KazTransOil JSC

Interim condensed separate
financial statements (unaudited)

30 June 2013

CONTENTS

Ernst & Young

Ernst & Young LLP
Esentai Tower
Al-Farabi Ave., 77/7
Almaty, Kazakhstan
Tel: +7 (727) 258 5960
Fax: +7 (727) 258 5961
www.ey.com/kazakhstan

ТОО «Эрнст энд Янг»
Казахстан, Алматы
пр. Аль-Фараби, 77/7
Здание «Есентай Тауэр»
Тел.: +7 (727) 258 5960
Факс: +7 (727) 258 5961

Report on review of the interim condensed separate financial statements

To the shareholders of KazTransOil JSC

Introduction

We have reviewed the accompanying interim condensed separate financial statements of KazTransOil JSC ("the Company") as at 30 June 2013 which comprise the interim separate statement of financial position as at 30 June 2013 and the related interim separate statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed separate financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed separate financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed separate financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Aisulu Narbayeva Auditor	Gulmira Turmagambetova Deputy General Director Ernst & Young LLP
Auditor Qualification Certificate No. 0000137 dated 21 October 1994	State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

5 August 2013

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	Note	As of 30 June 2013 (unaudited)	 31 December 2012 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	**326,122,673**	335,980,903
Intangible assets	5	**1,183,713**	1,298,765
Investments in subsidiaries	6	**28,208,864**	28,208,864
Investments in joint ventures	7	**7,404,945**	7,404,945
Advances to suppliers for property, plant and equipment	8	**814,603**	345,647
Bank deposits	14	**520,218**	–
Other non-current assets		**126,702**	130,805
		364,381,718	373,369,929
Current assets			
Inventories	9	**3,457,839**	1,879,555
Trade and other accounts receivable	10	**4,116,804**	2,053,351
Advances to suppliers	11	**1,188,618**	375,341
Prepayment for corporate income tax		**–**	1,580,002
VAT recoverable and other prepaid taxes	12	**75,862**	116,264
Other current assets	13	**2,310,308**	4,336,823
Bank deposits	14	**53,772,392**	53,084,676
Cash and cash equivalents	15	**58,197,648**	18,132,360
		123,119,471	81,558,372
Assets classified as held for sale		**473,489**	29,299
		123,592,960	81,587,671
TOTAL ASSETS		**487,974,678**	454,957,600

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Note	As of 30 June 2013 (unaudited)	 31 December 2012 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**61,937,567**	61,937,567
Asset revaluation reserve		**113,058,278**	117,159,149
Other reserves		**17,169**	17,169
Retained earnings		**189,958,477**	181,317,317
Total equity		**364,971,491**	360,431,202
Non-current liabilities			
Financial guarantee issued on behalf of joint ventures		**–**	199,654
Employee benefits liability		**6,823,646**	6,562,263
Provision on asset retirement obligation	21	**16,204,606**	15,531,037
Deferred tax liabilities		**34,704,260**	36,501,154
Deferred income	17	**416,487**	572,670
		58,148,999	59,366,778
Current liabilities			
Employee benefits liability		**224,967**	238,000
Trade and other accounts payable	18	**4,253,381**	6,545,665
Advances received	19	**14,927,174**	15,953,963
Dividends payable		**28,847,670**	–
Corporate income tax payable		**5,488,432**	–
Other taxes payable	20	**1,598,486**	877,961
Provisions	21	**179,556**	179,291
Other current liabilities	22	**9,334,522**	11,364,740
		64,854,188	35,159,620
Total liabilities		**123,003,187**	94,526,398
TOTAL EQUITY AND LIABILITIES		**487,974,678**	454,957,600

The accounting policy and explanatory notes on pages 7 through 23 form an integral part of these interim condensed separate financial statements.

General Director _Kabyldin K.M._

Chief Accountant _Akhmedina A.S._

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
In thousands of Tenge	**Note**	**2013 (unaudited)**	2012 (unaudited)
Revenue	23	**82,374,712**	57,305,118
Cost of sales	24	**(39,927,659)**	(38,130,018)
Gross profit		**42,447,053**	19,175,100
General and administrative expenses	25	**(3,741,030)**	(3,795,291)
Other operating income	26	**1,686,945**	571,326
Other operating expenses		**(69,136)**	(160,677)
Impairment of investments in subsidiaries		**–**	(280,212)
Reversal / (charge) of impairment of property, plant and equipment	4	**(38,444)**	(895)
Operating profit		**40,285,388**	15,509,351
Net foreign exchange (loss)/ gain		**(33,553)**	49,124
Finance income	27	**2,147,285**	1,040,930
Finance costs	28	**(670,306)**	(88,862)
Profit before tax		**41,728,814**	16,510,543
Income tax expense	29	**(8,335,755)**	(3,259,590)
Profit for the period		**33,393,059**	13,250,953
Other comprehensive income			
Revaluation of property, plant and equipment	4	**1,357**	–
Income tax effect		**(272)**	–
		1,085	–
Impairment of property, plant and equipment	4	**(7,731)**	(119)
Income tax effect		**1,546**	24
		(6,185)	(95)
Total other comprehensive income for the period, net of tax		**(5,100)**	(95)
Total comprehensive income for the period, net of tax		**33,387,959**	13,250,858

The accounting policy and explanatory notes on pages 7 through 23 form an integral part of these interim condensed separate financial statements.

General Director

Kabyldin K.M.

Chief Accountant

Akhmedina A.S.

