KazTransOil JSC

Separate financial statements

For the year ended 31 December 2013
with Independent auditors' report

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Independent auditors' report

To the shareholders of KazTransOil JSC:

We have audited the accompanying separate financial statements of KazTransOil JSC ("the Company"), which comprise the separate statement of financial position as at 31 December 2013, and the separate statement of comprehensive income, separate statement of changes in equity and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

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

Auditors' responsibility

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

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

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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Opinion

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

Consolidated financial statements presented separately

Without qualifying our opinion, we draw attention to Note 2 to the separate financial statements which states that KazTransOil JSC is the parent entity of KazTransOil Group and that consolidated financial statements of KazTransOil Group prepared in accordance with International Financial Reporting Standards have been issued separately. We have audited the consolidated financial statements of KazTransOil Group as at and for the year ended 31 December 2013 and expressed an unqualified opinion thereon in our auditors' report dated 25 February 2014.

Ernst & Young LLP

Aisulu Narbayeva
Auditor

Auditor Qualification Certificate
No. 0000137 dated 21 October 1994

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

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

25 February 2014

SEPARATE STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	5	**364,998,307**	335,980,903
Intangible assets	6	**1,170,444**	1,298,765
Investments in subsidiaries	7	**28,208,864**	28,208,864
Investments in joint ventures	8	**7,404,945**	7,404,945
Advances to suppliers for property, plant and equipment	9	**5,770,520**	345,647
Bank deposits	15	**576,541**	–
Other non-current assets		**117,760**	130,805
		408,247,381	373,369,929
Current assets			
Inventories	10	**1,681,832**	1,879,555
Trade and other accounts receivable	11	**4,130,038**	2,053,351
Advances to suppliers	12	**695,544**	375,341
Prepayment for corporate income tax		**–**	1,580,002
VAT recoverable and other prepaid taxes	13	**648,705**	116,264
Other current assets	14	**4,138,189**	4,336,823
Bank deposits	15	**83,112,238**	53,084,676
Cash and cash equivalents	16	**24,398,342**	18,132,360
		118,804,888	81,558,372
Assets classified as held for sale		**32,138**	29,299
		118,837,026	81,587,671
TOTAL ASSETS		**527,084,407**	454,957,600

SEPARATE STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Note	31 December 2013	31 December 2012
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**61,937,567**	61,937,567
Asset revaluation reserve	17	**138,931,685**	117,159,149
Other capital reserves		**(1,016,431)**	17,169
Retained earnings		**215,903,107**	181,317,317
Total equity		**415,755,928**	360,431,202
Non-current liabilities			
Financial guarantee issued on behalf of related party	32,33	**–**	199,654
Employee benefits liability	18	**9,333,180**	6,562,263
Provision on asset retirement obligation and land recultivation obligaiton	22	**16,677,538**	15,531,037
Deferred tax liabilities	31	**38,732,066**	36,501,154
Deferred income from related parties	32	**260,305**	572,670
		65,003,089	59,366,778
Current liabilities			
Employee benefits liability	18	**322,000**	238,000
Trade and other accounts payable	19	**10,939,939**	6,545,665
Advances received	20	**17,031,800**	15,953,963
Corporate income tax payable		**680,117**	–
Other taxes payable	21	**1,096,412**	877,961
Provisions	22	**41,642**	179,291
Other current liabilities	23	**16,213,480**	11,364,740
		46,325,390	35,159,620
Total liabilities		**111,328,479**	94,526,398
TOTAL EQUITY AND LIABILITIES		**527,084,407**	454,957,600

General Director _______________ Kabyldin K.M.

Chief Accountant _______________ Akhmedina A.S.

The accounting policy and explanatory notes on pages 7 through 45 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge	Note	For the years ended 31 December 2013	2012
Revenue	24	**168,214,901**	123,931,842
Cost of sales	25	**(94,404,328)**	(83,711,982)
Gross profit		**73,810,573**	40,219,860
General and administrative expenses	26	**(9,190,686)**	(9,323,465)
Other operating income	27	**7,605,493**	1,619,386
Other operating expenses	28	**(288,029)**	(336,404)
Impairment of investments in subsidiaries	7	**–**	(280,212)
Impairment of property, plant and equipment	5	**(10,664,313)**	(766,227)
Gain on disposal of other long-term assets		**257,696**	–
Gain on disposal of subsidiary	7	**–**	161,466
Operating profit		**61,530,734**	31,294,404
Net foreign exchange gain / (loss)		**43,860**	(181,280)
Dividends income		**908,906**	432,336
Finance income	29	**3,971,102**	1,877,753
Finance costs	30	**(1,374,236)**	(826,017)
Profit before tax		**65,080,366**	32,597,196
Income tax expense	31	**(13,063,819)**	(7,262,245)
Profit for the year		**52,016,547**	25,334,951
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent events			
Actuarial re-measurement losses on defined benefit plans	18	**(1,292,000)**	–
Income tax effect	31	**258,400**	–
		(1,033,600)	–
Revaluation of property, plant and equipment	5	**62,753,782**	23,982,196
Income tax effect	31	**(12,550,756)**	(4,796,439)
		50,203,026	19,185,757
Impairment of property, plant and equipment	5	**(21,266,971)**	(19,713)
Income tax effect	31	**4,253,394**	3,943
		(17,013,577)	(15,770)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**32,155,849**	19,169,987
Other comprehensive income for the year, net of tax		**32,155,849**	19,169,987
Total comprehensive income for the year, net of tax		**84,172,396**	44,504,938

General Director ______________ Kabyldin K.M.

Chief Accountant ______________ Akhmedina A.S.

The accounting policy and explanatory notes on pages 7 through 45 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS

		For the years ended 31 December	
In thousands of Tenge	Note	2013	2012
Cash flows from operating activities:			
Profit before income tax		**65,080,366**	32,597,196
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortization	25,26	**28,263,650**	26,184,824
Gain on disposal of subsidiary	7	**–**	(161,466)
Allowance for doubtful debts	26	**56,405**	94,064
Charge of provisions	22	**517**	305,542
Finance costs	30	**1,374,236**	826,017
Dividends income		**(908,906)**	(432,336)
Finance income	29	**(3,971,102)**	(1,877,753)
Impairment of investments in subsidiaries	7	**–**	280,212
Actuarial losses	28	**–**	153,000
Employee benefits, past service costs	18	**1,008,000**	–
Employee benefits, current service costs	18	**495,000**	460,000
Loss on disposal of property, plant and equipment and intangible assets	28	**148,897**	51,950
Gain from disposal of long-term assets		**(257,696)**	–
Impairment of property, plant and equipment	5	**10,664,313**	766,227
Income from write-off of payables	27	**(23,549)**	(3,777)
Amortization of deferred income	27	**(312,366)**	(312,365)
Amortization of financial guarantee issued on behalf of related party	27	**(26,463)**	(138,570)
Derecognition of financial guarantee issued on behalf of related party	27	**(177,743)**	–
Write-off of VAT recoverable	26	**194,727**	301,240
Unrealized foreign exchange loss / (gain)		**84,052**	(37,200)
Charge / (Reversal) of provision for slow-moving and obsolete inventories	26	**2,520**	(4,175)
Operating cash flows before working capital changes:		**101,694,858**	59,052,630
Changes in inventories		**233,462**	135,177
Changes in trade and other accounts receivable		**(1,871,456)**	398,275
Changes in advances to suppliers		**(320,703)**	162,192
Changes in taxes recoverable		**(1,082,590)**	1,189,599
Changes in other current assets		**235,351**	–
Changes in trade and other accounts payable		**(299,243)**	29,824
Changes in advances received		**1,077,837**	5,004,047
Changes in taxes payable		**218,451**	269,699
Changes in other current and non-current liabilities and employee benefits liability		**4,386,697**	(968,736)
Cash generated from operations:		**104,272,664**	65,272,707
Income tax paid		**(16,256,328)**	(7,429,826)
Interest received		**2,356,479**	2,662,203
Net cash flow from operating activities		**90,372,815**	60,505,084

SEPARATE STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Note	For the years ended 31 December 2013	2012
Cash flows from investing activities:			
Withdrawal of bank deposits		**56,047,879**	49,812,460
Placement of bank deposits		**(85,124,420)**	(62,600,000)
Repayment of loans provided to related parties		**–**	339,987
Dividends received		**647,770**	431,011
Purchase of property, plant and equipment		**(27,753,395)**	(22,946,686)
Purchase of intangible assets		**(144,488)**	(256,062)
Proceeds from disposal of property, plant and equipment and intangible assets		**1,067,491**	267,904
Contribution to subsidiaries	7	**–**	(6,496,889)
Cash proceeds from sale of subsidiary	7	**–**	11,647,889
Net cash flow used in investing activities		**(55,259,163)**	(29,800,386)
Cash flows from financing activities:			
Proceeds from share issue	17	**–**	27,886,080
Payments for consulting services related to the issuance of shares	17	**–**	(289,774)
Dividends paid	17	**(28,847,670)**	(60,002,000)
Net cash flow used in financing activities		**(28,847,670)**	(32,405,694)
Net change in cash and cash equivalents		**6,265,982**	(1,700,996)
Cash and cash equivalents at the beginning of the year		**18,132,360**	19,833,356
Cash and cash equivalents at the end of the year	16	**24,398,342**	18,132,360

General Director ____________ Kabyldin K.M.

Chief Accountant ____________ Akhmedina A.S.

