

KazTransOil JSC

Unaudited interim condensed
separate financial statements

30 June 2014

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Unaudited interim condensed separate financial statements

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Report on review of interim condensed separate financial statements

To the Shareholders of KazTransOil JSC:

Introduction

We have reviewed the accompanying interim condensed separate financial statements of KazTransOil JSC (hereinafter "the Company"), comprising the interim separate statement of financial position as at 30 June 2014 and the related interim separate statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed separate financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed separate financial statements based on our review.


Scope of review

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

Conclusion


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

Ernst & Young LLP


Alexander Nazarkulov
Auditor

Auditor Qualification Certificate
No. 0000059 dated 6 January 2012

1 August 2014


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

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION**As at 30 June 2014**

<i>In thousands of Tenge</i>	Notes	As at 30 June 2014 (unaudited)	As at 31 December 2013 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	371,451,662	364,998,307
Intangible assets	4	1,295,328	1,170,444
Investments in subsidiaries	5	28,208,864	28,208,864
Investments in joint ventures	6	7,404,945	7,404,945
Advances to suppliers for property, plant and equipment	7	14,779,740	5,770,520
Bank deposits	13	7,674,473	576,541
Other non-current assets		16,774	117,760
		430,831,786	408,247,381
Current assets			
Inventories	8	3,521,466	1,681,832
Trade and other accounts receivable	9	7,643,152	4,130,038
Advances to suppliers	10	1,116,139	695,544
VAT recoverable and other prepaid taxes	11	855,308	648,705
Other current assets	12	4,501,240	4,138,189
Bank deposits	13	44,221,781	83,112,238
Cash and cash equivalents	14	71,118,923	24,398,342
		132,978,009	118,804,888
Assets classified as held for sale		99,920	32,138
		133,077,929	118,837,026
Total assets		563,909,715	527,084,407

The accounting policies and explanatory notes on pages 7 through 25 form an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of Tenge</i>	Notes	As at 30 June 2014 (unaudited)	As at 31 December 2013 (audited)
Equity and liabilities			
Equity			
Share capital	15	61,937,567	61,937,567
Asset revaluation reserve		132,099,443	138,931,685
Other reserves		(1,787,312)	(1,016,431)
Retained earnings		217,543,813	215,903,107
Total equity		409,793,511	415,755,928
Non-current liabilities			
Employee benefit liabilities	16	10,555,776	9,333,180
Deferred tax liabilities	29	37,726,870	38,732,066
Provision on asset retirement and land recultivation obligation	20	17,178,904	16,677,538
Deferred income from related parties	30	104,122	260,305
		65,565,672	65,003,089
Current liabilities			
Employee benefit liabilities	16	326,646	322,000
Corporate income tax payable		702,033	680,117
Trade and other accounts payable	17	16,700,967	10,939,939
Advances received	18	16,335,231	17,031,800
Other taxes payable	19	489,853	1,096,412
Provisions	20	41,125	41,642
Dividends payable	15	41,925,280	-
Other current liabilities	21	12,029,397	16,213,480
		88,550,532	46,325,390
Total liabilities		154,116,204	111,328,479
Total equity and liabilities		563,909,715	527,084,407

Signed and approved for issue on 1 August 2014.

General Director



Kabyldin K.M.

Chief Accountant

Sarmagambetova M.K.

The accounting policies and explanatory notes on pages 7 through 25 form an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME**For the six months period ended 30 June 2014**

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2014	2013
Revenue	22	87,865,123	82,374,712
Cost of sales	23	(44,620,472)	(39,927,659)
Gross profit		43,244,651	42,447,053
General and administrative expenses	24	(3,920,045)	(3,741,030)
Other operating income	25	3,882,512	1,686,945
Other operating expenses	26	(67,801)	(69,136)
Loss from impairment of property, plant and equipment	3	(71,008)	(38,444)
Operating profit		43,068,309	40,285,388
Net foreign exchange loss		(53,007)	(33,553)
Finance income	27	3,045,876	1,693,701
Finance cost	28	(709,866)	(670,306)
Dividend income		717,897	453,584
Profit before income tax		46,069,209	41,728,814
Income tax expense	29	(9,313,878)	(8,335,755)
Profit for the period		36,755,331	33,393,059
Other comprehensive income			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods			
Impairment of property, plant and equipment	3	(26,984)	(6,374)
Income tax effect	29	5,397	1,274
		(21,587)	(5,100)
Actuarial losses on defined benefit plans	16	(963,600)	-
Income tax effect	29	192,719	-
		(770,881)	-
Total other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net		(792,468)	(5,100)
Total other comprehensive loss for the period, net of taxes		(792,468)	(5,100)
Total comprehensive income for the period, net of taxes		35,962,863	33,387,959

Signed and approved for issue on 1 August 2014.

General Director



K. Kabyldin
Kabyldin K.M.

Chief Accountant

Sarmagambetova M.K.
Sarmagambetova M.K.

