



Kazakhstan-China Pipeline LLP

Special purpose financial information
in accordance with Order #143 of the Minister
of Finance of the Republic of Kazakhstan
dated 27 February 2015

for the year ended 31 December 2016

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Independent auditors report

To the Owners of Kazakhstan-China Pipeline LLP

Our opinion

In our opinion, the special purpose financial information of Kazakhstan-China Pipeline LLP (the "Company") is prepared, in all material respects, in accordance with the Order #143 of the Minister of Finance of the Republic of Kazakhstan dated 27 February 2015.

What we have audited

The Company's special purpose financial information, which comprise:

- Form #1 - statement of financial position as at 31 December 2016;
- Form #2 - statement of comprehensive income for the year then ended;
- Form #3 - statement of changes in equity for the year ended;
- Form #4 - statement of cash flows for the year then ended; and
- Basis of preparation and other explanatory information.

The special purpose financial information was prepared by the management of the Company in accordance with the Order #143 of the Minister of Finance of the Republic of Kazakhstan dated 27 February 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter - Basis of Preparation of the Special Purpose Financial Information and Restriction of use

We draw attention to the explanatory note, which describes the basis of preparation of the special purpose financial information. The special purpose financial information is intended solely for the purpose of its publication in the Kazakhstani mass media and its submission to the financial statements depository of the Ministry of Finance of the Republic of Kazakhstan in accordance with the legislation of the Republic of Kazakhstan. Therefore, the special purpose financial information should not be used for any other purpose. Our opinion is not modified in respect to this matter.

Independent auditors report (continued)

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Other

The Company has prepared financial statements for the year ended 31 December 2016 in accordance with the International Financial Reporting Standards, on which we have issued a separate independent auditor's report addressed to the owners of the Company and dated 30 January 2017.

Responsibilities of management for the special purpose financial information

Management is responsible for the preparation and fair presentation of the special purpose financial information in accordance with the Order #143 of the Minister of Finance of the Republic of Kazakhstan dated 27 February 2015, and for such internal control as management determines is necessary to enable the preparation of the special purpose financial information that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial information, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the special purpose financial information

Our objectives are to obtain reasonable assurance about whether the special purpose financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this special purpose financial information.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditors report (continued)

Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

3 February 2017

Almaty, Kazakhstan

Approved by:



Dana Inkarbekova

Managing Director of PricewaterhouseCoopers LLP

(General State License of the Ministry of Finance
of the Republic of Kazakhstan №00000005
dated 21 October 1999)

Signed by:



Baurzhan Burtanbekov

Auditor in charge

(Qualified Auditor's Certificate

№0000586 dated 30 October 2006)



Form 1

Organization's name: **Kazakhstan-China Pipeline LLP**
Reorganization details:
Organization's type of activity: **Pipeline construction and maintenance**
Legal form: **Limited Liability Partnership**
Reporting form: **Separate**
Average # of employees **196 mlp.**
Business entity **Large**
Legal address **Almaty, 109 V Abay ave.**

BALANCE SHEET
AS AT 31 DECEMBER 2016

in thousands of Kazakhstani tenge

Assets	Row code	At the end of reporting period	At the beginning of reporting period
I. Current assets:			
Cash and cash equivalents	010	12,518,919	17,974,613
Financial assets available-for-sale	011	-	-
Derivatives	012	-	-
Financial assets at fair value through profit and loss	013	-	-
Financial assets held to maturity	014	-	-
Other current financial assets	015	2,347,686	3,077,435
Current trade and other receivables	016	1,223,114	1,748,737
Current income tax	017	43,491	1,285,559
Inventory	018	247,237	293,594
Other current assets	019	224,261	283,676
Total current assets (sum of 010 to 019 rows)	100	16,604,708	24,663,614
Assets (or disposal groups) held for sale	101	-	30,215
II. Non-current assets			
Financial assets available-for-sale	110	-	-
Derivatives	111	-	-
Financial assets at fair value through profit and loss	112	-	-
Financial assets held to maturity	113	-	-
Other non-current financial assets	114	1,740	2,640
Non-current trade and other receivables	115	5,543,293	5,945,533
Investments (by equity method)	116	-	-
Investment properties	117	-	-
Property, plant and equipment	118	215,828,475	230,515,330
Biological assets	119	-	-
Exploration and evaluation assets	120	-	-
Intangible assets	121	41,210	28,651
Deferred tax assets	122	357,700	-
Other non-current assets	123	-	-
Total non-current assets (sum of 110 to 123 rows)	200	221,772,418	236,492,154
Total assets (row 100 + row 101 + row 200)		238,377,126	261,185,983