INTERIM SEPARATE STATEMENT OF CASH FLOWS

In thousands of Tenge	Note	For the six months ended 30 June 2013 (unaudited)	2012 (unaudited)
Cash flows from operating activities			
Profit before income tax		**41,728,814**	16,510,543
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortization	24, 25	**13,679,061**	13,046,584
Allowance for doubtful debts	25	**26,401**	29,357
Finance costs		**670,306**	88,862
Finance income		**(2,147,285)**	(1,040,930)
Employee benefits	24, 25	**230,000**	148,001
Provisions	21	**45,467**	179,969
Loss/ (income) on disposal of property, plant and equipment, net		**1,210**	19,578
Income from disposal of assets held for sale	26	**(84,650)**	–
(Reversal)/ charge of impairment of property plant and equipment		**38,444**	895
Impairment of other assets		**–**	280,212
Income from write-off of payables		**(1,261)**	(2,335)
Amortization of deferred income	26	**(156,182)**	(156,182)
Write-off of VAT recoverable	25	**133,508**	108,205
Amortization of financial guarantee issued on behalf of joint ventures	26	**(26,463)**	(68,278)
De-recognition of financial guarantees	26	**(177,743)**	–
Unrealized foreign exchange loss/(gain)		**115,738**	(32,687)
Reversal of provision for slow-moving and obsolete inventories	25	**(4,456)**	(1,861)
Operating cash flows before working capital changes:		**54,070,909**	29,109,933
Changes in inventories		**(1,564,934)**	(2,459,411)
Changes in trade and other accounts receivable		**(2,089,884)**	(1,310,849)
Changes in advances to suppliers		**(813,247)**	(203,914)
Changes in taxes recoverable and other current assets		**1,821,873**	3,586,437
Changes in trade and other accounts payable		**(1,111,237)**	(384,478)
Changes in advances received		**(1,026,789)**	(1,999,754)
Changes in taxes payable		**720,525**	(297,719)
Changes in other current, non-current liabilities and employee benefits		**(2,218,290)**	(4,030,568)
Cash generated from operating activities		**47,788,926**	20,009,677
Income tax paid		**(2,931,193)**	(3,092,340)
Interest received		**878,564**	764,267
Net cash flow from operating activities		**45,736,297**	19,681,604

INTERIM SEPARATE STATEMENT OF CASH FLOWS (continued)

		For the six months ended 30 June	
In thousands of Tenge	Note	2013 (unaudited)	2012 (unaudited)
Cash flows from investing activities			
Withdrawal of term deposits		**36,000,000**	23,000,000
Placement of term deposits		**(36,520,218)**	(9,600,000)
Purchase of property, plant and equipment		**(5,603,757)**	(11,290,214)
Purchase of intangible assets		**(143,031)**	(101,125)
Proceeds from disposal of property, plant and equipment and intangible assets		**28,465**	–
Proceeds from assets held for sale		**113,948**	–
Dividends received		**453,584**	–
Repayment of loans provided to related parties		**–**	189,858
Net cash flow used in financing activities		**(5,671,009)**	2,198,519
Net cash flow from financing activities		**–**	–
Net change in cash and cash equivalents		**40,065,288**	21,880,123
Cash and cash equivalents at the beginning of the year	15	**18,132,360**	19,833,356
Cash and cash equivalents at the end of the year	15	**58,197,648**	41,713,479

NON-CASH TRANSACTIONS

The following non-cash transactions have been excluded from the separate statement of cash flows:

Depreciation included in cost of construction in progress

The amount of depreciation for the six months ended 30 June 2013 included in construction in progress was 4,697 thousand Tenge (for the six months ended 30 June 2012: 6,627 thousand Tenge).

Offset of the taxes

For the six months ended 30 June 2013, the Company has made an offset of CIT payable with prepayments of other taxes to the amount of 131,748 thousand Tenge (for the six months ended 30 June 2012: 112,727 thousand Tenge).

The accounting policy and explanatory notes on pages 7 through 23 form an integral part of these interim condensed separate financial statements.

General Director Kabyldin K.M.

Chief Accountant Akhmedina A.S.

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Share capital	Asset revaluation reserve	Other reserves	Retained earnings	Total
As at 1 January 2013 (audited)	**61,937,567**	**117,159,149**	**17,169**	**181,317,317**	**360,431,202**
Profit for the period	–	–	–	33,393,059	**33,393,059**
Other comprehensive income	–	(5,100)	–	–	**(5,100)**
Total comprehensive income for the period	**–**	**(5,100)**	**–**	**33,393,059**	**33,387,959**
Depreciation transfer of revalued property, plant and equipment	–	(4,095,771)	–	4,095,771	**–**
Dividends	–	–	–	(28,847,670)	**(28,847,670)**
As at 30 June 2013 (unaudited)	**61,937,567**	**113,058,278**	**17,169**	**189,958,477**	**364,971,491**
As at 1 January 2012 (audited)	**34,617,204**	**106,785,731**	**17,169**	**207,187,797**	**348,607,901**
Profit for the period	–	–	–	13,250,953	**13,250,953**
Other comprehensive income	–	(95)	–	–	**(95)**
Total comprehensive income for the period	**–**	**(95)**	**–**	**13,250,953**	**13,250,858**
Depreciation transfer of revalued property, plant and equipment	–	(4,601,660)	–	4,601,660	**–**
As at 30 June 2012 (unaudited)	**34,617,204**	**102,183,976**	**17,169**	**225,040,410**	**361,858,759**

The accounting policy and explanatory notes on pages 7 through 23 form an integral part of these interim condensed separate financial statements.