The accounting policy and explanatory notes on pages 7 through 45 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Note	Share capital	Asset revaluation reserve	Other capital reserves	Retained earnings	Total
As at 1 January 2012		**34,617,204**	**106,785,731**	**17,169**	**207,187,797**	**348,607,901**
Profit for the year		–	–	–	25,334,951	**25,334,951**
Other comprehensive Income	5	–	19,169,987	–	–	**19,169,987**
Total comprehensive income for the year		**–**	**19,169,987**	**–**	**25,334,951**	**44,504,938**
Depreciation transfer of revalued property, plant and equipment		–	(8,796,569)	–	8,796,569	**–**
Shares issuance	17	27,886,080	–	–	–	**27,886,080**
Consulting services related to the shares issuance	17	(565,717)	–	–	–	**(565,717)**
Dividends	17	–	–	–	(60,002,000)	**(60,002,000)**
As at 31 December 2012		**61,937,567**	**117,159,149**	**17,169**	**181,317,317**	**360,431,202**
Profit for the year		–	–	–	52,016,547	**52,016,547**
Other comprehensive Income	5,18	–	33,189,449	(1,033,600)	–	**32,155,849**
Total comprehensive income for the year		**–**	**33,189,449**	**(1,033,600)**	**52,016,547**	**84,172,396**
Depreciation transfer of revalued property, plant and equipment		–	(11,416,913)	–	11,416,913	**–**
Dividends	17	–	–	–	(28,847,670)	**(28,847,670)**
As at 31 December 2013		**61,937,567**	**138,931,685**	**(1,016,431)**	**215,903,107**	**415,755,928**

General Director _______________ Kabyldin K.M.

Chief Accountant _______________ Akhmedina A.S.

The accounting policy and explanatory notes on pages 7 through 45 form an integral part of these separate financial statements.

NOTES TO THE 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 the Closed Joint Stock Company "KazTransOil" was re-registered as KazTransOil Joint Stock Company (the "Company").

As at 31 December 2013 National Company KazMunayGas JSC ("KMG" or the "Parent Company") is a major shareholder of the Company (90 percent). 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% of the total 384,635,600 shares), which were placed on Kazakhstan Stock Exchange as a part of 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 *(Note 17)*.

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

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

* Prior to 11 December 2013 BIHL directly owned 50% of BCPL. Accordingly, the Company directly and indirectly through its subsidiary BIHL owned 100% of BCPL. On 11 December 2013 the reorganisation of group companies BCPL and BIHL was completed by merger into their own company BTL. The main activity of BTL is carried out by its subsidiaries located in Georgia.

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 and 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 BTL owns Batumi Oil Terminal and has controlling interest of Batumi Sea Port, main activity of which is storage and transshipment of oil and dry cargoes.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

1. GENERAL (continued)

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 the 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 Company's 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 separate financial statements were approved for issue by the General Director and the Chief Accountant of the Company on 25 February 2014.

2. BASIS OF PREPARATION

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

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

These separate financial statements were issued in addition to the consolidated financial statements of the Company. These consolidated financial statements were approved for issue by the General Director and the Chief Accountant of the Company on 25 February 2014. A copy of the consolidated financial statements may be obtained from the head office of the Company *(Note 1)*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less any impairment in value in these separate financial statements.

The Company assesses at each reporting date whether there is any objective evidence that an investment in a subsidiary may be impaired. If any such indication exists, the Company makes an estimate of the recoverable amount on investment. Recoverable amount on investment is higher than its fair value less costs to sell and its value in use; recoverable amount on investment is determined for an individual investment.

Where the cost of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the investments. In determining fair value less costs to sell several methods are applied. These calculations, if applicable, are corroborated by valuation multiplies, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment loss is recognized as current expenses in the period when impairment is recognized.

3.2 Share in joint ventures

Investments in joint ventures are accounted for in these separate financial statements at initial cost less impairment. As discussed in *Note 1,* the Company participates in two jointly controlled entities: KCP and MunaiTas *(Note 8)*.

3.3 Foreign currency translation

These separate financial statements are presented in Tenge, which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency spot rate prevailing at the date of the transaction first qualified for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional spot rate of exchange ruling at the reporting date. All currency differences are taken to the gain and loss as part of the statement of comprehensive income.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Foreign currency translation (continued)

Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Exchange rates

Weighted average currency exchange rates established by the KASE are used as official currency exchange rates in the Republic of Kazakhstan.
As at 31 December, the currency exchange rates of the KASE were:

Tenge	**2013**	2012
US Dollar	**153.61**	150.74
Russian Ruble	**4.69**	4.96
Euro	**211.17**	199.22

3.4 Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as property items. Property, plant and equipment are revalued once in three years. Valuers are selected on a competitive basis. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company and its external valuers also compare the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Management of the Company and its external valuers present the valuation results to the audit committee and the Company's independent auditors. This includes a discussion of the major assumptions used in the valuations. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Analysis of the fair value of property, plant and equipment and additional information on methods of its determining are provided in *Note 4.*

3.6 Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations (continued)

A disposal group qualifies as discontinued operation if it is:

- a component of the Company that is a cash-generating units (CGU) or a group of CGUs;
- classified as held for sale or distribution or already disposed in such a way, or
- a major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

All the notes to the financial statements include amounts relating to continuing operations.

3.7. Property, plant and equipment

Property, plant and equipment are measured at fair value less accumulated depreciation (except for land, technological oil and construction in process) and impairment losses recognised after the date of the revaluation. The Company periodically engages independent appraisers to revalue property, plant and equipment to their depreciated replacement cost. Valuations are performed frequently to ensure that the fair value of a revalued asset does not materially differ from its carrying amount

Any revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as expense in the statement of comprehensive income, in this case the increase is recognised through profit in the statement of comprehensive income. A revaluation deficit is recognised as expense in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgments, estimates and assumptions and provisions for further information about the asset retirement and land recultivation obligation *Notes 4,5 and 22.*

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	5-50
Machinery and equipment	3-30
Pipelines and transportation assets	5-30
Other	2-10

According to the Company's accounting policy technological oil, construction in progress and land are not subject to depreciation.

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is provided on a straight-line basis over the estimated useful economic life of the assets. Intangible assets are generally amortized over five years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

3.9. Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventory, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised through profit in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term bank deposits, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or general and administrative expenses for accounts receivable.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs. The Company had deposits held-to-maturity during the years ended 31 December 2013 and 2012.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (or excluded from Company consolidated statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11. Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs and general and administrative expenses in the statement of comprehensive income.

3.12. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings, financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12. Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortization.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.13. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.14. Inventories

Inventories are stated at the lower of cost and net realizable value on a first-in first-out ("FIFO") basis. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.15. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.16. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

The Company records a provision on asset retirement and land recultivation obligation. Asset retirement and land recultivation obligation costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the provisions for asset retirement and land recultivation obligation. The unwinding of the discount is expensed as incurred and recognised in the statement of comprehensive income as a finance cost. The estimated future costs of asset retirement and land recultivation are analyzed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset *(Note 4)*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17. Employees benefits

The Company provides long-term employee benefits to employees before, on and after retirement, in accordance with the Collective agreement between the Company and its employees. The Collective agreement provides for one-off retirement payments, financial aid for employees' disability, anniversaries and funeral. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments on the end of labor activity. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. Other movements are recognised in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality rate. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the statement of comprehensive income as interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under 'cost of sales', 'general and administrative expenses' and 'finance costs' in the profit or loss (by function):

- Service costs comprising current service costs, past-service costs;
- Net interest expense or income.

Employee benefits are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan.

These obligations are valued by independent qualified actuaries on an annual basis.

In December 2013 Board of Directors decided to pay remuneration for the year ended. Payment of the remuneration is planned in the first quarter of 2014.

3.18. Revenue and other income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements, except for transportation expedition contract where the Company is acting as an agent. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of transportation services

Revenue from rendering of transportation and transshipment services is recognized on the basis of actual volumes of oil and water transported during the reporting period.

Rendering of other services

Revenue from rendering of other services is recognized as services are provided.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Revenue and other income recognition (continued)

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Dividends

Dividend income is recognised when the Company's right to receive the payment is established (on the date of dividends approval).

Plant and equipment received from customers

The Company assesses whether the transferred item meets the definition of an asset, and if so, recognises the transferred asset as property, plant and equipment. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognised as deferred income as the Company has future performance obligations related to future periods or as a component of other income from operations when the Company has no such liabilities.

3.19. Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the Republic of Kazakhstan, where the Company operates and generates taxable income.

Current income tax relating to items in other comprehensive income is recognised in equity and not in the profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Taxes (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or in equity.

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

Value Added Tax (VAT)

VAT related to sales is payable to the budget of Republic of Kazakhstan when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier.

Revenue, expenses and assets are recognized after deduction of value added tax, except for instances, where amount of value added tax is recognized as a part of costs for asset acquisitions or as a part of expenses.

Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the balance sheet date is stated in the statement of financial position on a net basis.

Due to specifics of tax legislation and the Company's operations a certain part of input VAT can be carried over into subsequent years. Such portion of VAT is classified as long-term asset and assessed for impairment and considered as a corporate asset allocated to existing cash generating units.

Receivables and payables are stated including VAT.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of VAT recoverable, Other taxes prepaid and Other taxes payable in the statement of financial position.

3.20. Equity

Share capital

External costs directly attributable to the issue of new shares, excluding business combinations are shown as a deduction from the proceeds from shares issue in equity.

Dividends

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

3.21. Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2013:

New and amended standards and interpretations applied by the Company for the first time

The Company applied, for the first time, certain standards and amendments:

- IAS 1 *Presentation of Items of Other Comprehensive Income* – Amendments to IAS 1;
- IAS 19 *Employee Benefits* (revised 2011) – Amendments to IAS 19;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21. Changes in accounting policies and disclosures (continued)

- IFRS 7 *Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities* – Amendments to IFRS 7;
- IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*;
- IFRS 11 *Joint Arrangements* and IAS 28 *Investment in Associates and Joint Ventures*;
- IFRS 12 *Disclosure of Interests in Other Entities*;
- IFRS 13 *Fair Value Measurement.*

The nature and the impact of each new standards and amendments is 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., exchange differences on translation of financial statements of the foreign subsidiaries 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 had no impact on the Company's financial position or performance.