Organization's name: Kazakhstan-China Pipeline LLP

BALANCE SHEET
AS AT 31 DECEMBER 2016

in thousands of Kazakhstani tenge

Liabilities and Equity	Row code	At the end of reporting period	At the beginning of reporting period
III. Current liabilities			
Borrowings	210	32,540,110	56,449,928
Derivatives	211	-	-
Other current financial liabilities	212	-	-
Current trade and other payables	213	5,147,755	5,984,049
Current provisions	214	46,953	71,575
Current income tax liabilities	215	10,495	13,941
Employee benefits	216	82,534	146,617
Other current liabilities	217	2,722,311	3,084,777
Total current liabilities (sum of 210 to 217 rows)	300	40,550,158	65,750,887
Liabilities of the disposal group held for sale	301	-	-
IV. Non-current liabilities			
Borrowings	310	195,797,446	206,193,620
Derivatives	311	-	-
Other non-current financial liabilities	312	-	-
Non-current trade and other payables	313	-	-
Non-current provisions	314	3,039,232	3,552,598
Deferred tax liabilities	315	-	-
Other non-current liabilities	316	6,940	10,934
Total non-current liabilities (sum of 310 to 316 rows)	400	198,843,618	209,757,152
V. Equity			
Share capital	410	13,000,000	13,000,000
Share premium	411	-	-
Treasury stock	412	-	-
Reserves	413	31,962,454	34,048,562
Retained earnings (accumulated deficit)	414	(45,979,104)	(61,370,618)
Total equity attributable to parent company owners (sum of 410 to 414 rows)	420	(1,016,650)	(14,322,056)
Non-controlling interest	421	-	-
Total equity (row 420 +/- row 421)	500	(1,016,650)	(14,322,056)
Total Liabilities and Equity (row 300 + row 301 + row 400 + row 500)		238,377,126	261,185,983

General Director: Tanatarov A.B.

(full name)

Chief Accountant: Tang Jing

(full name)

Place of seal

Китайский
Трубопровод

(signature)

(signature)

Form 2

Organization's name: Kazakhstan-China Pipeline LLP

**PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

in thousands of Kazakhstani tenge

Line item	Row code	For the reporting period	For the previous period
Revenue	010	53,486,201	51,134,608
Cost of Sales	011	(29,308,599)	(29,646,377)
Gross profit (row 010 – row 011)	012	24,177,602	21,488,231
Selling expenses	013	-	-
General and administrative expenses	014	(2,897,995)	(3,316,733)
Other expenses	015	(975,974)	(450,706)
Other income	016	2,146,496	5,500,415
Operating profit (loss) (+/- 012 to 016 rows)	020	22,450,129	23,221,207
Finance income	021	2,534,956	181,776
Finance costs	022	(12,835,273)	(130,524,004)
The share of the organization in the profit (loss) of associates and joint ventures (by equity method)	023	-	-
Other non-operating income	024	-	-
Other non-operating expense	025	-	-
Profit (loss) before tax (+/- 020 to 025 rows)	100	12,149,812	(107,121,021)
Income tax benefits /(expenses)	101	499,663	17,978,504
Profit (loss) before tax from continuing operations (row 100 – row 101)	200	12,649,475	(89,142,517)
Profit (loss) after tax from discontinued operations	201	-	-
Profit (loss) for the year (row 200 + row 201) attributable to:	300	12,649,475	(89,142,517)
Parent company		-	-
Non-controlling interest		-	-
Other comprehensive income, total (sum of 410 to 420 rows):	400	655,931	856,197
including:		-	-
Revaluation of fixes assets	410	-	-
Revaluation of financial assets available-for-sale	411	-	-
The share of other comprehensive income (loss) of associates and joint ventures (by equity method)	412	-	-
Actuarial gains (losses) on pension obligations	413	-	-
Effect of change in income tax rate on deferred tax of the subsidiaries	414	-	-
Cash flow hedges	415	-	-
Exchange differences on investments in foreign operations	416	-	(154,820)
Hedging on net investments in foreign operations	417	-	-
Other components of other comprehensive income	418	819,914	1,263,772
Adjustment on reclassification in profit (loss)	419	-	-
Tax effect of components of other comprehensive income	420	(163,983)	(252,755)
Total comprehensive profit (loss) (row 300 + row 400)	500	13,305,406	(88,286,320)
Total comprehensive profit attributable to:		-	-
Parent company		13,305,406	(88,286,320)
Non-controlling interest		-	-
Earnings per share:	600	-	-
Including:		-	-
Basic earnings per share:		-	-
from continuing operations		-	-
from discontinued operations		-	-
Diluted earnings per share:		-	-
from continuing operations		-	-
from discontinued operations		-	-