General Director _______________ *Kabyldin K.M.*

Chief Accountant _______________ *Akhmedina A.S.*

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1. GENERAL

On 2 May 2001, the Government of the Republic of Kazakhstan issued a resolution to create a new closed joint stock company National Company "Transportation of Oil and Gas" ("TNG") owned by the Government. Based on that resolution, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan transferred the KazTransOil NOTC CJSC shares to TNG, and, as a result, KazTransOil NOTC CJSC was re-registered and renamed KazTransOil Closed Joint Stock Company.

On 31 May 2004, in accordance with the requirements of Kazakhstani legislation, Closed Joint Stock Company "KazTransOil" was re-registered as "KazTransOil" Joint Stock Company (the "Company").

As of 30 June 2013, National Company KazMunayGas JSC ("KMG" or the "Parent Company") is a major shareholder of the Company (90 %). KMG is owned by "Sovereign Wealth Fund Samruk-Kazyna" JSC ("Samruk-Kazyna"), which is controlled by the Government of the Republic of Kazakhstan. In 2012 the Company performed a share split in proportion 1:10, as a result of which the number of authorized shares has increased from 34,617,204 to 346,172,040, however, share capital has not changed (34,617,204 thousand Tenge). Thereafter, the Company increased the number of authorized shares by 38,463,560 (10% from total amount of 384,635,600 shares), with a purpose to place them on the Kazakhstan Stock Exchange under the "People's IPO" program. Trades in the shares of JSC "KazTransOil" on the Kazakhstan Stock Exchange were opened on 25 December 2012. As a result, 38,463,559 common shares at 725 Tenge per share were sold for 27,886,080 thousand Tenge.

As at 30 June 2013 and 31 December 2012 the Company had interest ownership in the following companies:

				Ownership	
		Place of incorporation	Principal activities	30 June 2013	31 December 2012
"SZTK MunaiTas" JSC ("MunaiTas")	Joint ventures	Kazakhstan	Oil transportation	**51%**	51%
"Kazakhstan-China Pipeline" LLP ("KCP")	Joint ventures	Kazakhstan	Oil transportation	**50%**	50%
"Batumi Capital Partners Limited" ("BCPL")	Subsidiary	Cyprus*	Forwarding, transshipment and storage of oil and oil products	**50%***	50%*
"Batumi Industrial Holdings Limited" ("BIHL")	Subsidiary	Cyprus*	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port and Oil Terminal	**100%***	100%*

* Main activities of BCPL and BIHL are carried out by their subsidiaries located in Georgia. BIHL directly owns 50% of BCPL. Accordingly, the Company directly and indirectly, through its subsidiary BIHL, owns 100% of BCPL.

The Company's head office is located in Astana, Kazakhstan, at 19 Kabanbay Batyr Avenue. The Company has 4 branches, which are located in Atyrau (Western branch), Pavlodar (Eastern branch), Almaty (Research and Development Centre), Astana (Computing Centre) and representative offices in the Russian Federation (Moscow, Omsk and Samara) and Ukraine (Kiev).

The Company operates network of main oil pipelines of 5,503 km and water pipelines of 2,148 km within the Republic of Kazakhstan. Also the Company is engaged in storage, loading, transshipment or transfer of crude oil to other related pipeline systems. Company's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol and Atasu-Alashankou pipelines used for transportation of Kazakhstani crude oil to China. Company's subsidiary BIHL owns Batumi Oil Terminal and has controlling interest of Batumi Sea Port, main activity of which is storage and transshipment of oil cargoes.

The Company is a natural monopolist and, accordingly, is subject to regulation of the Agency of the Republic of Kazakhstan for Regulation of Natural Monopolies ("NMRA"). This agency is responsible for approving the methodology for calculating the tariff and tariff rates, which serves as a base for receiving major part of Company's revenue in Republic of Kazakhstan. In general, rates are based on the cost of capital return on operating assets. In accordance with the legislation of the Republic of Kazakhstan on regulation of natural monopolies, rates cannot be lower than the cost of the expenditure required to provide services, and to consider the possibility of making a profit, providing the effective functioning of a natural monopoly.

On 1 December 2012 NMRA increased tariffs for oil transportation on domestic and export markets: the tariff for the domestic market for the transportation of one ton of oil per 1,000 km has been increased from 1,303 Tenge to 1,954.5 Tenge; tariff of oil transportation on export has been increased from 3,331 Tenge to 4,732.6 Tenge for 1 ton of oil per 1,000 km.

These interim condensed separate financial statements for six months ended 30 June 2013 were approved for issue by the General Director and the Chief Accountant of the Company on 5 August 2013.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES

Basis of preparation of financial statements

These interim condensed separate financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Financial Reporting IAS 34 *Interim Financial Reporting* ("IFRS 34").

These interim condensed separate financial statements have been prepared on a historical cost basis, except for: property plant and equipment which are stated at revalued amounts and financial assets that have been measured at fair value.

Interim condensed separate financial statements do not include all information and disclosures required for annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2012.

The interim condensed separate financial statements are presented in Tenge and all values are rounded to the nearest thousands, except when otherwise indicated.

Foreign currency translation

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan. As at 30 June 2013 and 31 December 2012, the currency exchange rate of KASE was 151.65 and 150.74 Tenge to USD 1, respectively.

New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations as of 1 January 2013.

The Company applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 19 (revised 2011) *Employee Benefits*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual separate financial statements. These standards and amendments do not impact the interim condensed separate financial statements of the Company.

The nature and the impact of each new standard/amendment are described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company's financial position or performance.

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements. An opening statement of financial position (known as the "third balance sheet") must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments thereof, adopted by the Company (continued)

IAS 32 Tax Effects of Distributions to Holders of Equity Instruments (Amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes.* The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Company, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim Financial Reporting and Segment Information for Total Assets and Liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments.* Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment.