IAS 19 Employee Benefits (Revised 2011) (Amendment to IAS 19)

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. Information on Employee benefits is disclosed in *Note 18.* Comparative information for 2012 in the statement of comprehensive income was not restated, as the actuarial losses for the year 2012 were not significant. The amendment did not affect significantly the 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 structured 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 and IAS 27 had no impact on the separate financial statements of the Company.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21. Changes in accounting policies and disclosures (continued)

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

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Ventures.* 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.

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. Application of this standard did not impact the financial position of the Company.

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. IAS (IFRS) 13 defines fair value as the exit price. According to the instructions by IAS (IFRS) 13 Company re-examined its policy regarding fair value measurements. IAS (IFRS) 13 also requires additional disclosures.

The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company. In relation to the fair value measurement of property, plant and equipment more information is disclosed in Note 4.

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.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39.

The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures* issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21. Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Company has not novated its derivatives during the current period. These amendments are not expected to impact the Company's financial position or performance

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

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted. The Company will estimate the impact of these amendments after publications of the final edition of the Standard.

Improvement to IFRS 2009-2011

IFRS (IAS) 32 Tax Consequences of Payments to Holders of Equity Instruments (Amendment)

Amendment to IFRS (IAS) 32 *Financial Instruments: Presentation* excludes existing requirements for income tax of IFRS (IAS) 32 and requires entities to comply with the requirements of IFRS (IAS) 12 in respect of any income tax benefit associated with the shareholders. The amendment has no impact on the separate financial statements of the Company.

IFRS (IAS) 34 Interim Financial Reporting and Segment Information in Respect of the Total Assets and Liabilities (Amendment)

The amendment clarifies the requirements of IFRS (IAS) 34, relating to the segment information in respect of total assets and liabilities for each reportable segment to improve consistency with IFRS (IAS) 8 *Operating Segments*. Information about the total assets and liabilities by reportable segment should be disclosed only if the amounts are regularly provided to the chief operating decision maker, and the total amount disclosed in the last annual financial statements for the specified reportable segment has been significantly changed. The amendment has no impact on the annual separate statements of the Company.

4. SIGNIFICANT ACCOUNTINTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTINTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment

The Company performed revaluation of property, plant and equipment as at 31 July 2013 (except for technological oil). The previous revaluation was performed as of 30 June 2010. Revaluation was performed by independent professional appraiser "PricewaterhouseCoopers Tax and Advisory" LLP.

Input data for determining the fair value of property, plant and equipment (except for technological oil) refer to Level 3 in the fair value hierarchy (unobservable inputs).

Valuation method was mainly based on the evaluation of the depreciable replacement cost ("cost method"). Cost method is basically used for evaluation of specific assets within the lack of active market.

Also test on assets return was performed as part of the revaluation. In addition assets return cost was calculated using assessment of the value in use. Following assumptions were used in calculation of the value in use:

- Discount rate 12.7%;
- Remaining useful life of the primary asset - 13.6 years;
- Long-term growth rate for the remaining life of the primary asset - 5.16%.

The assessment of the value in use is sensitive to the forecasted volumes of services rendered, tariffs for the services rendered, the amount of capital repair and operating costs. As a result of the analysis, Company's value in use was determined as 373,590,518 thousand Tenge.

The Company assesses at each reporting date whether the carrying amount of its property, plant and equipment does not differ materially from that, which would be determined using estimated fair value at the balance sheet date. On 31 December 2013 the management of the Company revised its assessments with respect to the fair value of its property, plant and equipment. As a result, management concluded that there were no significant changes in the fair value of the Company's property, plant and equipment as of 31 December 2013 from the date of last revaluation on 31 July 2013. As a result, the fair value of the Company's property, plant and equipment approximated their carrying amount.

Revaluation of technological oil

Technological oil is annually revalued as at 30 September, due to the fact that fluctuations are quite frequent and significant. Technological oil was revalued on 30 September 2013.

Input data for determining the fair value of technological oil refer to Level 2 in the fair value hierarchy (unobservable inputs).

The following judgments were taken into account by the Company's management when determining fair value of technological oil:

- technological oil is an integral part of the process of operating the pipeline without which the transportation is not possible;
- technological oil cannot be sold or otherwise disposed due to regulations imposed by NMRA;
- tariffs are being closely monitored by NMRA and Government to ensure they will not adversely affect general price index in the country, and thus may be set at the level which will not allow to recover cost of oil, if it was valued at international market price;
- the Company is affected by regulations set by KMG and, should there be a decision to sell some part of oil, subject for approval of NMRA, it would be sold only to the KMG-group's trading division at internal price;
- and if the Company needs to buy additional oil to fill in new parts of pipeline, it would buy oil from the KMG group entities at the same internal price.

Taking into account all these factors, the management concluded that the most appropriate price to reflect fair value for the technological oil in pipeline that would be determined by informed market participant would be 264,7 US Dollars per ton as of 30 September 2013 (40,663 Tenge) per ton (30 September 2012: 252 US Dollars (38,000 Tenge) per ton).

4. SIGNIFICANT ACCOUNTINTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Revaluation of technological oil (continued)

As a result of test on adequate profitability in terms of revaluation of technological oil by using income approach no economic deterioration was revealed.

As at 30 September 2013, the amount of oil in the pipeline included as part of property, plant and equipment was 2,176,933 tons (30 September 2012: 2,151,546 tons). According to the results of inventory stock count held on December 31, 2013, the oil surplus in the amount of 24,434 tons (2012: 29,951 ton) was identified. The volume of oil in the pipeline as at 31 December 2013 amounted to 2,193,351 tons (31 December 2012: 2,181,377 tons). The Company recognizes the excess oil as an asset (property, plant and equipment) by changing a revaluation of assets in equity.

Impairment of property, plant and equipment

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Useful lives of items of property, plant and equipment

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Asset retirement and land recultivation obligation

According to the Law of the Republic of Kazakhstan "About the main pipeline" which came into force on 4 July 2012, the Company has a legal obligation to decommission its oil pipelines at the end of their operating life and to restore the land to its original condition. This will happen when the crude oil reserves of the entities, using the pipeline of the Company, are fully depleted.

Asset retirement and land recultivation obligation is estimated based on the value of the work to decommission and rehabilitate calculated by the Company in accordance with the technical regulations of the Republic of Kazakhstan (pipeline decommission expense is equal to 2,891 thousand Tenge per km).

Reserve on liquidation of landfills and waste management is reflected within the asset retirement and land recultivation obligation. The reserve was created in 2013 in accordance with the requirements of Environmental Code of Republic of Kazakhstan, which states that the owner of the landfills has to create a liquidation fund for recultivation of land and for monitoring of environmental impact right after the closure of the landfill.

The allowance was determined at the end of the reporting period using the projected inflation rate for the expected period of fulfillment of obligations (17 years), and the discount rate at the end of the reporting period which are presented below:

In percent	2013	2012
Discount rate as at 31 December	6.0%	6.0%
Inflation rate as at 31 December	5.6%	5.6%

The discount rate is based on the risk-free government bonds of the Republic of Kazakhstan. As at December 31, 2013 the carrying amount of the asset retirement and land recultivation obligation was 16,677,538 thousand Tenge (December 31, 2012: 15,531,037 thousand Tenge) *(Note 22).*

Assessing the cost of rehabilitation of the environment is subject to potential changes in environmental requirements and interpretations of the law. Furthermore uncertainties in the estimates of these costs include potential changes in regulatory requirements, alternative disposal and recovery of damaged land and levels of discount and inflation rates, and the time, when the such obligations will be due.

If the estimated discount rate before tax used in the calculation was 1% higher than management's estimates, the carrying amount of the provision would have been by 2,354,717 thousand Tenge less than recognized amount.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTINTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Allowances for doubtful debts

The Company accrues allowances for doubtful accounts receivable, advances to suppliers and other assets. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the separate financial statements. As at 31 December 2013 and 2012 allowances for doubtful accounts have been created for the amount of thousand 734,849 thousand Tenge and 678,602 thousand Tenge, respectively (*Notes 9, 11,12 and 14*).

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of recognized deferred tax assets as at 31 December 2013 was 8,689,523 thousand Tenge (2012: 6,192,423 thousand Tenge) (*Note 31*). As at 31 December 2013 and 2012 the Company did not have unrecognized deferred tax assets.

Employee benefits

The cost of defined long-term employee benefits to employees before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As there is no active market for corporate securities in Kazakhstan, in determining the appropriate discount rate, management considers the interest rates of government securities (MEOKAM) with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying securities are further reviewed for quality on a timely basis.

The mortality rate is based on publicly available mortality tables for the specific country. Increase in future salary and pension is based on expected future inflation rates for the respective country.

On May 20, 2011 the Company adopted the Collective agreement with the employees of the Company. During 2013 Agreement was amended, which caused increase in post-employment benefits, and set the amount of benefits after retirement based on monthly calculation index, established with legislation of the Republic of Kazakhstan. Accordingly, change in monthly calculation index will have an effect on the amount of benefits.

Change in benefits costs is also caused by change in number of the pensioners on the reporting date.

