Communications of the Republic of Kazakhstan.

As at December 31, 2013, the unpaid equity capital was 638,437 thousands of Tenge.

In 2013, dividends were accrued and paid in the amount of 4,311 thousand of Tenge.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER
31, 2013
(in thousands of Tenge)**

15. TRADE ACCOUNTS PAYABLE

As at December 31, 2013 and as at March 13, 2013 (date of establishment), trade accounts payable of the Company were represented as follows:

| | December 31, 2013 | March 13, 2013 (date of establishment) |
|----------------------|--------------------------|---|
| For long-term assets | 59,024 | - |
| For services | 21,159 | 26,834 |
| For inventories | 4,310 | 11,091 |
| Total | <u>84,493</u> | <u>37,925</u> |

As at December 31, 2013 and as at March 13, 2013 (date of establishment), trade accounts payable were expressed in Tenge.

16. Discretionary management contract payable

On May 30, 2013, the Contract on Discretionary Management was concluded between the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan (hereinafter referred to as the Committee), Ministry of Transport and Communications of the Republic of Kazakhstan and “NC” KazAutoZhol” JSC on transfer of the “Astana-Schuchinsk” public motor road section of republican status to Discretionary management by “NC” KazAutoZhol” JSC for the period of 10 years without a purchase option. This Contract on Discretionary Management was registered in the Ministry of Justice of the Republic of Kazakhstan on July 1, 2013.

Discretionary management of the Object includes the collection of fees for passage of vehicles, maintenance and repair of motor road.

Transfer of motor road shall not involve the change of ownership. The Company shall maintain accounting on discretionary management separately from the accounting of transactions and events which are not connected with discretionary management.

Within the framework of this Contract on Discretionary Management, the Company had the following transactions which were eliminated:

| | |
|--|---------------------------|
| | December 31, 2013) |
| Profit for the period | 669,452 |
| Cost of production of services rendered for the period | (525,330) |
| Administration expenses for the period | (67,656) |
| Construction in progress to be transferred | (58,334) |
| Creditor indebtedness of the Company to the Committee | <u>18,132</u> |

Agreement shall not grant rights to the Company to receive proceedings as the Company is the trust manager collecting fees for passage of vehicles and maintenance and general repair of motor road on behalf of the Committee. Correspondingly, all proceedings in the form of the fee for the passage of vehicles and corresponding expenses shall be eliminated and net result will be reflected as creditor indebtedness to the Committee depending on the fact if the proceedings from collection of the fee for the passage exceed the expenses of the Company on maintenance of this motor road.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2013 (in thousands of Tenge)

17. ADVANCES RECEIVED

As at December 31, 2013 and as at March 13, 2013 (date of establishment), advances were received from the following contractors:

| | December 31, 2013 | March 13, 2013 (date of establishment) |
|---|-------------------|--|
| “Automobile Road Committee of the Ministry of Transport and Communications” State Institution | 2,861,152 | - |
| Other | 2,349 | - |
| Total | 2,863,501 | - |

18. CONTINGENT ASSETS AND LIABILITIES

Contingent tax liabilities

Contingent tax liabilities in Kazakhstan

Tax system of Kazakhstan is relatively new and is characterized by numerous taxes and frequent changes in the legislation, official definitions and judicial decisions. Taxes are subject to check on the part of the range of regulating authorities having the right to impose large fines, accrue and collect the late fees. Tax period shall remain open for check on the part of tax authorities within five calendar years; however, in certain circumstances such tax period can be open for a longer period as mentioned above. Various legislative acts and standards of Kazakhstan are not always clear and their interpretation depends on the opinions of local tax collectors and the Ministry of Finance of the Republic of Kazakhstan. There are frequent cases of different opinions among local, regional and republican tax authorities.

Existing regime of penalty and fee charging in relation to alleged and detected breach of the laws, decrees and standards is very hard. Sanctions include confiscation of amounts in dispute (for violation of currency legislation), and fee at the rate of 2.5-fold official rate of refinancing fixed by the National Bank of the Republic of Kazakhstan for each day of violation. The rate of the fine is 50% from the amount of the tax which is additionally charged. As a consequence, charged fees and fines can result in amounts which are many times as large as any miscalculated amount of taxes.