*The accounting policies and explanatory notes on pages 7 through 25 form an integral part of
these interim condensed separate financial statements.*

INTERIM SEPARATE STATEMENT OF CASH FLOWS**For the six months period ended 30 June 2014**

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2014	2013
Cash flows from operating activities			
Profit before income tax		46,069,209	41,728,814
Non-cash adjustments to reconcile profit before income tax to net cash flows:			
Depreciation and amortization	23, 24	15,353,919	13,679,061
(Reversal)/charge of allowance for doubtful debts	24	(6,759)	26,401
Finance cost	28	709,866	670,306
Finance and dividend income		(3,763,773)	(2,147,285)
Post-employment benefits	23, 24	247,501	230,000
(Reversal)/charge of provision	20	(7)	45,467
Loss on disposal of property, plant and equipment and intangible assets, net	26	11,213	1,210
Loss on liquidation of the dormant oil pumping stations	26	40,741	-
Gain from disposal of assets held for sale, net	25	(466)	(84,650)
Impairment of property, plant and equipment	3	71,008	38,444
Income from write-off of accounts payable	25	(74,355)	(1,261)
Amortization of deferred income	25	(156,183)	(156,182)
Write-off of VAT recoverable	24	181,152	133,508
Amortization of financial guarantee issued on behalf of joint venture	25	-	(26,463)
Derecognition of financial guarantee issued on behalf of joint venture	25	-	(177,743)
Unrealized foreign exchange loss		206,887	115,738
Reversal of provision for obsolete and slow-moving inventories	24	(6,710)	(4,456)
Operating cash flows before working capital changes		58,883,243	54,070,909
(Increase)/decrease in operating assets:			
Inventories		(917,476)	(1,564,934)
Trade and other accounts receivable		(3,554,798)	(2,089,884)
Advances to suppliers		(419,599)	(813,247)
VAT recoverable and other prepaid taxes		(916,711)	(224,854)
Other current assets		20,651	2,046,727
Increase/(decrease) in operating liabilities:			
Trade and other accounts payable		195,408	(1,111,237)
Advances received		(696,569)	(1,026,789)
Other taxes payable		(606,559)	720,525
Other current and non-current liabilities and employee benefit liabilities		(4,376,952)	(2,218,290)
Cash generated from operations		47,610,638	47,788,926
Income taxes paid		(9,570,086)	(2,931,193)
Interest received		3,526,597	878,564
Net cash flow from operating activities		41,567,149	45,736,297

The accounting policies and explanatory notes on pages 7 through 25 form an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE STATEMENT OF CASH FLOWS (continued)

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2014	2013
Cash flows from investing activities			
Withdrawal of bank deposits		77,951,531	36,000,000
Placement of bank deposits		(46,854,598)	(36,520,218)
Purchase of property, plant and equipment		(26,179,695)	(5,603,757)
Purchase of intangible assets		(195,123)	(143,031)
Proceeds from disposal of property, plant and equipment and intangible assets		55,700	28,465
Proceeds from disposal of assets held for sale		33,438	113,948
Dividends received		342,179	453,584
Net cash flow generated from / (used in) investing activities		5,153,432	(5,671,009)
Net cash flow used in financing activities		-	-
Net change in cash and cash equivalents		46,720,581	40,065,288
Cash and cash equivalents at the beginning of the period	14	24,398,342	18,132,360
Cash and cash equivalents at the end of the period	14	71,118,923	58,197,648

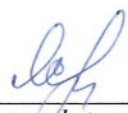
Signed and approved for issue on 1 August 2014.

General Director




Kabyldin K.M.

Chief Accountant


Sarmagambetova M.K.

The accounting policies and explanatory notes on pages 7 through 25 form an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2014

<i>In thousands of Tenge</i>	Share capital	Asset revaluation reserve	Other reserves	Retained earnings	Total
As at 31 December 2013 (audited)	61,937,567	138,931,685	(1,016,431)	215,903,107	415,755,928
Profit for the period	-	-	-	36,755,331	36,755,331
Other comprehensive income	-	(21,587)	(770,881)	-	(792,468)
Total comprehensive income for the period (unaudited)	-	(21,587)	(770,881)	36,755,331	35,962,863
Depreciation of revalued property, plant and equipment	-	(6,810,655)	-	6,810,655	-
Dividends (Note 15)	-	-	-	(41,925,280)	(41,925,280)
As at 30 June 2014 (unaudited)	61,937,567	132,099,443	(1,787,312)	217,543,813	409,793,511
As at 31 December 2012 (audited)	61,937,567	117,159,149	17,169	181,317,317	360,431,202
Profit for the period	-	-	-	33,393,059	33,393,059
Other comprehensive income	-	(5,100)	-	-	(5,100)
Total comprehensive income for the period (unaudited)	-	(5,100)	-	33,393,059	33,387,959
Depreciation of revalued property, plant and equipment	-	(4,095,771)	-	4,095,771	-
Dividends (Note 15)	-	-	-	(28,847,670)	(28,847,670)
As at 30 June 2013 (unaudited)	61,937,567	113,058,278	17,169	189,958,477	364,971,491

Signed and approved for issue on 1 August 2014.

General Director



Chief Accountant


Kabyldin K.M.


Sarmagambetova M.K.

The accounting policies and explanatory notes on pages 7 through 25 form an integral part of these interim condensed separate financial statements.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS**For the six months period ended 30 June 2014****1. CORPORATE INFORMATION**

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" (hereinafter "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 as KazTransOil CJSC.

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

As at 31 June 2014, National Company KazMunayGas JSC (hereinafter "KMG") is a major shareholder of the Company, that owns the controlling interest of the Company (90 percent). KMG is owned by "Sovereign Wealth Fund Samruk-Kazyna" JSC (hereinafter "Samruk-Kazyna"), which is controlled by the Government of the Republic of Kazakhstan.