General Director: Tanatarov A.B.
(full name)

Chief Accountant: Tang Jing
(full name)



[Signature]
(signature)
[Signature]
(signature)

Organization's name: Kazakhstan-China Pipeline LLP

**STATEMENT OF CASH FLOW (DIRECT METHOD)
FOR THE YEAR ENDED 31 DECEMBER 2016**

in thousands of Kazakhstani tenge			
Line item	Row code	For the reporting period	For the previous period
I. Cash flows from operating activities			
1. Total cash inflow (sum of 011 to 016 rows)	010	54,822,872	59,003,507
Including:			
Sale of goods and services	011	49,517,433	52,301,630
Other revenue	012	-	-
Advances received from customers	013	4,219,722	5,590,693
Income from insurance contracts	014	1,062	40,703
Received remunerations	015	162,901	188,215
Other proceeds	016	921,754	882,266
2. Total cash outflow (sum of 021 to 027 rows)	020	31,137,086	33,113,893
Including:			
Payments to suppliers for goods and services	021	12,769,294	14,160,257
Advances given to suppliers of goods and services	022	4,594	-
Payments to employees	023	1,583,474	1,606,002
Payment of remuneration	024	12,267,550	7,992,226
Payments under insurance contracts	025	267,008	301,234
Income tax and other payments to the budget	026	4,111,428	6,490,443
Other payments	027	133,738	2,563,731
3. Net cash flows from operating activities (row 010 – row 020)	030	23,685,786	25,889,614
II. Cash flows from investing activities			
1. Total cash inflow (sum of 041 to 051 rows)	040	9,937,332	15,970,971
Including:			
Sale of property, plant and equipment	041	-	-
Sale of intangible assets	042	-	-
Sale of other non-current assets	043	14,907	18,698
Sale of equity instruments of other organizations (other than subsidiaries), and interests in joint ventures	044	-	-
Sale of debt instruments of other organizations	045	-	-
Compensation for the loss of control over subsidiaries	046	-	-
Sale of other financial assets	047	9,922,425	15,952,273
Futures and forward contracts, options and swaps	048	-	-
Dividends received	049	-	-
Remunerations received	050	-	-
Other proceeds	051	-	-

STATEMENT OF CASH FLOW (DIRECT METHOD)
For the year ended 31 December 2016

in thousands of Kazakhstani tenge

Line item	Row code	For the reporting period	For the previous period
2. Total cash outflows (sum of 061 to 071 rows)	060	10,246,290	11,717,383
Including:			
Purchase of property, plant and equipment	061	1,244,420	1,480,603
Purchase of intangible assets	062	24,000	1,566
Purchase of other non-current assets	063	-	-
Purchase of equity instruments of other organizations (other than subsidiaries), and interests in joint ventures	064	-	-
Purchase of debt instruments of other organizations	065	-	-
Acquisition of control over subsidiaries	066	-	-
Purchase of other financial assets	067	8,977,870	10,235,214
Loans	068	-	-
Futures and forward contracts, options and swaps	069	-	-
Investments in associates and subsidiaries	070	-	-
Other payments	071	-	-
3. Net cash flows from investing activities (row 040 – row 060)	080	(308,958)	4,253,588
III. Cash flows from financing activities			
1. Total cash inflows (sum of 091 to 094 rows)	090	-	-
Including:			
Issuance of shares and other financial instruments	091	-	-
Bank borrowings	092	-	-
Remuneration received	093	-	-
Other proceeds	094	-	-
2. Total cash outflows (sum of 101 to 105 rows)	100	30,178,125	27,484,806
Including:			
Repayment of borrowings	101	30,178,125	27,484,806
Remuneration payment	102	-	-
Dividends paid	103	-	-
Payments for share owners of the organization	104	-	-
Other payments	105	-	-
3. Net cash flows from financing activities (row 090 – row 100)	110	(30,178,125)	(27,484,806)
4. Effect of foreign exchange rate changes on cash and cash equivalents	120	1,345,603	4,389,667
5. Increase +/- decrease of cash and cash equivalents (row 030 +/- row 080 +/- row 110 +/- row 120)	130	(5,455,694)	7,048,063
6. Cash and cash equivalents at the beginning of the period	140	17,974,613	10,926,550
7. Cash and cash equivalents at the end of the period	150	12,518,919	17,974,613