The Management of the Company believes that all tax liabilities were reflected and disclosed in financial statements in a proper manner. Nevertheless, there is a risk that tax authorities can have various interpretations of the law.

Legal Processes

According to the Management, at present there are no unfinished legal processes or other claims which could have significant impact on performance or financial status of the Company and which should be disclosed in the financial statements of the Company.

Insurance

Insurance market in the Republic of Kazakhstan is rather infant now; so many forms of insurance well widespread in other countries of the world are not accessible in Kazakhstan. The Company has not overall insurance protection in relation to its losses or accrued liabilities towards the third parties in connection with damage to the Company activity. Until the Company has any substantial assets there is any risk that absence of insurance can have substantial negative impact to performance and financial status of the Company.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2013
(in thousands of Tenge)**

Guarantees

As at December 31, 2013, the Company has no guarantees on liabilities of the third parties.

19. RELATED PARTIES TRANSACTIONS

Related parties include participants, key management personnel, affiliated companies and companies under control of the participants.

Controlling Relationships

The founder of the Company is the Government of the Republic of Kazakhstan in the name of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan.

The Party which finally controls the Company is the Government of the Republic of Kazakhstan.

In compliance with IAS 24 “*Disclosure of information about related parties*”, the Company is exempted from application of requirements to disclosure of information regarding the transactions with related parties and remainders on such transactions if the relations between the related enterprises are stipulated by the fact that:

- a) the Government exercises control, joint control or has substantial impact on the Company;
- b) there is other enterprise which is related party as one and the same government exercises control, joint control or has substantial impact on them.

Transactions with Participation of Managerial Staff and Members of their Families

Rewards to Managerial Staff

Rewards received by the key managerial staff for the period from March 13, 2013 (date of establishment) to December 31, 2013 were 60,686 thousands of Tenge.

Other Related Parties Transactions

Information about transactions of the Company with other related parties is presented in the following tables:

Sale to Related Parties

| Company | Sale Transaction amount | | Indebtedness Balance on settlements / (Advances received) | |
|---|---|--------------------|---|--|
| | For the period from March 13, 2013 (date of establishment) to December 31, 2013 | December 31, 2013 | December 31, 2013 | March 13, 2013 (date of establishment) |
| State Institution “Automobile Road Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan” | 41,090,779 | (2,861,152) | | - |
| Republican State Enterprise on the basis of the right of economic management “Kazakhautodor” of the Automobile Road Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan | 298,361 | (3,550) | | - |
| | <u>41,389,141</u> | <u>(2,864,702)</u> | | - |

For the period from March 13, 2013 (date of establishment) to December 31, 2013, the Company realized services to related parties to the full extent (100%).

“National Company “KazAutoZhol” JOINT STOCK COMPANY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2013
(in thousands of Tenge)

Purchases from Related Parties

| Company | <i>Purchases</i> | <i>Indebtedness</i> | |
|---|---|---|--|
| | Transaction amount | Balance on settlements / (Advances received) | |
| | For the period from March 13, 2013 (date of establishment) to December 31, 2013 | December 31, 2013 | March 13, 2013 (date of establishment) |
| State Institution “Automobile Road Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan” | - | - | - |
| Republican State Enterprise on the basis of the right of economic management “Kazakhautodor” of the Automobile Road Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan | 2,441,060 | - | - |
| | <u>2,441,060</u> | <u>-</u> | <u>-</u> |

20. FINANCIAL RISK MANAGEMENT

Primary Approaches Review

Application of financial instruments puts the Company at the following types of risk:

- liquidity risk;
- market risk.

This Note contains information about Company exposure to each of mentioned risks, about the goals of the Company and procedures of assessment and management of these risks, about Company approaches to management of its equity. Additional information of quantitative character is disclosed throughout the whole text of these financial statements.