IAS 19 Employee Benefits (revised 2011) (IAS 19R)

IAS 19 includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The amendment did not affect the interim condensed separate financial statements.

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Company is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Company.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities.* IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) an investor has power over an investee;

(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and

(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the financial statement of the Company.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments thereof, adopted by the Company (continued)

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after 1 January 2013. Application of this standard did not impact the financial position of the Company, as this method is being applied in relation to joint ventures since 1 January 2009.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed separate financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Company has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed separate financial statements period. The Company disclosed required information in *Note 32*.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Company is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Company.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SEASONALITY OF OPERATIONS

The Company's operating costs are subject to seasonal fluctuations, with higher expenses for materials and repair, maintenance and other services usually expected in the latter part of the year than in the first two quarters. These fluctuations are mainly due to the pipeline repairs that are performed mainly during the second part of the year.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

4. PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	Land	Pipelines	Trans-portation assets	Buildings	Machinery and equipment	Techno-logical oil	Other	Construction in progress	Total
Net book value as at 31 December 2012 (audited)	**3,441,667**	**94,187,717**	**4,157,010**	**57,829,026**	**61,137,624**	**82,892,325**	**9,852,584**	**22.482.950**	**335,980,903**
Additions	6,249	2,904	120,046	216,861	340,409	2,199	542,417	2,982,206	4,213,311
Disposals	(13,443)	(38,812)	(47,902)	(125,519)	(181,431)	(252)	(136,061)	(4,286)	(547,706)
Depreciation	–	(4,874,989)	(463,874)	(2,667,254)	(4,185,012)	–	(1,293,575)	–	(13,484,704)
Accumulated depreciation on disposals	–	28,006	47,831	98,726	178,995	–	126,299	–	479,857
Impairment (included in net profit)	–	–	–	(13,103)	(1,999)	–	–	(29,087)	(44,189)
Recovery of impairment reserve (included in net profit)	–	1,361	–	2,853	769	–	–	762	5,745
Revaluation (revaluation reserve)	–	–	–	–	–	1,357	–	–	1,357
Impairment (revaluation reserve)	–	(512)	–	(7,126)	(93)	–	–	–	(7,731)
Transfer from construction-in-progress	5,008	2,849,886	105	110,494	314,166	–	74,002	(3,353,661)	–
Transfer to intangible assets *(Note 5)*	–	–	–	–	(477)	–	(205)	–	(682)
Transfer to non-current assets, held for sale	–	–	–	(473,488)	–	–	–	–	(473,488)
Transfers and reclassifications	–	3,247	–	8,600	24,232	–	(36,682)	603	–
Net book value as at 30 June 2013 (unaudited)	**3,439,481**	**92,158,808**	**3,813,216**	**54,980,090**	**57,627,183**	**82,895,629**	**9,128,779**	**22,079,487**	**326,122,673**
As at 30 June 2013 (unaudited)									
At fair value	3,439,481	120,597,467	6,665,631	70,676,130	80,358,426	82,895,629	14,696,122	22,079,487	401,408,373
Accumulated depreciation	–	(28,438,659)	(2,852,415)	(15,696,040)	(22,731,243)	–	(5,567,343)	–	(75,285,700)
Net book value	**3,439,481**	**92,158,808**	**3,813,216**	**54,980,090**	**57,627,183**	**82,895,629**	**9,128,779**	**22,079,487**	**326,122,673**
As at 31 December 2012 (audited)									
At fair value	3,441,667	117,778,752	6,605,277	70,988,472	79,858,102	82,892,325	14,257,787	22,482,950	398,305,332
Accumulated depreciation	–	(23,591,035)	(2,448,267)	(13,159,446)	(18,720,478)	–	(4,405,203)	–	(62,324,429)
Net book value	**3,441,667**	**94,187,717**	**4,157,010**	**57,829,026**	**61,137,624**	**82,892,325**	**9,852,584**	**22,482,950**	**335,980,903**

As at 30 June 2013 and 31 December 2012, CIP mainly includes production projects under construction: main oil pipelines, (including construction of main oil pipeline Kumkol-Karakoin, realized as a part of interstate Kazakhstan-China oil pipeline construction project), reconstruction of firefighting system, reconstruction of electricity supply systems and other.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

5. INTANGIBLE ASSETS

In thousands of Tenge	Licenses	Software	Other	Total
Net book value as at 31 December 2012 (audited)	**209,936**	**1,058,027**	**30,802**	**1,298,765**
Additions	3,806	79,515	–	**83,321**
Transfer from property, plant and equipment *(Note 4)*	–	682	–	**682**
Disposals	–	(101,837)	–	**(101,837)**
Accumulated amortization on disposals	–	101,836	–	**101,836**
Amortization	(35,452)	(162,405)	(1,197)	**(199,054)**
Transfers and reclassifications	1,820	(1,820)	–	–
Net book value as at 30 June 2013 (unaudited)	**180,110**	**973,998**	**29,605**	**1,183,713**
As at 30 June 2013 (unaudited)				
At cost	396,743	3,965,154	76,048	**4,437,946**
Accumulated amortization	(216,633)	(2,991,156)	(46,443)	**(3,254,233)**
Net book value	**180,110**	**973,998**	**29,605**	**1,183,713**
As at 31 December 2012 (audited)				
At cost	391,117	3,988,615	76,048	**4,455,780**
Accumulated amortization	(181,181)	(2,930,588)	(45,246)	**(3,157,015)**
Net book value	**209,936**	**1,058,027**	**30,802**	**1,298,765**