Further details about the assumptions used are given in *Note 18*.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	Land	Pipelines	Trans-portation assets	Buildings and constructions	Machinery and equipment	Techno-logical oil	Other	Construction in progress	Total
At cost as at 1 January 2012	**3,408,452**	**100,068,206**	**6,304,447**	**67,500,152**	**72,181,698**	**58,853,972**	**11,778,866**	**18,817,397**	**338,913,190**
Additions	12,544	1,339	420,730	106,187	1,402,642	2,622	758,421	20,365,307	**23,069,792**
Provision on asset retirement and land recultivation obligation *(Note 22)*	–	15,084,384	–	–	–	–	–	–	**15,084,384**
Disposals	–	(26,078)	(392)	(103,386)	(79,885)	(89,182)	(187,494)	(115,367)	**(601,784)**
Revaluation (revaluation reserve)	–	–	–	–	–	23,982,196	–	–	**23,982,196**
Revaluation (included in net profit)	–	–	–	–	–	142,717	–	–	**142,717**
Transfer from construction-in-progress	22,150	3,107,388	18,295	4,720,314	6,421,130	–	1,905,643	(16,194,920)	**–**
Transfer to intangible assets *(Note 6)*	–	–	–	–	(46,079)	–	(19,124)	(212,467)	**(277,670)**
Transfer to non-current assets, held for sale	(75)	–	–	(12,646)	–	–	–	–	**(12,721)**
Transfers and reclassifications	(1,404)	387,411	(125,908)	(470,688)	132,307	–	58,828	9,201	**(10,253)**
At cost as at 31 December 2012	**3,441,667**	**118,622,650**	**6,617,172**	**71,739,933**	**80,011,813**	**82,892,325**	**14,295,140**	**22,669,151**	**400,289,851**
Depreciation and impairment as at 1 January 2012	**–**	**(15,145,640)**	**(1,514,482)**	**(7,989,292)**	**(10,724,779)**	**–**	**(2,477,346)**	**(75,226)**	**(37,926,765)**
Disposals		9,729	392	89,677	65,780	–	168,955	–	**334,533**
Depreciation charge	–	(9,254,120)	(949,553)	(5,371,322)	(8,045,974)	–	(2,195,585)	–	**(25,816,554)**
Transfer to non-current assets, held for sale	–	–	–	10,538	–	–	–	–	**10,538**
Impairment (revaluation reserve)	–	(1,510)	(24)	(3,831)	(1,565)	–	(96)	(12,687)	**(19,713)**
Impairment (included in net profit)	–	(244)	(1,388)	(683,880)	(88,757)	–	(36,387)	(98,288)	**(908,944)**
Transfer to intangible assets *(Note 6)*	–	–	–	–	6,285	–	1,418	–	**7,703**
Transfers and reclassifications	–	(43,148)	4,893	37,203	(85,179)	–	96,485	–	**10,254**
Depreciation and impairment as at 31 December 2012	**–**	**(24,434,933)**	**(2,460,162)**	**(13,910,907)**	**(18,874,189)**	**–**	**(4,442,556)**	**(186,201)**	**(64,308,948)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At cost as at 1 January 2013	**3,441,667**	**118,622,650**	**6,617,172**	**71,739,933**	**80,011,813**	**82,892,325**	**14,295,140**	**22,669,151**	**400,289,851**
Additions	76,084	2,904	125,545	452,380	1,384,011	2,348	779,781	24,557,460	**27,380,513**
Disposals	(16,318)	(176,228)	(75,835)	(927,092)	(483,830)	(444,756)	(243,843)	(199,971)	**(2,567,873)**
Revaluation (revaluation reserve)	531,442	9,292,586	1,472,715	2,613,927	16,976,305	6,738,331	2,549,778	1,589,874	**41,764,958**
Impairment (included in net profit)	(143,012)	(4,074,954)	(222,476)	(3,425,081)	(1,957,345)	–	(469,498)	–	**(10,292,366)**
Offsetting of accumulated depreciation and impairment with cost	–	(29,954,950)	(2,934,325)	(16,084,267)	(23,331,477)	–	(5,759,275)	–	**(78,064,294)**
Transfer from construction-in-progress	12,387	3,566,168	5,292	2,398,692	5,783,969	–	709,169	(12,475,677)	**–**
Transfer to intangible assets *(Note 6)*	–	–	–	–	(477)	–	(224)	(131,136)	**(131,837)**
Transfer to non-current assets, held for sale	(2,319)	–	–	(878,154)	(3,941)	–	–	–	**(884,414)**
Transfers and reclassifications	–	55,890	(28,721)	9,917	(57,239)	–	55,970	(331,755)	**(295,938)**
At cost as at 31 December 2013	**3,899,931**	**97,334,066**	**4,959,367**	**55,900,255**	**78,321,789**	**89,188,248**	**11,916,998**	**35,677,946**	**377,198,600**
Depreciation and impairment as at 1 January 2013	–	**(24,434,933)**	**(2,460,162)**	**(13,910,907)**	**(18,874,189)**	**–**	**(4,442,556)**	**(186,201)**	**(64,308,948)**
Disposals	–	136,193	74,331	838,753	432,158	306,798	231,742	172,084	**2,192,059**
Depreciation charge	–	(9,856,859)	(1,035,238)	(5,186,527)	(9,069,024)	–	(2,722,996)	–	**(27,870,644)**
Transfer to non-current assets, held for sale	–	–	–	73,165	3,918	–	–	–	**77,083**
Impairment (revaluation reserve)	–	(537)	–	(7,126)	(230)	(262,238)	–	(8,016)	**(278,147)**
Impairment (included in net profit)	–	1,345	–	(10,250)	(1,258)	(44,560)	(1,313)	(315,911)	**(371,947)**
Offsetting of accumulated depreciation and impairment with cost	–	29,954,950	2,934,325	16,084,267	23,331,477	–	5,759,275	–	**78,064,294**
Transfer to intangible assets *(Note 6)*	–	–	–	–	–	–	19	–	**19**
Transfers and reclassifications	–	(40,517)	(50)	(457)	(7,158)	–	6,076	338,044	**295,938**
Depreciation and impairment as at 31 December 2013	**–**	**(4,240,358)**	**(486,794)**	**(2,119,082)**	**(4,184,306)**	–	**(1,169,753)**	–	**(12,200,293)**
As at 31 December 2013									
At cost	3,899,931	97,334,066	4,959,367	55,900,255	78,321,789	89,188,248	11,916,998	35,677,946	377,198,600
Accumulated impairment and depreciation	–	(4,240,358)	(486,794)	(2,119,082)	(4,184,306)	–	(1,169,753)	–	(12,200,293)
Net book value	**3,899,931**	**93,093,708**	**4,472,573**	**53,781,173**	**74,137,483**	89,188,248	**10,747,245**	35,677,946	**364,998,307**
As at 31 December 2012									
At cost	3,441,667	118,622,650	6,617,172	71,739,933	80,011,813	82,892,325	14,295,140	22,669,151	400,289,851
Accumulated impairment and depreciation	–	(24,434,933)	(2,460,162)	(13,910,907)	(18,874,189)	–	(4,442,556)	(186,201)	(64,308,948)
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**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment have been revalued to fair value at 31 July 2013, except for technological oil. Previous revaluation was made at 30 June 2010. Technological oil is revalued each year at 30 September due to the fact that its fair value fluctuations are significant and frequent. As the result of revaluation accumulated depreciation has been eliminated against carrying value of property, plant and equipment and net amount has been reflected to revalued value of property, plant and equipment.

As a result of the revaluation it was revealed that fair value of certain objects of property, plant and equipment is lower than their carrying value, as a result of no overhaul and modernization on these objects over the past several years. Respectively, excess of the carrying amount over the fair value was accounted as decrease in respective revaluation reserve to the extent that revaluation surplus was previously recognized on these assets, while the remaining amount was recognized in the income statement as an impairment of property, plant and equipment for the total amount of 10,664,313 thousand Tenge.

2012 increase in pipelines in property, plant and equipment mainly includes recognition of provisions related to the asset retirement and land recultivation obligation in the amount of 15,084,384 thousand Tenge *(Notes 4, 22)*.

As at 31 December 2013 and 2012, construction in progress mainly includes following production projects: main oil pipelines under construction (including: construction of main oil pipeline Kumkol-Karakoin, realized as a part of interstate Kazakhstan-China oil pipeline construction project); reconstruction of main oil pipelines Kalamkas-Karazhanbas-Aktau and Uzen-Zhetybai-Aktau; reconstruction of oil pumping station "Kenkiyak"; and reconstruction of firefighting system, electricity supply systems and others.

As at 31 December 2013 the initial cost and correspondingly accumulated depreciation of fully depreciated but still in use property, plant and equipment were 2,883,614 thousand Tenge (2012:5,700,095 thousand Tenge).

The amount of depreciation for 2013 included in the cost of construction in progress was 11,639 thousand Tenge (2012: 22,996 thousand Tenge).

As at 31 December 2013 the volume of oil inside pipelines, included in fixed assets amounted to 2,193 thousand tonnes (2012: 2,181 thousand tonnes).

As at 31 December 2013 construction in progress included materials and spare parts in the amount of 13,212,631 thousand Tenge (2012: 11,739,615 thousand Tenge), which were acquired for construction works.

As at December 31, 2012 there was created a provision for impairment of the complex of kindergartens in Atasu village of Karaganda region amounted to 768,463 thousand Tenge and playground in Usharal city of Almaty region amounted to 37,800 thousand Tenge. A provision was created due to the fact these objects are for the social purpose and they will not bring economic benefits in the future. Also, in year 2012, impairment of other assets including project and development works, in the amount of 160,361 thousand Tenge was recognized through profit or loss.

The carrying value of each revalued class of property, plant and equipment that would have been recognized in the separate financial statements had the assets been carried at cost less any accumulated depreciation and any accumulated impairment loss is as follows:

	Land	Pipelines	Transporta-tion assets	Buildings and construci-tons	Machinery and equipment	Technolo-gical oil	Other	Construc-tion in progress	Total
As at 31 December 2013	**873,142**	**53,347,278**	**2,679,847**	**29,695,511**	**50,855,701**	**1,171,808**	**7,294,565**	**33,749,252**	**179,667,104**
As at 31 December 2012	788,943	55,640,022	3,326,214	30,012,936	51,250,631	1,171,845	8,195,633	21,832,311	172,218,535

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

6. INTANGIBLE ASSETS

In thousands of Tenge	Licenses	Software	Other	Total
Net book value as at 1 January 2012	**245,383**	**930,791**	**31,741**	**1,207,915**
Additions	6,798	201,780	4,363	**212,941**
Disposals	(2)	(9,651)	(471)	**(10,124)**
Amortization charge	(65,253)	(324,096)	(1,917)	**(391,266)**
Accumulated amortization on disposals	2	8,889	441	**9,332**
Transfer from construction-in-progress *(Note 5)*	23,008	246,490	469	**269,967**
Transfers and reclassifications	–	3,824	(3,824)	**–**
Net book value as at 31 December 2012	**209,936**	**1,058,027**	**30,802**	**1,298,765**
Additions	3,805	140,701	–	**144,506**
Disposals	–	(102,971)	–	**(102,971)**
Amortization charge	(70,036)	(332,221)	(2,388)	**(404,645)**
Accumulated amortization on disposals	–	102,971	–	**102,971**
Transfer from construction-in-progress *(Note 5)*	905	130,913	–	**131,818**
Transfers and reclassifications	1,820	(1,820)	–	**–**
Net book value as at 31 December 2013	**146,430**	**995,600**	**28,414**	**1,170,444**
As at 31 December 2013				
At cost	397,647	4,155,437	76,048	**4,629,132**
Accumulated amortization	(251,217)	(3,159,837)	(47,634)	**(3,458,688)**
Net book value	**146,430**	**995,600**	**28,414**	**1,170,444**
As at 31 December 2012				
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**

7. INVESTMENTS IN SUBSIDIARIES

On December, 11 2013 reorganization of BCPL and BIHL was completed. As the result BCPL and BIHL were consolidated to BTL, company which was previously owned by them. Before December 11, 2013 BIHL directly owned 50% of BCPL. Accordingly, the Company directly and indirectly through its subsidiary BIHL owned 100% of BCPL.