As at 30 June 2014 and 31 December 2013 the Company had interest ownership in the following companies:

		Place of incorporation	Principal activities	Ownership	
				30 June 2014	31 December 2013
NWPC "MunaiTas" JSC (hereinafter "MunaiTas")	Joint venture	Kazakhstan	Oil transportation	51%	51%
"Kazakhstan-China Pipeline" LLP (hereinafter "KCP")	Joint venture	Kazakhstan	Oil transportation	50%	50%
"Batumi Terminals Limited" (hereinafter "BTL")	Subsidiary	Cyprus	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port and Oil Terminal	100%	100%

The Company's head office is located in Astana, Kazakhstan, 19 Kabanbay Batyr Avenue. The Company has 4 branches, which are located in Atyrau (Western branch), Pavlodar (Eastern branch), Almaty (Research and Development Centre), and Astana (Computing Centre), and representative offices in the Russian Federation (Moscow, Omsk and Samara) and Ukraine (Kiev). On 27 June 2014 Board of Directors of the Company decided to close representative office in Kiev (Ukraine).

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. The 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. The Company's subsidiary BTL owns Batumi Oil Terminal and has ownership rights over Batumi Sea Port, main activity of which is storage and transshipment of oil cargoes.

The Company is a natural monopolist and, accordingly, is subject to regulation of the Agency of the Republic of Kazakhstan for Regulation of Natural Monopolies (hereinafter "NMRA"). NMRA is responsible for approving the methodology for calculating the tariff and tariff rates, which serves as a base for receiving major part of the Company's revenue in the Republic of Kazakhstan. In general, tariff 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, tariff 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.

The Order of NMRA dated 20 March 2014 on increasing tariffs of the Company for oil pumping in export markets came into force on 1 April 2014. Accordingly, oil transportation tariff in export market for transportation of 1 ton oil increased from 4,850.6 Tenge till 5,817.2 Tenge (increase by 19.9%).

These interim condensed separate financial statements for the six months ended 30 June 2014 were signed and approved for issue by the General Director and Chief Accountant on 1 August 2014.

**NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
(continued)**

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES**Basis of preparation**

These interim condensed separate financial statements for the six months ended 30 June 2014 have been prepared in accordance with International Financial Reporting Standard ("IFRS") IAS 34 *Interim Financial Reporting*.

These interim condensed separate financial statements have been prepared on a historical cost basis, except for property plant and equipment which are stated at revalued amount.

Interim condensed separate financial statements do not include all information and disclosures required for annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2013.

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

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

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with policies, adopted in the preparation of the annual financial statements for the year ended 31 December 2013 except for the adoption of new standards and interpretations as at 1 January 2014.

Several other new standards and amendments apply for the first time in 2014. However, they do not impact the annual separate financial statements and the interim condensed separate financial statements of the Company. The nature and the impact of each new standard or amendment are described below:

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Separate Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Company.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The amendments also describe how to properly apply the criteria for netting in IAS 32 *Offsetting Financial Assets and Financial Liabilities* on settlement systems (such as a single clearinghouse system) that are using non-simultaneous gross settlement mechanisms. These amendments have no impact on the financial position and financial results of the Company.

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the financial position and financial results of the Company.

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

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no significant impact on the Company's interim condensed separate financial statements.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

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

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

Interpretation to IFRIC 21 Levies

IFRIC Interpretation 21 *Levies* is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. IFRIC Interpretation 21 *Levies* requires the use of the same principles for interim financial statements. This amendment has no impact on the financial position and financial results of the Company.

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

Seasonality of operations

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

Foreign currency translation

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.

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (hereinafter "KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

Weighted average currency exchange rates for six months ended 30 June 2014 and 2013 were as follows:

<i>Tenge</i>	For the six months ended 30 June	
	2014	2013
US Dollars	176.43	150.89
Russian Rubles	5.04	4.87
Euro	241.83	198.21

As at 30 June 2014 and 31 December 2013, the currency exchange rates of KASE were:

<i>Tenge</i>	30 June 2014	31 December 2013
US Dollars	183.51	153.61
Russian Rubles	5.45	4.69
Euro	249.92	211.17

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At cost as at 31 December 2013 (audited)	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
Additions	3	–	350,801	–	430,737	–	444,540	20,685,457	21,911,538
Disposals	(8,993)	(19,776)	(3,124)	(9,234)	(10,489)	(610)	(58,098)	(11,422)	(121,746)
Transfer from construction-in-progress	2,968	143,147	89,000	610,409	1,881,946	–	820,930	(3,548,400)	–
Transfer to intangible assets (Note 4)	–	–	–	–	–	–	–	(164,823)	(164,823)
Transfers and reclassifications	–	(2,402)	(21,594)	13,010	(93,520)	–	104,478	–	(28)
Cost as at 30 June 2014 (unaudited)	3,893,909	97,455,035	5,374,450	56,514,440	80,530,463	89,187,638	13,228,848	52,638,758	398,823,541
Accumulated depreciation and impairment as at 31 December 2013 (audited)	–	(4,240,358)	(486,794)	(2,119,082)	(4,184,306)	–	(1,169,753)	–	(12,200,293)
Depreciation charge for the period	–	(5,047,790)	(582,764)	(2,638,684)	(5,303,562)	–	(1,590,657)	–	(15,163,457)
Disposals	–	18,420	888	4,604	10,058	–	55,865	–	89,835
Impairment through revaluation reserve	–	(14,508)	–	(7,453)	(5,023)	–	–	–	(26,984)
Charge/(reversal) of impairment through profit and loss	–	(60,243)	–	(6,172)	(7,803)	–	–	3,210	(71,008)
Transfers and reclassifications	–	196	–	(45)	108	–	(231)	–	28
Accumulated depreciation and impairment as at 30 June 2014 (unaudited)	–	(9,344,283)	(1,068,670)	(4,766,832)	(9,490,528)	–	(2,704,776)	3,210	(27,371,879)
As at 30 June 2014 (unaudited)									
At cost	3,893,909	97,455,035	5,374,450	56,514,440	80,530,463	89,187,638	13,228,848	52,638,758	398,823,541
Accumulated depreciation and impairment	–	(9,344,283)	(1,068,670)	(4,766,832)	(9,490,528)	–	(2,704,776)	3,210	(27,371,879)
Net book value (unaudited)	3,893,909	88,110,752	4,305,780	51,747,608	71,039,935	89,187,638	10,524,072	52,641,968	371,451,662
As at 31 December 2013 (audited)									
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 depreciation and impairment	–	(4,240,358)	(486,794)	(2,119,082)	(4,184,306)	–	(1,169,753)	–	(12,200,293)
Net book value (audited)	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