The Management shall bear full responsibility for arrangement of risk management system and supervision of this system operation.

Policy of the Company on risk management was developed for the purpose of detection and analysis of risks to which the Company is exposed to, determination of maximum permissible levels of risk and corresponding control mechanisms, as well as for risks monitoring and observance of fixed restrictions.

The policy and risk management systems are regularly analyzed with respect to introduction of changes due to changes of market conditions and activities of the Company. The Company sets training and management standards and procedures in order to establish an ordered and effective controlling system wherein all employees understand their functions and obligations.

Liquidity Risk

Liquidity risk is the risk that the Company would not be able to perform its financial liabilities at maturity date. The Company’s approach to liquidity management consists in provision, as far as possible, for permanency of the Company’s liquid funds, which are sufficient for repayment of own liabilities when due, both in normal and strenuous conditions, avoiding occurrence of unacceptable losses and with safety for the Company reputation.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2013
(in thousands of Tenge)

Data on contract terms for retirement of financial assets and liabilities of the Company as of December 31, 2013 and as of March 13, 2013 (date of establishment) are presented in the following tables:

December 31, 2013

| | Less than 1 month | From 1 to 3 months | Over 3 months to one year | Over 1 year | Total |
|---|--------------------------|---------------------------|----------------------------------|--------------------|------------------|
| Financial assets | | | | | |
| <i>Interest-free:</i> | | | | | |
| Trade receivables | 748 | 95 | - | - | 843 |
| Other long-term assets | | | | 10,835 | 10,835 |
| Cash and cash equivalents | 5,599 | 192,172 | - | - | 197,771 |
| Total assets | 6,347 | 192,267 | - | 10,835 | 209,449 |
| Financial Liabilities | | | | | |
| <i>Interest-free:</i> | | | | | |
| Short-term liabilities | (25,999) | (58,494) | - | - | (84,493) |
| Other current liabilities | (70,374) | - | (107,638) | - | (178,012) |
| Contract on Discretionary Management payable | (18,132) | - | - | - | (18,132) |
| Long-term warranty liabilities | - | - | - | (10,835) | (10,835) |
| Total liabilities | (114,505) | (58,494) | (107,638) | (10,835) | (291,472) |
| Net position as at December 31, 2013 | (108,158) | 133,773 | (107,638) | - | (82,023) |

December 31, 2013

| | Less than 1 month | From 1 to 3 months | Over 3 months to one year | Over 1 year | Total |
|---|--------------------------|---------------------------|----------------------------------|--------------------|-----------------|
| Financial assets | | | | | |
| Trade receivables | 531 | - | - | - | 531 |
| Cash and cash equivalents | 5,597 | - | - | - | 5,597 |
| Total assets | 6,128 | - | - | - | 6,128 |
| Financial Liabilities | | | | | |
| <i>Interest-free:</i> | | | | | |
| Short-term liabilities | (12,882) | (25,043) | - | - | (37,925) |
| Other current liabilities | (9,387) | - | - | - | (9,387) |
| Total liabilities | (22,296) | (25,043) | - | - | (47,312) |
| Net position as at March 13, 2013 (date of establishment) | (16,141) | (25,043) | - | - | (41,184) |

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER
31, 2013
(in thousands of Tenge)**

Market Risk

Market risk – is the risk that changes of market prices, for example, foreign currencies exchange rates, interest rates and share prices will have negative impact on Company profit or on the cost of its available financial instruments. The objective of market risk control is to control the exposure to market risk and keep it in acceptable limits striving at optimization of profit investment ratio at the same time.

Fair Value Measurement

Balance value of financial assets and financial liabilities of the Company is approximately equal to their fair value.

21. CONTINGENT LIABILITIES

Operation Environment

Markets of developing countries including the Republic of Kazakhstan are exposed to economic, political, social, litigation and regulatory risks different from risks of more developed markets. As it already happened, anticipated or actual financial difficulties of the countries with developing economy or increase of the level of perceived risks of investments to these countries can have negative impact in economy and investment climate of the Republic of Kazakhstan.