In thousands of Tenge	31 December 2013	31 December 2012
BTL	**47,074,550**	–
Less: impairment of investments in BTL	**(18,865,686)**	–
	28,208,864	–
BIHL	–	39,061,750
Less: impairment of investments in BIHL	–	(16,094,547)
	–	22,967,203
BCPL	–	8,012,800
Less: impairment of investments in BCPL	–	(2,771,139)
	–	5,241,661
	28,208,864	28,208,864

Movements in the provision for impairment of investments in subsidiaries are as follows:

In thousands of Tenge	2013	2012
As at 1 January	**18,865,686**	31,354,976
Charge for the year	–	280,212
Disposal of KTO-Service	–	(12,769,502)
As at 31 December	**18,865,686**	18,865,686

No impairment indicators were detected by Company for the year.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURES

In thousands of Tenge	**31 December 2013**	31 December 2012
KCP	**6,500,000**	6,500,000
MunaiTas	**904,945**	904,945
	7,404,945	7,404,945

9. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	**31 December 2013**	31 December 2012
Advances to third parties for property, plant and equipment	**5,869,850**	444,977
Less: allowance for doubtful debts	**(99,330)**	(99,330)
	5,770,520	345,647

Movement in allowance for doubtful debts related to the advances given to suppliers for property, plant and equipment is as follows:

In thousands of Tenge	**2013**	2012
As at 1 January	**99,330**	–
Reinstatement of advances with related provision	**–**	99,330
Write-off	**–**	–
As at 31 December	**99,330**	99,330

Advances issued to suppliers for property, plant and equipment are denominated in Tenge.

10. INVENTORIES

In thousands of Tenge	**31 December 2013**	31 December 2012
Spare parts	**856,248**	886,074
Fuel	**530,804**	571,313
Construction materials	**77,790**	92,746
Goods	**76,520**	76,248
Chemical reagents	**33,496**	89,053
Other	**141,056**	210,541
Less: provision for slow-moving and obsolete inventory	**(34,082)**	(46,420)
	1,681,832	1,879,555

Movements in the provision for slow-moving and obsolete inventory are as follows:

In thousands of Tenge	**2013**	2012
As at 1 January	**46,420**	50,701
Charge for the year	**7,672**	–
Reversal of provision	**(5,148)**	(4,175)
Write-off of inventories	**(14,862)**	(106)
As at 31 December	**34,082**	46,420

11. TRADE AND OTHER ACCOUNTS RECEIVABLE

In thousands of Tenge	**31 December 2013**	31 December 2012
Trade accounts receivable from related parties (*Note 32*)	**1,397,768**	1,025,450
Trade accounts receivable from third parties	**801,179**	578,276
Other accounts receivable from third parties	**2,526,184**	825,882
Other accounts receivable from related parties (*Note 32*)	**35,828**	198,917
Less: allowance for doubtful accounts	**(630,921)**	(575,174)
	4,130,038	2,053,351

Other receivables mainly represent receivables from fines and penalties for nominated and non-delivered crude oil volumes under oil transportation contracts on "ship or pay" terms.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

11. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

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

In thousands of Tenge	**2013**	2012
As at 1 January	**575,174**	75,220
Charge for the year	**89,895**	113,378
Reversal of allowance	**(33,990)**	(23,112)
Write-off of receivable	**(158)**	–
Reinstatement of accounts receivable with related provision	**–**	409,688
As at 31 December	**630,921**	575,174

As at 31 December the ageing analysis of trade receivables is as follows:

			Past due but not impaired				
In thousands of Tenge	Total	Neither past due nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2013	**4,130,038**	**3,840,644**	**106,566**	**107,335**	**32,277**	**15,908**	**27,308**
2012	2,053,351	1,930,166	414	39,954	1,725	31,159	49,933

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

In thousands of Tenge	**31 December 2013**	31 December 2012
Tenge	**4,128,282**	2,052,571
Foreign currencies	**1,756**	780
	4,130,038	2,053,351

12. ADVANCES TO SUPPLIERS

In thousands of Tenge	**31 December 2013**	31 December 2012
Advances to third parties	**440,361**	154,913
Advances to related parties (*Note 32*)	**257,165**	221,910
Less: allowance for doubtful debts	**(1,982)**	(1,482)
	695,544	375,341

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

In thousands of Tenge	**2013**	2012
As at 1 January	**1,482**	1,384
Charge for the year	**1,788**	8,283
Reinstatement of advances with related provision	–	847
Reversal of provision	**(1,288)**	(9,032)
As at 31 December	**1,982**	1,482

13. VAT RECOVERABLE AND OTHER PREPAID TAXES

In thousands of Tenge	**31 December 2013**	31 December 2012
VAT recoverable	**554,866**	11,730
Other taxes prepaid	**93,839**	104,534
	648,705	116,264

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

14. OTHER CURRENT ASSETS

In thousands of Tenge	**31 December 2013**	31 December 2012
Due for oil transportation coordination services	**3,770,279**	4,284,419
Dividends receivable (*Note 32*)	**261,137**	–
Due from employees	**70,381**	20,212
Prepaid insurance	**38,840**	34,635
Deferred expenses to third parties	**168**	173
Less: allowance	**(2,616)**	(2,616)
	4,138,189	4,336,823

15. BANK DEPOSITS

In thousands of Tenge	**31 December 2013**	31 December 2012
Short-term bank deposits	**81,550,000**	53,000,000
Long-term bank deposits	**576,541**	–
Accrued interest on deposits	**1,562,238**	84,676
	83,688,779	53,084,676

As at 31 December 2013 short-term bank deposits comprised of the following:

- Tenge denominated deposits placed with Kazakhstani banks with maturity from 3 to 12 months, which interest from 3.7% to 7.2% per annum (2012: from 3.3% to 7.1% per annum), maturing in December 2014 (2012: December 2013).
- restricted long-term deposits with interest of 2% per annum maturing in the year 2028, which represent guarantee of real estate loan issued by "Halyk Bank Kazakhstan".

16. CASH AND CASH EQUIVALENTS

In thousands of Tenge	**31December2013**	31December2012
Time deposits with banks – Tenge	**22,980,000**	10,000,000
Current accounts with banks – Tenge	**1,374,515**	8,114,269
Current accounts with banks – US Dollars	**31,028**	948
Current accounts with banks – Russian Ruble	**5,194**	9,306
Other current accounts with banks	**11,374**	10,104
Cash on hand	**933**	2,280
Less: allowance for impairment	**(4,702)**	(4,547)
	24,398,342	18,132,360

As at 31 December 2013 and 2012 most current accounts and time deposits placed with Kazakhstani banks carried interest ranging from 1.7% to 10.25% per annum, respectively (2012: from 1.65% to 4% per annum).

17. EQUITY

Share capital

On 26 June 2012 the Company increased the number of authorized shares (certificate of state registration of the securities, the issue number A2995 dated 26 May 2012). As a result of a share split at a ratio 1:10 shares, the number of authorized shares increased from 34,617,204 shares to 346,172,040 shares, with the share capital remaining unchanged (34,617,204 thousand Tenge). In addition the Company increased the number of authorized shares by 38,463,560 shares. Dilution and increase of number of authorised shares is associated with the placement of the Company's shares at KASE within the People's IPO programme.

Trade in the shares of JSC "KazTransOil" on the Kazakhstan Stock Exchange was 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 31 December 2013 and 2012, the Company's share capital was comprised of 384,635,600 common shares (31 December 2011: 34,617,204 common shares) authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share which was authorized but not issued and not paid.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)

As at 31 December 2013 and 2012 the 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 (of which 289,774 thousand Tenge was paid as of 31 December 2012).

Distributions to the shareholder

Dividends

During 2013 the Company declared and paid dividends based on the results of the year 2012, totaling 28,847,670 thousand Tenge (2012: 60,002,000 thousand Tenge based on the results of the year 2011). The dividend per share amount was 75 Tenge per common share by taking into account the total number of shares equaling to 384,635,599 (2012: 173.33 Tenge by taking into account the total number of shares equaling to 346,172,040).

Asset revaluation reserve

Revaluation reserve was formed based on a revaluation of property, plant and equipment performed by an independent appraiser every three years (except for technological oil, which is revalued annually as of 30 September) according to the accounting policy of the Company. As at 31 December 2013 the revaluation reserve increased by 21,772,536 thousand Tenge due to the revaluation of property, plant and equipment performed as of 31 July 2013 (previous revaluation was made on 30 June 2010) in the amount of 33,189,449 thousand Tenge and depreciation transfer of revalued property plant and equipment in the amount of 11,416,913 thousamd Tenge (2012: 8,796,569 thousand Tenge).