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 30 June 2014 and 31 December 2013, construction in progress mainly includes the following production projects:

- main oil pipelines under construction (including construction of main oil pipeline “Kumkol-Karakoin”, realized as a part of “Kazakhstan-China” interstate oil pipeline construction project);
- reconstruction of main oil pipelines “Kalamkas-Karazhanbas-Aktau” (Karazhanbas-Aktau route) and “Uzen-Zhetybai-Aktau”;
- reconstruction of oil pumping station “Kenkiyak”;
- reconstruction of firefighting system, electricity supply systems and others.

As at 30 June 2014 construction in progress included materials and spare parts in the amount of 15,584,707 thousand Tenge, including pipelines in the amount of 12,463,419 thousand Tenge (31 December 2013: 13,212,631 thousand Tenge including pipelines in the amount of 12,908,073 thousand Tenge), which were purchased for construction works.

As at 30 June 2014 the initial cost of fully depreciated but still in use property, plant and equipment was 3,548,318 thousand Tenge (31 December 2013: 2,883,614 thousand Tenge).

The amount of depreciation charge for the six months ended 30 June 2014 included in the cost of construction in progress was 6,207 thousand Tenge (for the six months ended 30 June 2013: 4,697 thousand Tenge)

4. INTANGIBLE ASSETS

Intangible assets as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	Licenses	Software	Other	Total
Net book value as at 31 December 2013 (audited)	146,430	995,600	28,414	1,170,444
Additions	–	156,031	699	156,730
Disposals	–	(646)	–	(646)
Amortization on disposals	–	646	–	646
Amortization charge for the period	(33,816)	(161,126)	(1,727)	(196,669)
Transfers from property, plant and equipment (Note 3)	17,517	146,068	1,238	164,823
Transfers and reclassifications	17,378	(17,378)	–	–
Net book value as at 30 June 2014 (unaudited)	147,509	1,119,195	28,624	1,295,328
As at 30 June 2014 (unaudited)				
Cost	432,542	4,439,512	77,985	4,950,039
Accumulated amortization and impairment	(285,033)	(3,320,317)	(49,361)	(3,654,711)
Net book value (unaudited)	147,509	1,119,195	28,624	1,295,328
As at 31 December 2013 (audited)				
Cost	397,647	4,155,437	76,048	4,629,132
Accumulated amortization and impairment	(251,217)	(3,159,837)	(47,634)	(3,458,688)
Net book value (audited)	146,430	995,600	28,414	1,170,444

5. INVESTMENTS IN SUBSIDIARIES

Investments in joint ventures as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
BTL	47,074,550	47,074,550
Less: impairment of investments in BTL	(18,865,686)	(18,865,686)
	28,208,864	28,208,864

No impairment indicators were detected by Company for the first half of the 2014.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
KCP	6,500,000	6,500,000
MunaiTas	904,945	904,945
Total	7,404,945	7,404,945

7. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Advances to third parties for property, plant and equipment	14,879,085	5,869,850
Less: allowance for doubtful debts	(99,345)	(99,330)
Total	14,779,740	5,770,520

The increase in advances to suppliers for property, plant and equipment is mainly due to the prepayment under the contract of reconstruction and expansion of oil pumping station "OPS 663 km" in the amount of 6,668,572 thousand Tenge and prepayment made for the main pumps supply in amount of 2,313,457 thousand Tenge.

Movement in allowance for doubtful debts for the six month ended 30 June 2014 and 2013 was presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2014	2013
As at 1 January (audited)	99,330	99,330
Charge for the period (Note 24)	15	–
As at 30 June (unaudited)	99,345	99,330

8. INVENTORIES

Inventories as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Spare parts	1,280,889	856,248
Fuel	735,665	530,804
Chemical reagents	625,090	33,496
Overalls	448,515	82,764
Construction materials	224,604	77,790
Goods	52,767	76,520
Other	181,308	58,292
	3,548,838	1,715,914
Less: provision for slow-moving and obsolete inventory	(27,372)	(34,082)
Total	3,521,466	1,681,832

Movements in the provision for inventory for the six month ended 30 June 2014 and 2013 were presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2014	2013
As at 1 January (audited)	34,082	46,420
Reversal of provision for the period (Note 24)	(6,710)	(4,456)
Write-off of inventories	–	(6,060)
As at 30 June (unaudited)	27,372	35,904

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

9. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Trade accounts receivable from related parties (Note 30)	4,636,344	1,397,768
Trade accounts receivable from third parties	1,170,228	801,179
Other accounts receivable from third parties	2,322,225	2,526,184
Other accounts receivable from related parties (Note 30)	139,498	35,828
	8,268,295	4,760,959
Less: allowance for doubtful debts	(625,143)	(630,921)
Total	7,643,152	4,130,038

As at 30 June 2014 and 31 December 2013 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.