Laws and normative acts, regulating the conduct of business in the Republic of Kazakhstan are still exposed to rapid changes. There is a possibility of various interpretations of tax, currency and customs legislation as well as other legal and fiscal problems with which companies operating in the Republic of Kazakhstan are faced. Future course of development of the Republic of Kazakhstan depends very heavily on economic, fiscal and monetary policy of the state, adopted laws and normative acts, as well as changes of political environment in the country.

World financial system continues to undergo serious difficulties. Economic growth rates reduce in many countries. Uncertainty in relation to creditability of some countries of the euro region and financial institutions also increases as they bear substantial risks on their sovereign debts. These problems can result in growth rate reduction or economic recession of the Republic of Kazakhstan; have an adverse effect on accessibility and cost of equity for the Company and on business of the Company, its performance, financial status and prospects for the development as well.

Taking into account that the Republic of Kazakhstan recovers and exports huge volumes of oil and gas, the economy of the Republic of Kazakhstan is particularly sensitive to changes of global prices on oil and gas which in 2013 were liable to considerable variations.

Taxation and Legal Environment

The Government of the Republic of Kazakhstan continues the reform of business and commercial infrastructure in the course of transition to market economy. As a result, the laws and provisions regulating activity of the companies continue changing very fast. These changes are characterized by unsatisfactory statement, availability of various interpretations and arbitrary application by authorities.

In particular, taxes are checked by several authorities which according to the law have rights to impose fines and fees. Absence of references to provisions fixed in Kazakhstan results in insufficient clarity and integrity of provisions. Frequent discrepancies of legal interpretations both within the framework of state authorities and between the companies and state authorities produce uncertainty and discrepancies. These

facts create tax risks in Kazakhstan which are more significant than those which, as a rule, are present in the countries with more developed tax systems.

“National Company “KazAutoZhol” JOINT STOCK COMPANY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM MARCH 13, 2013 (DATE OF ESTABLISHMENT) TO DECEMBER
31, 2013**

(in thousands of Tenge)

Tax authorities are entitled to check accounting records during five years subsequent to completion of the period, in the course of which a Taxable base is determined and a sum of paid taxes is evaluated. Consequently, the Company can be exposed to additional tax liabilities that may arise as the result of tax audits. The Company conceives that it adequately provided for all tax liabilities according to its understanding of the tax legislation.

22. EVENTS AFTER ACCOUNTING DATE

On February 11, 2014, the National Bank of the Republic of Kazakhstan took decision to reduce temporarily the interference in the process of forming of exchange rate of Tenge. As a result, during February 12, 2014, the market exchange rate of Tenge for 1 US dollar reduced up to 184,55, i.e. approximately on 19%. In order to prevent destabilization of financial market and economy in whole, the National Bank plans to fix the band the Tenge is allowed to trade within in relation to US dollar within the limits of 182-188 Tenge for 1 US dollar. As at May 20, 2014, the official rate of Tenge to US dollar was 182,01 Tenge. However, there is an uncertainty regarding the dynamics of exchange rate of Tenge and further actions of the National Bank, as well as effect of these factors on economy of the Republic of Kazakhstan.

The Management of the Company believes that it takes all required measures on maintenance of economic stability of the Company in these conditions. However, drop in the exchange rate of Tenge can negatively affect the performance and financial status of the Republic of Kazakhstan. At present it is impossible to determine of how namely this affect can be.

On February 13, 2014, the Company reorganized the department within the Central Office as a separate branch “The Toll Roads Directorate”. Main activity of this new branch is activity arrangement, tolling and Discretionary management of toll motor roads, as well as tracking and accounting of transport damaging elements of motor road.

On April 19, 2014, the Board of Directors of the Company decided to place 188,437 ordinary shares at the price of placement of 1,000 Tenge for one ordinary share by way of exercise of preemptive right for shares by the Sole Shareholder.

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Management of the Company and authorized for issue on May 20, 2014.