Other capital reserves

As at 31 December 2013 reserve amounted to 1,016,431 thousand Tenge (as at December 31 2012: 17,169 thousand Tenge). Increase in reserve is due to accrual of actuarial re-measurement losses on defined benefit plans in amount of 1,292,000 thousand Tenge, income tax effect of which amounted to 258,400 thousand Tenge.

18. EMPLOYEE BENEFITS LIABILITY

Employee benefits are considered as other long–term employee benefits. The entitlement to these benefits is usually conditional on the completion of a minimum service period. The expected cost of these benefits is accrued over the service period, using methodology similar to that used for the defined benefit plan. The Company did not create any funds to cover these future benefit payments.

In 2013 amendments were made to the Collective agreement which increased the amount of actuarial payments and confined the amount of actuarial payments to the monthly consumer index defined by the Kazakhstani legislature.

Changes in defined benefit obligations are as follows:

In thousands of Tenge	**31 December 2013**	31 December 2012
Present value of defined benefits obligation at the beginning of the year	**6,800,263**	6,135,892
Past services cost	**1,008,000**	–
Current services cost	**495,000**	460,000
Unwinding of discount (*Note 30*)	**417,000**	372,000
Actuarial losses**	**1,292,000**	153,000
Benefits paid	**(357,083)**	(320,629)
Present value of defined benefit obligation at the end of the year	**9,655,180**	6,800,263
Less: current portion of present value of defined benefit obligation	**(322,000)**	(238,000)
Non-current portion of present value of defined benefit obligation	**9,333,180**	6,562,263

** Due to changes in IAS 19 (applicable from 1 January 2013), actuarial losses are recognized as part of the other comprehensive income. The Company did not apply this requirement retrospectively, due to the fact that the change would not have made a significant impact on the financial statements of the Company.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

18. EMPLOYEE BENEFITS LIABILITY (continued)

Amounts recognized in the separate statement of financial position and current period profits and losses are as follows:

In thousands of Tenge	**31 December 2013**	31 December 2012
Present value of defined benefit obligation at end of the year	**9,655,180**	6,800,263
Net liability	**9,655,180**	6,800,263
Past service cost	**1,008,000**	–
Current service expense	**495,000**	460,000
Actuarial losses	**1,292,000**	153,000
Unwinding discount (*Note 30*)	**417,000**	372,000
Expenses recognized in the current period	**3,212,000**	985,000

Current and past services costs and unwinding of dicsount are included in the separate statement of comprehensive income as part of cost of sales and general and administrative expenses and finance costs respectively (Notes 25, 26,30).

Actuarial losses were included in the other comprehensive income according to amendments IAS 19, effective from 1 January 2013. (Actuarial losses for 2012 were recognized in profit and loss as part of other operating expenses (Note 28). The Company did not apply this requirement retrospectively, due to the fact that the change would not have made a significant impact on the separate financial statements of the Company.

Increase in actuarial losses is due to the amendments made to Collective Agreement (described in *Note 4*), increase in number of pensioners and change in certain actuarial assumptions.

Principal actuarial assumptions used for valuation of employee benefit obligation at 31 December 2013 and 2012 were as follows:

	2013	2012
Discount rate	**6.0%**	6.0%
Rate of inflation	**5.6%**	4.0%
Future increase of non-current annual payment	**5.5%**	6.0%
Future salary increases	**6.0%**	6.0%
Mortality rate	**12.0%**	12.0%

As of 31 December 2013 the average duration of post-retirement benefit obligations was 16 years.

Sensitivity analysis for significant assumptions as of 31 December 2013 is as follows:

In thousands of Tenge	Decrease	Increase
Discount rate	**-0.5%**	**+0.5%**
	778,000	(693,000)
Inflation rate	**-0.5%**	**+0.5%**
	(720,000)	803,000
including:		
	-0.5%	**+0.5%**
future salary increase	(79,200)	88,330
	-0.5%	**+0.5%**
increase in long-term payments	(640,800)	714,670
Life duration	**-1 year**	**+1 year**
	(395,000)	400,000

19. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of Tenge	**31 December 2013**	31 December 2012
Accounts payable to third parties for goods and services	**10,042,623**	5,679,172
Accounts payable to related parties for goods and services (*Note 32*)	**646,301**	596,783
Other payables to third parties	**249,065**	269,141
Other payables to related parties (*Note 32*)	**1,950**	569
	10,939,939	6,545,665

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

19. TRADE AND OTHER ACCOUNTS PAYABLE (continued)

Trade and other accounts payables included payables to related and third parties, related to the construction-in-progress in the amount of 7,711,017 thousand Tenge.

Trade and other accounts payables are denominated in the following currencies:

In thousands of Tenge	**31 December 2013**	31 December 2012
Tenge	**10,550,602**	6,274,570
US Dollar	**332,416**	203,122
Russian Ruble	**48,590**	58,192
Euro	**6,414**	–
Other currencies	**1,917**	9,781
	10,939,939	6,545,665

20. ADVANCES RECEIVED

In thousands of Tenge	**31 December 2013**	31 December 2012
Advances received from related parties (*Note 32*)	**10,706,153**	10,426,287
Advances received from third parties	**6,325,647**	5,527,676
	17,031,800	15,953,963

21. OTHER TAXES PAYABLE

In thousands of Tenge	**31 December 2013**	31 December 2012
Personal Income Tax	**488,363**	263,962
Social Tax	**467,858**	222,901
Property tax	**117,208**	55,985
VAT Payable	**564**	292,403
Other taxes	**22,419**	42,710
	1,096,412	877,961

22. PROVISIONS

Short-term portion of provisions

In thousands of Tenge	**Environmental provision**	**Other provisions**	**Total**
As at 1January 2012	**48,267**	**11,814**	**60,081**
Charge for the year	306,318	–	306,318
Used provision	(186,332)	–	(186,332)
Reversal of provision	(776)	–	(776)
As at 31 December 2012	**167,477**	**11,814**	**179,291**
Charge for the year	517	–	**517**
Used provision	(126,352)	(11,814)	**(138,166)**
As at 31 December 2013	**41,642**	–	**41,642**

Environmental provisions

The Company made ecology provision due to oil spill as a result of unauthorized penetration of pipeline.

Long-term portion of provisions

In thousands of Tenge	**2013**	2012
As at 1 January	**15,531,037**	–
Accrued for the year	**189,265**	15,084,384
Unwinding of discount on asset retirement and land recultivation obligation *(Note 30)*	**957,236**	446,653
As at 31 December	**16,677,538**	15,531,037

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

22. PROVISIONS (continued)

***Long-term portion of provisions* (continued)**

Asset retirement and land recultivation obligation

According to the Law of the Republic of Kazakhstan "About the main pipeline", which came into force on 4 July 2012 the Company has a legal obligation to decommission the main pipeline (oil pipeline) after the operation and subsequent activities to restore the environment, including land recultivation. During 2012 the Company's management has created provision on asset retirement and land recultivation obligation in the amount of 15,084,384 thousand Tenge.

Additionally provision on liquidation of the waste landfills is reflected as part of the asset retirement and land recultivation obligation. Provision was created in 2013 based on the requirements of the Ecological Code of the Republic of Kazakhstan, according to which owner of the waste landfill must create liquidation fund for subsequent activities for land remediation and monitoring the impact on the environment after the landfill closure. Ecological Code of the Republic of Kazakhstan also prohibits usage of landfill without liquidation fund created. Landfill liquidation provision in the amount of 189,265 thousand Tenge is equal to the discounted amount of the future costs of liquidation, calculated based on remaining period before the date of liquidation. Discount rate applied represents risk-free rate of the government bonds of the Republic of Kazakhstan.

23. OTHER CURRENT LIABILITIES

In thousands of Tenge	**31 December 2013**	31 December 2012
Salaries and wages	**7,221,317**	2,682,879
Liabilities related to oil transportation coordination services for related parties (*Note 32*)	**4,153,476**	4,839,624
Liabilities related to oil transportation coordination services for third parties	**3,281,040**	3,190,974
Payables to related parties for agency agreement on oil transportation services (Note 32)	**651,706**	–
Accounts payable to pension funds	**593,575**	338,898
Current portion of deferred income from related parties (*Note 32*)	**312,366**	312,365
	16,213,480	11,364,740

In respect of short term employee remunerations the Board of Directors of the Company made a decision in December 2013 to pay the employees remunerations based on the year results in the amount of 4,424,784 thousand Tenge including social tax.

24. REVENUE

In thousands of Tenge	**2013**	2012
Crude oil transportation	**153,861,014**	110,260,550
Pipeline operation services	**6,816,579**	5,968,264
Water transportation	**6,573,345**	6,431,874
Oil transportation coordination services	**702,192**	729,938
Oil storage services	**174,555**	235,996
Other	**87,216**	305,220
	168,214,901	123,931,842

Increase in revenues is due to the aforementioned increase in tariffs for oil transportation for domestic and export markets *(Note 1)*. For the twelve months ended 31 December 2013 the revenue from the major customer amounted to 41,333,606 and 18,434,349 thousand Tenge, respectively. (For the twelve months ended 31 December 2012 revenue from two major customers: 36,137,646 thousand Tenge and 8,215,120 thousand Tenge, respectively).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

25. COST OF SALES

In thousands of Tenge	2013	2012
Personnel costs	**33,715,288**	26,634,249
Depreciation and amortization	**27,673,653**	25,665,386
Electric energy	**5,942,186**	5,185,683
Materials and fuel	**5,068,018**	5,047,579
Repair and maintenance costs	**4,698,958**	4,932,061
Taxes other than corporate income tax	**4,563,520**	4,000,800
Security services	**3,212,395**	3,373,531
Gas expenses	**2,211,319**	2,206,043
Post-employment benefits	**1,406,914**	431,867
Air services	**1,296,160**	1,931,505
Business trip expenses	**814,368**	699,257
Environmental protection	**612,422**	888,008
Training	**466,405**	528,243
Diagnostics	**389,203**	194,260
Insurance	**379,002**	413,012
Communication services	**240,062**	202,510
Other	**1,714,455**	1,377,988
	94,404,328	83,711,982

Increase in production personnel costs is mainly due to the accrual of bonuses for the results of 2013.

26. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	2013	2012
Personnel costs	**5,651,107**	4,392,814
Depreciation and amortization	**589,997**	519,438
Office services	**337,154**	312,020
Consulting	**305,380**	620,864
Social sphere expenses	**204,421**	224,225
Write off of VAT recoverable	**194,727**	301,240
Taxes other than corporate income tax and VAT	**193,424**	307,484
Security	**190,043**	199,125
Business trip expenses	**179,102**	152,786
Materials and fuel	**175,758**	128,215
Repair and maintenance	**171,310**	149,722
Charity expenses	**126,474**	1,037,390
Training	**109,919**	123,901
Bank services	**105,028**	91,816
Communication services	**98,309**	106,952
Post-employment benefits	**96,086**	28,133
Information expenses	**71,653**	77,118
Provision for allowance for doubtful debt	**56,405**	94,064
Operational rent expenses	**35,732**	28,521
Advertising expenses	**35,583**	186,903
Insurance	**14,673**	22,920
Transportation services	**–**	1,543
Provision for slow-moving and obsolete inventories	**2,520**	(4,175)
Other	**245,881**	220,446
	9,190,686	9,323,465

Increase in administrative personnel costs in mainly due to the accrual of bonuses for the results of 2013.

In 2012 the Company has provided a financial aid in the amount of 1,000,000 thousand Tenge to the public association "Pavlodar - our common home" for the construction of multifunctional sport complex in Pavlodar city.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

27. OTHER OPERATING INCOME

In thousands of Tenge	**2013**	2012
Income from fines and penalties	**6,676,662**	926,559
Amortization of deferred income from related parties *(Note 32)*	**312,366**	312,365
Derecognition of financial guarantee issued on behalf of related party *(Note 32)*	**177,743**	–
Amortization of financial guarantee issued to related party *(Note 32)*	**26,463**	138,570
Income from writte-off of payables	**23,549**	3,777
Other income	**388,710**	238,115
	7,605,493	1,619,386

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.

Increase in fines and penalties in 2013 is due to the postponement of the oil production in Kashagan oilfield.

28. OTHER OPERATING EXPENSES

In thousands of Tenge	**2013**	2012
Loss on disposal of property, plant and equipment and intangible assets	**148,897**	51,950
Loss on disposal of inventory	**2,594**	–
Actuarial losses *(Note 18)*	**–**	153,000
Other expenses	**136,538**	131,454
	288,029	336,404

29. FINANCE INCOME

In thousands of Tenge	**2013**	2012
Interest income on bank deposits	**3,947,430**	1,783,562
Employees and related party loans: unwinding of discount	**23,672**	84,827
Other finance income from related parties (Note 32)	**–**	9,364
	3,971,102	1,877,753

30. FINANCE COSTS

In thousands of Tenge	**2013**	2012
Unwinding of discount on asset retirement and land recultivation obligation *(Note 22)*	**957,236**	446,653
Employee benefits: unwinding of discount *(Note 18)*	**417,000**	372,000
Other finance costs from related parties (Note 32)	**–**	7,364
	1,374,236	826,017

31. INCOME TAX EXPENSE

Income tax expenses for the years ended 31 December comprise:

In thousands of Tenge	**2013**	2012
Current income tax expense	**18,871,869**	8,001,633
Deferred income tax benefit	**(5,808,050)**	(739,388)
Income tax expense	**13,063,819**	7,262,245

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

31. INCOME TAX EXPENSE (continued)

A reconciliation of income tax expense on accounting profit, multiplied by income tax rate and current income tax expense for the years ended 31 December, is as follows:

In thousands of Tenge	2013	2012
Profit before income tax	**65,080,366**	32,597,196
Statutory rate	**20%**	20%
Income tax expense on accounting profit	**13,016,073**	6,519,439
Tax effect of permanent differences:		
Non-deductible gain from dividends	**(129,554)**	–
Reversal of investments	–	(57,408)
Other non-deductible expenses	**177,300**	800,214
Corporate income tax expense reported in the statement of comprehensive income	**13,063,819**	7,262,245

Deferred income tax balances, calculated by applying the statutory income tax rates in effect at the respective Statement of Financial Position dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the separate financial statements are comprised of the following as at 31 December:

In thousands of Tenge	31 December 2013	Charged to profit and loss	Charged to other comprehensive income	31 December 2012	Charged to profit and loss	Charged to other comprehensive income	1 January 2013
Deferred tax assets							
Employee benefits and other employee compensation and related costs	**3,021,987**	**1,197,618**	**258,400**	1,565,969	152,212	–	1,413,757
Financial guarantee issued on behalf of related party	–	**(39,931)**	–	39,931	(27,853)	–	67,784
Allowance for doubtful debts	**146,970**	**113,222**	–	33,748	17,904	–	15,844
Provision for slow-moving and obsolete inventory	**6,816**	**(2,468)**	–	9,284	(856)	–	10,140
Taxes payable	**253,890**	**253,890**	–	–	(50,997)	–	50,997
Environmental provisions	**50,868**	**15,010**	–	35,858	35,858	–	–
Provision on asset retirement and land recultivationobligation	**3,292,968**	**186,761**	–	3,106,207	3,106,207	–	–
Impairment of investments	**3,773,137**	-	–	3,773,137	(2,497,858)	–	6,270,995
Employees and related party loans	**5,083**	**(5,136)**	–	10,219	4,567	–	5,652
Income from foreign entities under control	**1,796,407**	**582,207**	–	1,214,200	104,082	–	1,110,118
Deferred income from related parties	**114,534**	**(62,473)**	–	177,007	(62,473)	–	239,480
Unrecognised deferred income tax assets	**(3,773,137)**	–	–	(3,773,137)	2,497,858	–	(6,270,995)
	8,689,523	**2,238,700**	**258,400**	6,192,423	3,278,651	–	2,913,772
Deferred tax liabilities							
Investments in joint ventures	**(176,032)**	–	–	(176,032)	–	–	(176,032)
Taxes payable	–	**33,759**	–	(33,759)	(33,759)	–	–
Property, plant and equipment	**(47,245,557)**	**3,535,591**	**(8,297,362)**	(42,483,786)	(2,505,504)	(4,792,496)	(35,185,786)
	(47,421,589)	**3,569,350**	**(8,297,362)**	(42,693,577)	(2,539,263)	(4,792,496)	(35,361,818)
Net deferred income tax liabilities	**(38,732,066)**	**5,808,050**	**(8,038,962)**	(36,501,154)	739,388	(4,792,496)	(32,448,046)

The deferred taxes on property, plant and equipment represent differences between tax and book base of property, plant and equipment due to different depreciation rates in tax and accounting books and fair value adjustments as result of revaluation and impairment of property, plant and equipment.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

32. 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 agreed terms between the parties that may not necessarily be at market rates, except for certain regulated services, which were 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 2013 and 2012 and the related balances as at 31 December 2013 and 2012.

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

In thousands of Tenge	**31 December 2013**	31 December 2012
Trade and other accounts receivable from related parties		
Trade accounts receivable from joint venture	**806,094**	471,451
Trade accounts receivable from entities under common control of KMG	**590,681**	553,811
Trade accounts receivable from entities under common control of Samruk-Kazyna Group	**993**	188
Total trade and other accounts receivable from related parties	**1,397,768**	1,025,450
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	**35,828**	198,917
Total trade and other accounts receivable	**1,433,596**	1,224,367

Advances provided to related parties are as follows:

In thousands of Tenge	**31 December 2013**	31 December 2012
Advances to related parties		
Advances to entities under common control of KMG	**176,380**	219,298
Advances to entities under common control of Samruk-Kazyna Group	**80,785**	2,612
Total advances issued to related parties	**257,165**	221,910

Other current assets are as follows:

In thousands of Tenge	**31 December 2013**	31 December 2012
Dividends receivable from related parties		
Dividends receivable from subsidiary	**261,137**	–
Totalmdividends receivable from related parties	**261,137**	–

Financial guarantee issued on behalf of related party is as follows:

In thousands of Tenge	**31 December 2013**	31 December 2012
Financial guarantee issued on behalf of related parties		
Financial guarantee issued on behalf of "MunaiTas" JSC	**–**	199,654
Total financial guarantee issued on behalf of related parties	**–**	199,654

Other non-current deferred income from related parties are as follows:

In thousands of Tenge	**31 December 2013**	31 December 2012
Non-current deferred income from related parties		
Non-current deferred income from related parties	**260,305**	572,670
Total other non–current liabilities to related parties	**260,305**	572,670

Accounts payables and other payables to related parties are as follows:

Accounts payables to related parties for goods and services	**31 December 2013**	31 December 2012
Accounts payables to entities under common control of KMG	**628,280**	567,859
Accounts payables to entities under control of Samruk-Kazyna Group	**18,021**	28,924
	646,301	596,783
Other payables to entities under control of Samruk-Kazyna Group	**1,950**	569
Total trade and other accounts payable to related parties	**648,251**	597,352

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

32. RELATED PARTY TRANSACTIONS (continued)

Advances received from related parties are as follows:

In thousands of Tenge	31 December 2013	31 December 2012
Advances received from related parties		
Advances from entities under common control of KMG	**8,764,571**	9,143,441
Advances from entities under common control of Samruk-Kazyna Group	**1,941,567**	1,282,846
Advances from joint ventures	**15**	–
Total advances received from related parties	**10,706,153**	10,426,287

Other current liabilities to related parties are as follows:

In thousands of Tenge	31 December 2013	31 December 2012
Accounts payable for oil transportation coordination for related parties		
Accounts payable for oil transportation coordination for entities under common control of KMG	**4,153,475**	4,839,624
	4,153,475	4,839,624
Payables to related parties for agency agreement on oil transportation services		
Payables to related parties for agency agreement on oil transportation services	**651,706**	–
	651,706	–
Employee benefits		
Employee benefits of key management personnel	**5,516**	17,577
	5,516	17,577
Current portion of deferred income from related parties	**31 December 2013**	31 December 2012
Current portion of deferred income from entities under common control of KMG	**312,366**	312,365
	312,366	312,365
Total other current liabilities to related parties	**5,123,063**	5,169,566