Movement in allowance for doubtful debts related to trade and other accounts receivable for the six month ended 30 June 2014 and 2013 was presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2014	2013
As at 1 January (audited)	630,921	575,174
(Reversal)/charge for the period (Note 24)	(5,778)	26,431
As at 30 June (unaudited)	625,143	601,605

Trade and other accounts receivable of the Company as at 30 June 2014 and 31 December 2013 were denominated in the following currencies:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Tenge	7,640,990	4,128,282
Russian rubles	2,146	1,756
US Dollars	16	-
Total	7,643,152	4,130,038

10. ADVANCES TO SUPPLIERS

Advances to suppliers as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Advances to third parties	695,246	440,361
Advances to related parties (Note 30)	421,879	257,165
	1,117,125	697,526
Less: allowance for doubtful debts	(986)	(1,982)
Total	1,116,139	695,544

Movement in allowance for doubtful debts related to advances given to suppliers for the six month ended 30 June 2014 and 2013 was presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2014	2013
As at 1 January (audited)	1,982	1,482
Reversal for the period (Note 24)	(996)	(30)
As at 30 June (unaudited)	986	1,452

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

11. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
VAT recoverable	795,808	554,866
Withholding tax	37,299	21,708
Other taxes prepaid	22,201	72,131
Total	855,308	648,705

12. OTHER CURRENT ASSETS

Other current assets as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Receivable for oil transportation coordination services	3,483,707	3,770,279
Dividends receivable (Note 30)	637,620	261,137
Prepaid insurance	330,907	38,840
Due from employees	51,067	70,381
Deferred expenses to related parties (Note 30)	421	-
Deferred expenses to third parties	134	168
	4,503,856	4,140,805
Less: allowance for doubtful debts	(2,616)	(2,616)
Total	4,501,240	4,138,189

As at 30 June 2014 the Company recognized dividends receivable from MunaiTas.

13. BANK DEPOSITS

Bank deposits as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Short-term bank deposits	43,483,215	81,550,000
Long-term bank deposits	7,578,448	576,541
Accrued interest on deposits	834,591	1,562,238
Total	51,896,254	83,688,779

Decrease in short-term bank deposits as at 30 June 2014 is due to the transfer made to time deposits (Note 14), based on the Company's plans to pay dividends in amount of 41,925,280 thousand Tenge (Note 15) in early July 2014.

On 30 June 2014 bank deposits in Kazakhstani and foreign banks, were as follows:

- Tenge denominated short-term bank deposits placed with Kazakhstani banks with maturity from 3 to 12 months in amount of 34,950,000 thousand Tenge (31 December 2013: 81,550,000 thousand Tenge) and interest rate varied from 6% to 8% per annum (31 December 2013: from 3.7% to 7.2% per annum) maturing in December 2014 (31 December 2013: December 2014);
- US Dollar denominated short-term bank deposits placed with Kazakhstani banks with maturity from 3 to 12 months in amount of 8,533,215 thousand Tenge (31 December 2013: nil) and interest rate varied from 1.3% to 2.7% per annum (31 December 2013: nil) maturing in November 2014;
- Tenge denominated long-term bank deposits placed with Kazakhstani banks with maturity from 12 months in amount of 7,000,000 thousand Tenge (31 December 2013: nil) and interest rate varied from 7.5% to 8.6% per annum (31 December 2013: nil) maturing in June 2015;
- restricted long-term deposits with maturity till 2028 in amount of 578,448 thousand Tenge (31 December 2013: 576,541 thousand Tenge) with interest rate at 2% per annum, placed in order to secure mortgage loans issued by "Halyk Bank of Kazakhstan" JSC to the Company's employees.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Term deposits with banks – Tenge	63,530,178	22,980,000
Current accounts with banks – Tenge	7,544,227	1,374,515
Current accounts with banks – US Dollars	28,693	31,028
Current accounts with banks – Russian Ruble	1,718	492
Other current accounts with banks	11,629	11,374
Cash on hand	2,478	933
Total	71,118,923	24,398,342

Increase of term deposits with maturity up to 3 months was due to the Company's plans to pay dividends in amount of 41,925,280 thousand Tenge in early July 2014 (Note 13).

As at 30 June 2014 the major part of current accounts and time deposits up to 3 months placed with Kazakhstani banks generated interest rate ranging from 1.6% to 7.0% per annum (31 December 2013: from 1.7% to 10.3% per annum).

15. EQUITY

Share capital

As at 30 June 2014 and 31 December 2013 the Company's share capital was comprised of 384,635,600 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.

As at 30 June 2014 and 31 December 2013 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.

Dividends

On 28 May 2014 the shareholders decided to pay out dividends in the amount of 41,925,280 thousands Tenge based on 109 Tenge per 1 share (2013: 28,847,670 thousands Tenge based on 75 Tenge per 1 share), including 37,732,752 thousand Tenge related to KMG (2013: 25,962,903 thousand Tenge) and 4,192,528 thousand Tenge related to minority shareholders (2013: 2,884,767 thousand Tenge).

16. EMPLOYEE BENEFIT LIABILITIES

The Company has employee benefit liabilities, mainly consisting of additional payments to pensions and jubilee payments, applicable to all employees. These payments are unsecured.