6. INVESTMENTS IN SUBSIDIARIES

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
BIHL	**39,061,750**	39,061,750
Less: impairment of investments in BIHL	**(16,094,547)**	(16,094,547)
	22,967,203	22,967,203
BCPL	**8,012,800**	8,012,800
Less: impairment of investments in BCPL	**(2,771,139)**	(2,771,139)
	5,241,661	5,241,661
	28,208,864	28,208,864

7. INVESTMENTS IN JOINT VENTURES

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
KCP	**6,500,000**	6,500,000
MunaiTas	**904,945**	904,945
	7,404,945	7,404,945

8. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Advances to third parties for property, plant and equipment	**913,933**	444,977
Less: allowance for doubtful debts	**(99,330)**	(99,330)
	814,603	345,647

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

9. INVENTORIES

In thousands of Tenge	30 June 2013 (unaudited)	31 December 2012 (audited)
Spare parts	**1,522,132**	886,074
Fuel	**689,505**	571,313
Chemical reagents	**426,894**	89,053
Construction materials	**355,586**	92,746
Commodity	**40,997**	76,248
Other	**458,629**	210,541
Less: provision for slow-moving and obsolete inventory	**(35,904)**	(46,420)
	3,457,839	1,879,555

10. TRADE AND OTHER ACCOUNTS RECEIVABLE

In thousands of Tenge	30 June 2013 (unaudited)	31 December 2012 (audited)
Trade accounts receivable from related parties (*Note 30*)	**3,231,789**	1,025,450
Trade accounts receivable from third parties	**840,403**	578,276
Other accounts receivable from third parties	**638,931**	825,882
Other accounts receivable from related parties (*Note 30*)	**7,286**	198,917
Less: allowance for doubtful accounts	**(601,605)**	(575,174)
	4,116,804	2,053,351

Movement in allowance for doubtful accounts in regards trade and other receivables is as follows:

	For six months ended 30 June	
In thousands of Tenge	2013 (unaudited)	2012 (unaudited)
As at 1 January (audited)	**575,174**	75,220
Charge for the year	**26,431**	29,886
Reinstatement of accounts receivable with related provision	**–**	409,710
Reclassification	**–**	2
As at 30 June (unaudited)	**601,605**	514,818

The current amounts of the Company's trade and other accounts receivables are denominated in the following currencies:

In thousands of Tenge	30 June 2013 (unaudited)	31 December 2012 (audited)
Tenge	**4,116,804**	2,052,571
Russian rubles	**–**	780
	4,116,804	2,053,351

11. ADVANCES TO SUPPLIERS

In thousands of Tenge	30 June 2013 (unaudited)	31 December 2012 (audited)
Advances to third parties	**740,131**	154,913
Advances to related parties (*Note 30*)	**449,939**	221,910
Less: allowance for doubtful debts	**(1,452)**	(1,482)
	1,188,618	375,341

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

11. ADVANCES TO SUPPLIERS (continued)

Movement in allowance for doubtful debts in regards advances given to suppliers is as follows:

In thousands of Tenge	For six months ended 30 June 2013 (unaudited)	2012 (unaudited)
As at 1 January (audited)	**1,482**	1,384
Reversal of reserve	**(30)**	(2,165)
Reinstatement of advances with related provision	–	847
Write-off of allowance for doubtful debts	–	1,636
As at 30 June (unaudited)	**1,452**	1,702

12. VAT RECOVERABLE AND OTHER PREPAID TAXES

In thousands of Tenge	30 June 2013 (unaudited)	31 December 2012 (audited)
Withholding tax	**42,431**	–
VAT recoverable	**11,730**	11,730
Other taxes prepaid	**21,701**	104,534
	75,862	116,264

13. OTHER CURRENT ASSETS

In thousands of Tenge	30 June 2013 (unaudited)	31 December 2012 (audited)
Due for oil transportation coordination services	**2,000,225**	4,284,419
Prepaid insurance	**260,779**	34,635
Due from employees	**51,274**	20,212
Deferred expenses to related parties *(Note 30)*	**521**	–
Deferred expenses to third parties	**125**	173
Less: allowance for doubtful debts	**(2,616)**	(2,616)
	2,310,308	4,336,823

14. BANK DEPOSITS

In thousands of Tenge	30 June 2013 (unaudited)	31 December 2012 (audited)
Short-term bank deposits	**53,000,000**	53,000,000
Accrued interest on deposits	**772,392**	84,676
Long-term bank deposits	**520,218**	–
	54,292,610	53,084,676

As at June 30, 2013 bank deposits comprised of the following:

- Short-term deposits denominated in Tenge placed with Kazakhstani banks with maturity from 9 to 12 months (December 31, 2012: 3 to 12 months), which earn interest of from 3.7% to 6.1% per annum (December 31, 2012: from 3% to 7% per annum), maturing in June 2014, (December 31, 2012: December 2013).
- Long-term deposits, restricted in use, with interest rate 2% per annum and maturity year 2028, ensure the mortgage loan of "Halyk Bank of Kazakhstan"JSC given to the employees of the Company.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

15. CASH AND CASH EQUIVALENTS

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Time deposits with banks – Tenge	**36,000,000**	10,000,000
Current accounts with banks – Tenge	**22,183,664**	8,114,269
Current accounts with banks – Russian rubles	**698**	4,759
Current accounts with banks – US Dollars	**–**	948
Other current accounts with banks	**11,330**	10,104
Cash on hand	**1,956**	2,280
	58,197,648	18,132,360

As at 30 June 2013 most current accounts and time deposits up to 3 months placed with Kazakhstani banks carried interest ranging from 1.7% to 4.5% per annum (31 December 2012: from 1.65% to 4% per annum).