During years ended 31 December the Company had the following transactions with the related parties:

In thousands of Tenge	2013	2012
Sales to related parties		
Income from main activities with entities under common control of KMG	**94,144,599**	68,311,157
Income from main activities with entities under common control of Samruk-Kazyna Group	**10,878,953**	7,505,538
Income from main activities with joint ventures	**5,742,000**	4,937,616
Income from other activities with entities under common control of KMG	**315,896**	209,442
Income from other activities with entities under common control of Samruk-Kazyna Group	**103**	–
Income from other activities with subsidiaries	**–**	9,364
Income from other activities with joint ventures	**–**	4,209
Income from sale of subsidiary	**–**	11,647,889
	111,081,551	92,625,215
Purchases from related parties		
Purchases of services from entities under common control of KMG	**7,963,210**	7,185,311
Purchases of services from entities under common control of Samruk-Kazyna Group	**1,191,689**	932,503
Purchases of property, plant and equipment and inventory from entities under common control of Samruk-Kazyna Group	**157,627**	12,837
Purchases of services from subsidiary	**–**	403,261
	9,312,526	8,533,912

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

32. RELATED PARTY TRANSACTIONS (continued)

In thousands of Tenge

Other operating income from related parties	2013	2012
Derecognition of financial guarantee issued on behalf of related party	**177,743**	–
Amortization of deferred income from related parties	**312,366**	312,365
Amortization of financial guarantee issued to related party	**26,463**	138,570
	516,572	450,935

In thousands of Tenge	2013	2012
Dividend income		
Dividends income from subsidiaries	**261,137**	432,336
Other dividend income	**453,584**	–
	714,721	432,336
Finance income from related parties		
Income from discounting of debts from related parties	**–**	65,199
Other finance income from related parties	**–**	9,364
	–	74,563
Financial expenses to related parties		
Expenses on discounting of debts from related parties	**–**	7,364
	–	7,364

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

In thousands of Tenge	31 December 2013	31 December 2012
Salary	**121,691**	137,033
Bonuses	**16,925**	24,113
Benefits based on the results of the year	**183,989**	82,175
Post–employment benefits	**1,301**	395
	323,906	243,716
Number of persons	**7**	7

33. CONTINGENT LIABILITIES AND COMMITMENTS

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not usual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws is severe.

Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 December 2012.

As at 31 December 2013 the Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax positions will be sustained.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the "arm's length" principle.

33. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Taxation (continued)

Transfer pricing control (continued)

The new law on transfer pricing came into effect in Kazakhstan from 1 January 2009. The new law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Company's position, which could result in additional taxes, fines and interest as at 31 December 2013.

As at 31 December 2013 the Management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Company's positions with regard to transfer pricing will be sustained.

Environmental obligations

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Potential liabilities which may arise as a result of changes in legislation cannot be reasonably estimated. Under existing legislation management believes that there are no probable or possible liabilities which could have a material adverse effect on the Company's financial position or results of operations, except as provided for or otherwise disclosed in these separate financial statements (*Notes 4, 5, 22).*

Insurance issues

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company has insurance coverage over property, third party liability in respect of property or environmental damage arising from accidents on Company's property or relating to the Company's operations.

Covenants

Guarantees

As at 31 December 2012, the Company ("the Guarantor") has guaranteed to EBRD in respect of the obligations of MunaiTas under the loan agreement with EBRD. According to the Guarantee Agreement concluded between the Company and EBRD, the Company has to comply with the following covenants:

- Current Ratio of not less than 1:1;
- Ratio of Earnings before interest, income tax, depreciation and amortization to Interest of not less than 2:1; and
- Ratio of Debt to Equity of not more than 2:1.
- The Guarantor shall not enter into any transactions that are not based on "arm's-length" arrangements unless it is approved by regulatory bodies.
- The Guarantor shall not sell, lease or dispose its assets in excess of 30% of total assets or undertake any merger or reorganization.

As of 31 December 2012 the Company fully complied with covenants.

In March 2013 MunaiTas repaid all obligations to EBRD under the loan agreement and Company's obligations under the financial Guarantee Agreement were terminated.

Contractual commitments

As at 31 December 2013, the Company had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 33,069,599 thousand Tenge (2012: 4,048,416 thousand Tenge). In addition, as at 31 December 2013, the Company has committed to purchase inventory (materials and spare parts) and services for the amount of 3,356,776 thousand Tenge (2012: 1,439,293 thousand Tenge).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company is exposed to market risk that comprises of credit risk, currency risk and liquidity risk.

The Management of the Company reviews and agrees policies for managing each of these risks which are summarized below.

Interest Rate Risk

The Company is not exposed to risks associated with interest rates, as there were no financial instruments with floating interest rate in the years 2013 and 2012.

Credit risk

The Company trades only with recognized, creditworthy parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. Maximum exposure is the carrying amount. There are no significant concentrations of credit risk within the Company.

The Company places deposits with Kazakhstani banks (*Notes 15 and 16*). The Company's management reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. The Company's management believes that recent international credit crisis and subsequent changes in credit rating of local banks does not justify extraordinary credit risk. Accordingly, no impairment provision against bank deposits is required.

The table below shows the balances of bank accounts and deposits at the Statement of Financial Position date using the "Moody's" and "Standard and Poor's" credit ratings.

In thousands of Tenge

		Rating			
Bank	**Location**	**2013**	2012	**2013**	2012
KazKommerstBank	Kazakhstan	B2/Stable	Ba2/Negative	**44,793,592**	28,543,632
Halyk Bank JSC	Kazakhstan	Ba2/ Stable	Ba2/ Stable	**34,724,128**	34,658,991
SberBank Russia	Kazakhstan	Ba2/ Stable	Ba2/Stable	**10,424,707**	4,690
CesnaBank JSC	Kazakhstan	B/ Positive	B/ Stable	**10,040,000**	7,005,347
CentrKredit Bank	Kazakhstan	B2/ Stable	–	**5,103,161**	–
Kaspi Bank JSC	Kazakhstan	B1/ Stable	–	**2,000,000**	–
Bank Kassa Nova JSC	Kazakhstan	B/Stable	B/ Stable	**1,000,000**	1,000,542
GasBank CJSC JSB	Russia	–	–	**490**	922
ATF Bank JSC	Kazakhstan	B-/ Stable	B1/ Stable	**62**	7
RBS Bank JSC	Kazakhstan	A3/ Negative	A3/ Negative	**41**	350
CITI Bank Kazakhstan JSC	Kazakhstan	A2/ Stable	A3/ Negative	**4**	269
HSBC Bank Kazakhstan JSC	Kazakhstan	–	–	**3**	6
				108,086,188	71,214,756

Liquidity risks

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2013 and 2012 based on contractual undiscounted payments.

In thousands of Tenge	**On demand**	**<1 year**	**1 to 2 years**	**2 to 5 years**	**>5 years**	**Total**
As at 31 December 2013						
Trade and other payable	–	**10,580,366**	**84,725**	**274,848**	–	**10,939,939**
Other current liabilities	–	**2,776,786**	–	–	–	**2,776,786**
	–	**13,357,152**	**84,725**	**274,848**	–	**13,716,725**
As at 31 December 2012						
Trade and other payable	–	6,274,453	92,453	178,759	–	6,545,665
Other current liabilities	–	2,682,879	–	–	–	2,682,879
	–	8,957,332	92,453	178,759	–	9,228,544

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk

The table below shows the total amount of foreign currency denominated assets and liabilities that increase foreign exchange exposure.

In thousands of Tenge	US dollar	Russian Ruble	Euro	Other currencies	Total
As at 31 December 2013					
Assets	**292,065**	**14,593**	**–**	**–**	**306,658**
Liabilities	**332,416**	**100,888**	**6,414**	**5,955**	**445,673**
As at 31 December 2012					
Assets	948	10,086	–	–	11,034
Liabilities	203,122	77,546	8,068	3,006	291,742

The Company does not have formal arrangements to mitigate foreign exchange risks of the Company's operations.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and Russian ruble exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity.

In thousands of Tenge	Increase/decrease in exchange rate	Effect on profit before tax
2013	**+30.00%**	**(12,105)**
US Dollar	**+10.00%**	**(4,035)**
2013	**+20.00%**	**(17,259)**
Russian Ruble	**-20.00%**	**17,259**
2012	+1.57%	(3,174)
US Dollar	-1.57%	3,174
2012	+10.74%	(7,245)
Russian Ruble	-10.74%	7,245

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Company monitors equity using a gearing ratio, which is net debt divided by total equity plus net debt. The Company's net debt includes interest bearing loans, borrowings and trade and other payables less cash and cash equivalents.

As at 31 December 2013 and 2012 the Company does not have significant debts. The Company has sufficient cash, exceeding its debt as of the reporting date.

Fair value of financial instruments

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

35. EVENTS AFTER THE REPORTING PERIOD

Starting from 1January 2014 Order of NMRA dated as of 21 November 2013 increasing tariffs of the Company for oil pumping in domestic and export markets came into force. Accordingly, oil transportation tariff in domestic market for transportation of 1 tonne oil increased from 1,954.5 Tenge till 2,931.8 Tenge (increase for 50%); oil transportation tariff in export market for transportation of 1 tonne oil increased from 4,732.6 Tenge till 4,850.6 Tenge (increase for 2.5%).

National Bank of the Republic of Kazakhstan starting from 11 February 2014 made a decision to cease supporting exchange rate of Tenge against US Dollar and other major currencies on the same level, reduce volume of currency interventions and reduce interventions in process of exchange rate formation. Exchange rate before and after devaluation was 155.56 Tenge and 184.5 Tenge per 1 US Dollar respectively. As of 25 February 2014 exchange rate was equal to 184.51 Tenge per 1 US Dollar.