Employee benefit liabilities as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Current portion of employee benefit liabilities	326,646	322,000
Non-current portion of employee benefit liabilities	10,555,776	9,333,180
Total	10,882,422	9,655,180

Changes in the present value of employee benefit liabilities were as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2014	2013
Employee benefit liabilities at the beginning of the period (audited)	9,655,180	6,800,263
Unwinding of discount on employee benefits (Note 28)	208,500	186,000
Current services cost	247,501	230,000
Actuarial losses*	963,600	-
Benefits paid	(192,359)	(167,650)
Employee benefit liabilities at the end of the period (unaudited)	10,882,422	7,048,613

* In the first quarter of 2014 the Company recognized actuarial losses in the amount of 963,600 thousand Tenge, due to changes in the inflation rate from 5.0% to 5.6% used for estimation of the defined benefit obligation.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Accounts payable to third parties for goods and services	16,002,259	10,042,623
Accounts payable to related parties for goods and services (Note 30)	477,605	646,301
Other accounts payable to third parties	221,103	249,065
Other accounts payable to related parties (Note 30)	–	1,950
Total	16,700,967	10,939,939

As at 30 June 2014 Trade and other payables included payables to third parties related to the construction (reconstruction of most of the main pipeline “Kalamkas Karazhanbas-Aktau” and “Uzen-Zhetybai-Aktau”) in the amount of 10,749,486 thousand tenge (31 December 2013: 7,711,017 thousand Tenge).

Trade and other accounts payable as at 30 June 2014 and 31 December 2013 were denominated in the following currencies:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Tenge	16,663,523	10,550,602
US Dollars	26,334	332,416
Russian roubles	6,305	48,590
Euro	4,805	6,414
Other currency	–	1,917
Total	16,700,967	10,939,939

18. ADVANCES RECEIVED

Advances received as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Advances received from related parties (Note 30)	10,457,260	10,706,153
Advances received from third parties	5,877,971	6,325,647
Total	16,335,231	17,031,800

19. OTHER TAXES PAYABLE

Other taxes payable as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Personal income tax	253,937	488,363
Social tax	217,179	467,858
VAT payable	1,358	564
Property tax	–	117,208
Other taxes	17,379	22,419
Total	489,853	1,096,412

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

20. PROVISIONS

Movement in provisions for the six month ended 30 June 2014 and 2013 were presented as follows:

Short-term provisions

<i>In thousands of tenge</i>	Environmental provisions	Other provisions	Total
As at 1 January 2014 (audited)	41,642	–	41,642
Use of provision	(510)	–	(510)
Reversal of provision for the period (Note 26)	(7)	–	(7)
As at 30 June 2014 (unaudited)	41,125	–	41,125
As at 1 January 2013 (audited)	167,477	11,814	179,291
Charge for the period (Note 26)	–	45,467	45,467
Use of provision	(8,608)	(36,594)	(45,202)
As at 30 June 2013 (unaudited)	158,869	20,687	179,556

Environmental provisions

The Company accrued environmental provision due to the oil spill as a result of unauthorized penetration of pipeline.

Long-term provisions

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2014	2013
As at 1 January (audited)	16,677,538	15,531,037
Charge for the period	–	189,263
Unwinding of discount on asset retirement obligation and land reclamation obligation (Note 28)	501,366	484,306
As at 30 June (unaudited)	17,178,904	16,204,606

Provision for asset retirement and land reclamation 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 reclamation.

Accordingly, the Company’s Management has recognized provision for asset retirement and land reclamation obligation and increased cost of property, plant and equipment in 2012.

Additionally provision for liquidation of the waste landfills is reflected as part of the asset retirement and land reclamation obligation. The 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. This Code also prohibits usage of landfill without liquidation fund recognised. Landfill liquidation provision is equal to the discounted amount of the future costs of liquidation, calculated based on remaining period before the date of liquidation. Cost of property, plant and equipment had increased by the amount of provision on liquidation of the waste landfills. Discount rate applied represents risk-free rate of the government bonds of the Republic of Kazakhstan.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

21. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Payable for oil transportation coordination services to related parties (Note 30)	4,762,142	4,153,475
Salaries and wages	3,927,993	7,221,317
Payable for oil transportation coordination services to third parties	2,695,301	3,281,041
Payable to pension funds	331,595	593,575
Current portion of deferred income from related parties (Note 30)	312,366	312,366
Payable under the agency agreement for the transportation of oil to related parties (Note 30)	–	651,706
Total	12,029,397	16,213,480

22. REVENUE

Revenue for the six months period ended 30 June 2014 and 2013 was presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2014	2013
Crude oil transportation	80,028,954	75,529,698
Pipeline operation and maintenance services	3,959,011	3,202,250
Water transportation	3,410,391	3,154,202
Oil transportation coordination services	334,320	354,582
Oil storage services	62,934	85,053
Other	69,513	48,927
Total	87,865,123	82,374,712

For the six months ended 30 June 2014 the revenue from sales to three major customers amounted to 21,919,077 thousand Tenge, 10,760,036 thousand Tenge and 7,171,827 thousand Tenge (for the six months ended 30 June 2013 the revenue from sales to three major customers amounted to 19,965,007 thousand Tenge, 8,832,479 thousand Tenge and 9,101,309 thousand Tenge).

23. COST OF SALES

Cost of sales for the six months period ended 30 June 2014 and 2013 was presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2014	2013
Personnel costs	15,607,214	13,254,099
Depreciation and amortization	15,028,035	13,403,965
Electric energy	3,064,430	2,943,324
Taxes other than corporate income tax	2,284,243	2,237,508
Security services	1,750,134	1,574,864
Materials and fuel	1,505,073	1,541,340
Repair and maintenance of property, plant and equipment	1,414,643	1,600,993
Gas expenses	1,334,969	1,240,900
Air services	701,165	679,250
Business trip expenses	469,794	353,888
Post-employment benefits	231,678	215,935
Insurance	199,546	165,073
Environmental protection	129,150	76,263
Diagnostics of production assets	112,278	21,136
Communication services	112,173	112,035
Operational rent expense	4,665	–
Other	671,282	507,086
Total	44,620,472	39,927,659