16. EQUITY

Share capital

As at June 30, 2013 and December 31, 2012 the Company's share capital was comprised of 384,635,600 common shares authorized, from which 384.653.599 were issued and fully paid, in the amount of 62,503,284 thousand Tenge.

As at June 30, 2013 and December 31, 2012 the Company's share capital amounting to 61,937,567 thousand Tenge is net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

Dividends

On annual general meeting of shareholders held on 28 May 2013, it was decided to pay out dividends on common shares in the amount of 28,847,670 thousand Tenge (75 Tenge per share), of which 25,962,903 thousand Tenge related to the parent Company JSC "NC"KazMunaiGas" *(Note 30)*.

17. DEFERRED INCOME

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Deferred income from related parties (*Note 30*)	**416,487**	572,670
	416,487	572,670

18. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Accounts payable to third parties for goods and services	**3,680,072**	5,679,172
Accounts payable to related parties for goods and services (*Note 30*)	**389,432**	597,352
Other payables to third parties	**183,877**	269,141
	4,253,381	6,545,665

Trade and other accounts payables are denominated as follows:

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Tenge	**4,238,468**	6,274,570
Russian rubles	**10,187**	58,192
US Dollars	**4,707**	203,122
Other currency	**19**	9,781
	4,253,381	6,545,665

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

19. ADVANCES RECEIVED

In thousands of Tenge	30 June 2013 (unaudited)	31 December 2012 (audited)
Advances received from related parties *(Note 30)*	**9,872,673**	10,426,287
Advances received from third parties	**5,054,501**	5,527,676
	14,927,174	15,953,963

20. OTHER TAXES PAYABLE

In thousands of Tenge	30 June 2013 (unaudited))	31 December 2012 (audited)
VAT payable	**1,206,538**	292,403
Personal income tax	**200,064**	263,962
Social tax	**171,161**	222,901
Property tax	**–**	55,985
Other taxes	**20,723**	42,710
	1,598,486	877,961

21. PROVISIONS

Movements in provisions were represented as follows:

In thousands of Tenge	Environmental provision	Provision on apartments	Others	Total
As at 31 December 2012	167,477	–	11,814	179,291
Charged for the period	–	45,467	–	**45,467**
Use of provision	(8,608)	(24,780)	(11,814)	**(45,202)**
As at 30 June 2013	**158,869**	**20,687**	**–**	**179,556**

On February 27, 2013 the Board of Directors adopted Rules on granting apartments to employees of "KazTransOil" JSC. Thus, as of 30 June 2013 the Company has accrued a provision for the obligation to provide apartments free of charge to employees, who have reached retirement age, and also to those who will achieve this age during 2013-2020, in the amount of 45,467 thousand Tenge, which is equal to the carrying value of apartments to be provided.

Asset retirement obligation

According to the Law of the Republic of Kazakhstan "About the main pipeline", which came into force on July 4 2012 the Group has a legal obligation to decommission the main pipeline (oil pipeline) after the operation and subsequent activities to restore the environment, including land rehabilitation.

Also long-term liabilities include provision on liquidation of waste disposal landfill. Provision was created in accordance with the requirements of the Environmental Code of the Republic of Kazakhstan, under which the owner of the waste disposal landfill creates a liquidation fund for land rehabilitation and monitoring of the environmental impact after closure of the landfill. The same paragraph prohibits the operation of the landfill without a liquidation fund. The amount of provision for the liquidation of the landfill is based on the discounted amount of related future expenses that will be incurred at the date of actual liquidation of the landfill. The interest rate on government securities (treasury bills) was applied as a discount rate.

In thousands of Tenge	Provision on asset retirement obligation
As at December 31, 2012	**15,531,037**
Charged for the period	**189,263**
Unwinding of discount on asset retirement obligation *(Note 28)*	**484,306**
As at June 30, 2013	**16,204,606**

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

22. OTHER CURRENT LIABILITIES

In thousands of Tenge	30 June 2013 (unaudited)	31 December 2012 (audited)
Accounts payable for oil transportation coordination services to related parties (*Note 30*)	**3,202,631**	4,839,624
Salaries and wages	**2,806,491**	2,682,879
Accounts Payable for oil transportation coordination services to third parties	**2,741,506**	3,190,974
Current portion of deferred income from related parties (*Note 30*)	**312,365**	312,365
Payable to pension funds	**271,529**	338,898
	9,334,522	11,364,740

23. REVENUE

	For six months ended 30 June	
In thousands of Tenge	2013 (unaudited)	2012 (unaudited)
Crude oil transportation	**75,529,698**	50,571,345
Pipeline operation services	**3,202,250**	2,952,097
Water transportation	**3,154,202**	3,195,766
Oil transportation coordination services	**354,582**	365,358
Oil storage services	**85,053**	60,186
Other	**48,927**	160,366
	82,374,712	57,305,118

For the six months ended June 30, 2013 the revenue from the major customer amounted to 19,965,006 thousand Tenge. (For the six months ended June 30, 2012 revenue from two major customers: 13,676,606 thousand Tenge, 8,215,120 thousand Tenge).