Increase in personnel costs is due to the indexation of salaries of production staff to reduce the impact of the devaluation and inflation.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

24. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six months period ended 30 June 2014 and 2013 were presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2014	2013
Personnel costs	2,363,774	2,169,980
Depreciation and amortization	325,884	275,096
Office maintenance	187,798	143,086
Write-off of VAT recoverable	181,152	133,508
Business trip expenses	117,731	83,818
Social sphere expenses	93,977	102,645
Taxes other than corporate income tax	88,316	94,496
Bank costs	63,408	45,808
Repair and technical maintenance	57,276	75,899
Consulting services	55,450	65,730
Communication services	46,326	45,072
Information expenses	45,216	31,584
Insurance and security	42,959	101,970
Training	38,448	25,346
Materials and fuel	36,949	25,389
Operational rent expense	18,063	19,063
Post-employment benefits	15,823	14,065
Advertising expense	5,444	16,898
Charity expenses	3,000	108,976
Reversal of provision for obsolete and slow-moving inventories (Note 8)	(6,710)	(4,456)
(Reversal)/charge of provision for allowance for doubtful debts (Note 7, 9, 10)	(6,759)	26,401
Other	146,520	140,656
Total	3,920,045	3,741,030

25. OTHER OPERATING INCOME

Other operating income for the six months period ended 30 June 2014 and 2013 were presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2014	2013
Income from fines and penalties	3,570,086	1,198,752
Amortization of deferred income from related parties (Note 30)	156,183	156,182
Income from write-off of payables	74,355	1,261
Gain on disposal of inventory	46,438	355
Gain from disposal of assets held for sale	466	84,650
Amortization of financial guarantee issued to joint venture (Note 30)	—	26,463
Derecognition of financial guarantee issued to joint venture (Note 30)	—	177,743
Other income	34,984	41,539
Total	3,882,512	1,686,945

In March 2013 MunaiTas had early repaid its obligation to EBRD under the loan agreement and obligations of the Company as guarantor for the loan was terminated. Respectively, the Company derecognized the remaining amount of unamortized financial guarantee liability.

Income from fines and penalties mainly consist of amounts for nominated and non-delivered crude oil volumes under oil transportation contracts on “ship or pay” terms.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

26. OTHER OPERATING EXPENSES

Other operating expenses for the six months period ended 30 June 2014 and 2013 were presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2014	2013
Loss on liquidation of the dormant oil pumping stations	40,741	-
Loss on disposal of inventory	14,912	-
Loss on disposal of property, plant and equipment and intangible assets	11,213	1,210
(Reversal)/ charge of provisions (Note 20)	(7)	45,467
Other expenses	942	22,459
Total	67,801	69,136

27. FINANCE INCOME

Finance income for the six months period ended 30 June 2014 and 2013 were presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2014	2013
Interest income on bank deposits	3,037,892	1,677,592
Unwinding of discount on loans to employees	7,984	16,109
Total	3,045,876	1,693,701

Increase in interest income on bank deposits is due to the increase in amount of bank deposits and in interest rates.

28. FINANCE COST

Finance cost for the six months period ended 30 June 2014 and 2013 were presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2014	2013
Unwinding of discount on asset retirement and land recultivation obligation (Note 20)	501,366	484,306
Unwinding of discount on employee benefits (Note 16)	208,500	186,000
Total	709,866	670,306

29. INCOME TAX EXPENSE

Income tax expense for the six months period ended 30 June 2014 and 2013 was presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2014	2013
Current income tax expense	10,120,958	10,131,375
Deferred income tax benefit	(807,080)	(1,795,620)
Income tax expense	9,313,878	8,335,755

Movement in deferred tax liabilities for the six months period ended 30 June 2014 and 2013 was presented as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2014	2013
As at 1 January (audited)	38,732,066	36,501,154
Charged to profit and loss	(807,080)	(1,795,620)
Charged to other comprehensive income	(198,116)	(1,274)
As at 30 June (unaudited)	37,726,870	34,704,260

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS

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

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

The following tables provide the total amount of transactions, which have been entered into with related parties during the six months ended 30 June 2014 and 30 June 2013 and the related balances as at 30 June 2014 and 31 December 2013:

Carrying amount of transactions with related parties

Trade and other accounts receivables from related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures		3,442,373	806,094
Trade accounts receivable from entities under common control of KMG		1,191,871	590,681
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		2,100	993
	9	4,636,344	1,397,768
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	9	139,498	35,828
		139,498	35,828
Total		4,775,842	1,433,596

Advances provided to related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
Advances given to related parties			
Advances given to entities under common control of KMG		300,797	176,380
Advances given to entities under common control of Samruk-Kazyna Group		121,082	80,785
Total	10	421,879	257,165

Other current assets were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
Dividends receivable from related parties			
Dividends receivable from related parties		637,620	261,137
	12	637,620	261,137
Prepaid expenses on transactions with related parties			
Prepaid expenses on transactions with related parties		421	-
	12	421	-
Total		638,041	261,137

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Carrying amount of transactions with related parties (continued)

Non-current portion of deferred income to related parties was presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
Non-current portion of deferred income from related parties			
Non-current portion of deferred income from entities under common control of KMG		104,122	260,305
Total		104,122	260,305

Trade and other accounts payable to related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
Accounts payables to related parties for goods and services			
Accounts payables to entities under common control of KMG		452,847	628,280
Accounts payables to entities under common control of Samruk-Kazyna Group		24,758	18,021
Total accounts payable to related parties for goods and services	17	477,605	646,301
Other payables to entities under common control of Samruk-Kazyna Group			
		–	1,950
Total other accounts payable to related parties	17	–	1,950
Total		477,605	648,251

Advances received from related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
Advances received from related parties			
Advances from entities under common control of KMG		9,808,080	8,764,571
Advances from entities under common control of Samruk-Kazyna Group		649,165	1,941,567
Advances from joint ventures		15	15
Total	18	10,457,260	10,706,153

Dividends payable to related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
Dividends payable to related party			
Dividends payable to KMG		37,732,752	–
Total	15	37,732,752	–

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Carrying amount of transactions with related parties (continued)

Other current liabilities to related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
Accounts payable for oil transportation expedition to related parties			
Accounts payable for oil transportation expedition to entities under common control of KMG		4,762,142	4,153,475
	21	4,762,142	4,153,475
Accounts payable under the agency agreement to the related parties		–	651,706
Accounts payable under the agency agreement for the transportation of oil to the joint venture	21	–	651,706
Employee benefits of key management personnel			
Employee benefits of key management personnel		195,136	5,516
		195,136	5,516
Current portion of deferred income from related parties			
Current portion of deferred income from entities under common control of KMG		312,366	312,366
	21	312,366	312,366
Total other current liabilities to related parties		5,269,644	5,123,063

Transactions with related parties

The following tables provide the total amount of transactions, which have been entered into with related parties during the six months period ended 30 June 2014 and 2013.

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2014	2013
Sales to related parties		
Revenue from main activities with entities under common control of KMG	50,662,420	45,845,348
Revenue from main activities with entities under common control of Samruk-Kazyna Group	3,623,353	5,617,044
Revenue from main activities with joint ventures	3,423,193	2,698,137
Revenue from other activities with entities under common control of KMG	265,755	66,119
Revenue from other activities with entities under common control of Samruk-Kazyna Group	–	89
Total	57,974,721	54,226,737
Purchases from related parties		
Purchases of services from entities under common control of KMG	4,089,711	3,967,413
Purchases of services from entities under common control of Samruk-Kazyna Group	644,437	611,626
Purchases of inventory from entities under common control of KMG	671,378	67,154
Purchases of inventory from entities under common control of Samruk-Kazyna Group	7,407	4,627
Purchases of intangible assets from entities under common control of Samruk-Kazyna Group	111,221	–
Total	5,524,154	4,650,820

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTION (continued)

Dividend income of the Company was presented as follows:

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2014	2013
Dividend income			
Dividend income from MunaiTas		637,620	453,584
Total		637,620	453,584

Other operating income from related parties was presented as follows:

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2014	2013
Other operating income from related parties			
Derecognition of financial guarantee issued on behalf of joint venture	25	–	177,743
Amortization of deferred income from related parties	25	156,183	156,182
Amortization of financial guarantee issued to related party	25	–	26,463
Total		156,183	360,388

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

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2014	2013
Bonuses based on the results of the previous year	204,950	143,509
Salary	82,815	88,371
Short-term benefits	7,557	3,601
Post-employment benefits	451	208
Total	295,773	235,689
Number of persons	8	7

31. CONTINGENT LIABILITIES AND COMMITMENTS

Contractual obligations for future operations and contingencies of the Company are disclosed in the separate annual financial statements for the year ended 31 December 2013. During the six month ended 30 June 2014, there were no significant transactions, except for the following:

Contractual obligations

As at 30 June 2014, the Company had contractual obligations to purchase property, plant and equipment, and construction services for the amount of 57,968,563 thousand Tenge (31 December 2013: 33,069,599 thousand Tenge). In addition, as at 30 June 2014, the Company has committed to purchase inventory (materials and spare parts) and services for the amount of 19,852,835 thousand Tenge (31 December 2013: 3,356,776 thousand Tenge).

Temporary compensatory tariff

On 23 September 2013 the Company applied to the Specialized inter-district economic court of Astana with the legal statement contesting order of the NMRA chairman on approving temporary compensatory tariff from 29 August 2013.

Based on decision of Specialized inter-district economic court of Astana as at 25 December 2013 legal statement of the Company was fully satisfied. NMRA disagreed with the decision mentioned above and filed an appeal. On 14 April 2014 contested Order was declared invalid based on decision of the Appeals city Court on civil and administrative cases of Astana.

On 16 May 2014 NMRA filed cassation appeal contesting decision of appellate court.

**NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
(continued)**

31. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**Temporary compensatory tariff (continued)**

On 24 June 2014 NMRA approved temporary compensatory tariff for regulated services on pumping oil through the pipelines of Company, which is effective from 1 July 2014 to 30 June 2015. Temporary compensatory tariff for oil transportation through the pipelines of the Company is approved in the following volumes: for export – 5,774.3 Tenge per 1 ton per 1,000 km (excluding VAT), for domestic market – 2,910.2 Tenge per 1 ton per 1,000 km (excluding VAT).

32. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments

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

33. EVENTS AFTER THE REPORTING PERIOD

Based on the decision of the General Meeting of Shareholders on 28 May 2014 the Company has paid dividends to its shareholders in the amount of 41,925,280 thousand Tenge (109 Tenge per 1 share) 3 July 2014.

The Company decided to provide sponsorship in the amount of 1,910,912 thousand Tenge for construction of a secondary school for 300 seats in the Atyrau region, a kindergarten for 320 seats in the city of Pavlodar and a kindergarten for 280 seats in the South Kazakhstan region.

On 3 July 2014 the Company filed an application to the Specialized Interregional economical court of Astana to challenge AREM's order on approval of temporary compensatory rate (*Note 31*). According to the decision of the Specialized Interregional economical court of Astana dated on 8 July 2014 the order on approval of temporary compensatory rate was suspended.