24. COST OF SALES

	For six months ended 30 June	
In thousands of Tenge	2013 (unaudited)	2012 (unaudited)
Depreciation and amortization	**13,403,965**	12,771,534
Personnel cost	**13,254,099**	11,898,691
Electric energy	**2,943,324**	2,452,080
Taxes other than corporate income tax	**2,237,508**	1,962,471
Repair and maintenance costs	**1,600,993**	1,506,397
Security services	**1,574,864**	1,686,842
Materials and fuel	**1,541,340**	1,544,816
Gas expenses	**1,240,900**	1,292,782
Air services	**679,250**	943,013
Business trip expenses	**353,888**	302,237
Post-employment benefits	**215,935**	139,120
Insurance	**165,073**	204,316
Communication services	**112,035**	101,145
Environmental protection	**76,263**	387,679
Diagnostics of pipelines	**21,136**	7,012
Rent expenses	**–**	4,921
Other	**507,086**	924,962
	39,927,659	38,130,018

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

25. GENERAL AND ADMINISTRATIVE EXPENSES

	For six months ended 30 June	
In thousands of Tenge	2013 (unaudited)	2012 (unaudited)
Personnel costs	**2,169,980**	1,883,670
Depreciation and amortization	**275,096**	275,050
Office maintenance	**143,086**	157,876
Expenses on VAT	**133,508**	108,205
Charity expenses	**108,976**	21,500
Social sphere expenses	**102,645**	120,712
Insurance and security	**101,970**	114,983
Taxes other than corporate income tax	**94,496**	186,287
Business trip expenses	**83,818**	54,028
Repair and technical maintenance	**75,899**	77,301
Consulting	**65,730**	393,108
Bank costs	**45,808**	42,186
Communication services	**45,072**	37,504
Information expenses	**31,584**	29,012
Provision for allowance for doubtful debts *(Note 10, 11)*	**26,401**	29,357
Materials and fuel	**25,389**	26,916
Training	**25,346**	36,962
Rent expense	**19,063**	15,857
Advertising expense	**16,898**	8,796
Post-employment benefits	**14,065**	8,881
Reversal of provision for obsolete and slow-moving inventories	**(4,456)**	(1,861)
Other	**140,656**	168,961
	3,741,030	3,795,291

26. OTHER OPERATING INCOME

	For six months ended 30 June	
In thousands of Tenge	2013 (unaudited)	2012 (unaudited)
Income from fines and penalties	**1,198,752**	145,254
Derecognition of financial guarantee issued to joint ventures	**177,743**	–
Amortization of deferred income from related parties *(Note 30)*	**156,182**	156,182
Income from disposal of asset held for sale	**84,650**	–
Amortization of financial guarantee issued to joint ventures *(Note 30)*	**26,463**	68,278
Gain on disposal of inventory	**–**	15,560
Gain on contract termination	**–**	87,955
Other	**43,155**	98,097
	1,686,945	571,326

In March 2013 MunaiTas has early repaid its obligation to EBRD under the loan agreement and obligations of the Company as s guarantor for the loan was terminated. Respectively, the Company derecognized the remaining amount of unamortized guarantee liability during the six months ended 30 June 2013 *(Note 31)*.

Income from fines and penalties are mainly presented by amounts for nominated and non-delivered crude oil volumes under oil transportation contracts on "ship or pay" terms.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

27. FINANCE INCOME

In thousands of Tenge	For six months ended 30 June 2013 (unaudited)	 2012 (unaudited)
Interest income on bank deposits	**1,677,592**	1,010,526
Dividend income from joint ventures *(Note 30)*	**453,584**	–
Loans to employees: unwinding of discount	**16,109**	11,201
Other finance income from related party *(Note 30)*	**–**	19,203
	2,147,285	1,040,930

28. FINANCE COSTS

In thousands of Tenge	For six months ended 30 June 2013 (unaudited)	 2012 (unaudited)
Unwinding of discount on asset retirement obligation	**484,306**	–
Employee benefits: unwinding of discount	**186,000**	81,500
Other finance costs from related party *(Note 30)*	**–**	7,362
	670,306	88,862

29. INCOME TAX EXPENSE

In thousands of Tenge	For six months ended 30 June 2013 (unaudited)	 2012 (unaudited)
Current income tax expense	**10,131,373**	4,604,529
Deferred income tax benefit	**(1,795,618)**	(1,344,939)
Income tax expense	**8,335,755**	3,259,590

30. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following tables provide the total amount of transactions, which have been entered into with related parties during six months ended 30 June 2013 and 30 June 2012 and the related balances as at 30 June 2013 and 31 December 2012:

In thousands of Tenge	30 June 2013 (unaudited)	31 December 2012 (audited)
Trade and other accounts receivable from related parties		
Trade accounts receivable from joint ventures	**2,647,321**	471,451
Trade accounts receivable from entities under common control of KMG	**583,621**	553,811
Trade accounts receivable from entities under common control of Samruk-Kazyna Group	**847**	188
	3,231,789	1,025,450
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	**7,286**	198,917
Total trade and other accounts receivable from related parties	**3,239,075**	1,224,367

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Trade and other accounts receivables from related parties are as follows:

Advances provided to related parties are as follows:

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Advances given to related parties		
Advances given to entities under common control of KMG	**370,629**	219,298
Advances given to entities under common control of Samruk-Kazyna Group	**79,310**	2,612
Advances given to other related parties	**–**	–
Total advances paid to related parties	**449,939**	221,910

Prepaid expenses on transactions with related parties are as follows:

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Prepaid expenses on transactions with related parties		
Prepaid expenses on transactions with related parties	**521**	–
	521	–

Fair value of financial guarantee issued on behalf of joint ventures:

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Financial guarantee issued on behalf of related parties		
Financial guarantee issued on behalf of joint ventures	**–**	199,654
Total financial guarantee issued on behalf of related parties	**–**	199,654

Deferred income to related parties is as follows:

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Non-current deferred income from related parties		
Non-current deferred income from entities under common control of KMG	**416,487**	572,670
Total other non-current deffered income from related parties	**416,487**	572,670
Current portion of deferred income from related parties		
Current portion of deferred income from entities under common control of KMG	**312,365**	312,365
Total other current deferred income from related parties	**312,365**	312,365

Trade and other accounts payable to related parties are as follows:

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Accounts payables to related parties for goods and services		
Accounts payables to entities under common control of KMG	**375,413**	567,859
Accounts payables to entities under common control of Samruk-Kazyna Group	**14,019**	28,924
	389,432	596,783
Other payables to related parties		
Other payables to entities under common control of Samruk-Kazyna Group	**–**	569
	–	569
Total trade and other accounts payable to related parties	**389,432**	597,352

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Advances received from related parties are as follows:

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Advances received from related parties		
Advances from entities under common control of KMG	**8,493,671**	9,143,441
Advances from entities under common control of Samruk-Kazyna Group	**1,378,981**	1,282,846
Advances from joint ventures	**21**	–
Total advances received from related parties	**9,872,673**	10,426,287

Dividends payable to related party is as follows:

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Dividends payable to related party		
Dividends payable to KMG	**25,962,903**	–
Total dividends payable to related party	**25,962,903**	–

Other current liabilities to related parties are as follows:

In thousands of Tenge	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Accounts payable for oil transportation expedition for related parties		
Accounts payable for oil transportation expedition for entities under common control of KMG	**3,202,631**	4,839,624
	3,202,631	4,839,624
Employee benefits of key management personnel		
Employee benefits of key management personnel	**6,301**	19,940
	6,301	19,940

During six months ended 30 June the Company had the following transactions with related parties:

	For six months ended 30 June	
In thousands of Tenge	**2013 (unaudited)**	2012 (unaudited)
Sales to related parties		
Income from main activities with entities under common control of KMG	**45,845,348**	31,873,796
Income from main activities with entities under common control of Samruk-Kazyna Group	**5,617,044**	2,847,582
Income from main activities with joint ventures	**2,698,137**	2,463,284
Income from other activities with entities under common control of KMG	**66,119**	10,643
Income from other activities with entities under common control of Samruk-Kazyna Group	**89**	–
Income from other activities with joint ventures	–	4,209
	54,226,737	37,199,514

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

In thousands of Tenge	For six months ended 30 June 2013 (unaudited)	 2013 (unaudited)
Purchases from related parties		
Purchases of services from entities under common control of KMG	**3,967,413**	3,724,254
Purchases of services from entities under common control of Samruk-Kazyna Group	**611,626**	480,423
Purchases of inventory from entities under common control of KMG	**67,154**	–
Purchases of inventory from entities under common control of Samruk-Kazyna Group	**4,627**	–
	4,650,820	4,204,677

Financial income of the Company on transactions with related parties is as follows:

In thousands of Tenge	For six months ended 30 June 2013 (unaudited)	 2012 (unaudited)
Financial income from related parties		
Dividend income from MunaiTas	**453,584**	–
Other finance income from related party	–	19,203
	453,584	19,203

Financial cost of the Company on transactions with related parties is as follows:

In thousands of Tenge	For six months ended 30 June 2013 (unaudited)	 2012 (unaudited)
Financial cost from related parties		
Other finance cost from related party	**–**	7,362
	–	7,362

In thousands of Tenge	For six months ended 30 June 2013 (unaudited)	 2012 (unaudited)
Amortization of income from related parties		
Amortization of deferred income from related parties	**156,182**	156,182
Amortization of financial guarantee issued to related party	**26,463**	68,278
	182,645	224,460

The total remuneration of members of the key management personnel comprised:

In thousands of Tenge	For six months ended 30 June 2013 (unaudited)	 2012 (unaudited)
Bonuses	**143,509**	–
Salary	**88,371**	80,690
Other short-term benefits	**3,601**	3,601
Post-employment benefits	**208**	120
	235,689	84,411
Number of persons	**7**	7

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

31. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments of the Company are disclosed in the financial statements for the year ended 31 December 2012. During six months ended 30 June 2013, there were no significant transactions except for the following:

Covenants

Guarantees

On 29 July 2004 MunaiTas (joint venture of the Company) and Eurasian Bank of Reconstruction and Development (EBRD) entered into credit agreement in the amount of 81,600,000 USD. This amount was guaranteed by the Contract dated 29 July 2004, signed by EBRD and the Company, who acted as a guarantor.

In March 2013 MunaiTas has repaid its obligation to EBRD under the loan agreement and obligations of the Company under the Contract as guarantor was terminated.

Contractual commitments

As at 30 June 2013, the Company had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 12,870,447 thousand Tenge (31 December 2012: 5,607,369 thousand Tenge). In addition, as at 30 June 2013, the Company has committed to purchase inventory (materials and spare parts) and services for the amount of 14,617,556 thousand Tenge (31 December 2012: 1,948,794 thousand Tenge).

32. FINANCIAL INSTRUMENTS

The Company's principal financial liabilities comprise of trade and other payables, and other financial liabilities. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade receivables and cash and cash equivalents that arrive directly from its operations.

Fair value of financial instruments

The carrying amount of cash, bank deposits, trade and other accounts receivable, trade and other accounts payable and other current liabilities approximates their fair value due to the short-term maturity of these financial instruments.

33. EVENTS AFTER THE REPORTING PERIOD

Dividends

On 4 July 2013 the Company paid out dividends in the amount of 28,847,670 thousand Tenge (75 Tenge per share), of which 25,962,903 thousand Tenge related to the parent Company JSC "NC"KazMunaiGas" *(Note 30).*