General Director: Tanatarov A.B.
(full name)

Chief Accountant: Teng Jing
(full name)



(signature)

(signature)

Organization's name: Kazakhstan-China Pipeline LLP

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

in thousands of Kazakhstani tenge

Components name	Row code	Equity of Parent Company					Non-Controlling Interest	Total Equity
		Share Capital	Share Premium	Treasury stocks	Reserves	Retained Earnings		
Balance as at 1 January of previous year	010	13,000,000	-	-	36,044,591	24,919,673	-	73,964,264
Changes in accounting policy	011	-	-	-	-	-	-	-
Revised balance (row 010 +/- row 011)	100	13,000,000	-	-	36,044,591	24,919,673	-	73,964,264
Total comprehensive income (row 210 + row 220):	200	-	-	-	(1,996,029)	(86,290,291)	-	(88,286,320)
Profit (loss) for the year	210	-	-	-	-	(89,142,517)	-	(89,142,517)
Total other comprehensive income (sum of 221 to 229 rows):	220	-	-	-	(1,996,029)	2,852,226	-	856,197
Including:								
Gain on revaluation of fixed assets (net of tax effect)	221	-	-	-	1,011,017	-	-	1,011,017
Transfer of depreciation of the revaluation of fixed assets (net of tax effect)	222	-	-	-	(2,852,226)	2,852,226	-	-
Revaluation of financial assets available-for-sale (net of tax effect)	223	-	-	-	-	-	-	-
Share in other comprehensive income (loss) of associates and joint ventures (by equity method)	224	-	-	-	-	-	-	-

Organization's name: Kazakhstan-China Pipeline LLP

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

in thousands of Kazakhstani tenge

Components name	Row code	Equity of Parent Company					Non-Controlling Interest	Total Equity
		Share Capital	Share Premium	Treasury stocks	Reserves	Retained Earnings		
Actuarial gains (losses) on pension obligations	225	-	-	-	-	-	-	-
Effect on change in income tax rate on deferred tax of the subsidiaries	226	-	-	-	-	-	-	-
Cash flow hedges (net of tax effect)	227	-	-	-	-	-	-	-
Exchange differences on investments in foreign operations	228	-	-	-	(154,820)	-	-	(154,820)
Hedges of net investments in foreign operations	229	-	-	-	-	-	-	-
Transactions with owners (sum of 310 to 318 rows):	300	-	-	-	-	-	-	-
Including:								
Employee benefits (by issuing shares):	310	-	-	-	-	-	-	-
Including:		-	-	-	-	-	-	-
Cost of services provided by employees		-	-	-	-	-	-	-
Issuance of shares for the employees based on the remuneration scheme		-	-	-	-	-	-	-
Tax benefit in respect of the remuneration scheme		-	-	-	-	-	-	-
Contributions from the owners	311	-	-	-	-	-	-	-
Issuance of own equity instruments (shares)	312	-	-	-	-	-	-	-
Issuance of equity instruments related to the business combination	313	-	-	-	-	-	-	-
The equity component of convertible instruments (net of tax effect)	314	-	-	-	-	-	-	-
Dividends payments	315	-	-	-	-	-	-	-
Other distributions to the owners	316	-	-	-	-	-	-	-
Other transactions with owners	317	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries, not resulting the loss of control	318	-	-	-	-	-	-	-

Organization's name: Kazakhstan-China Pipeline LLP

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

in thousands of Kazakhstani tenge

Components name	Row code	Equity of Parent Company					Non-Controlling Interest	Total Equity
		Share Capital	Share Premium	Treasury stocks	Reserves	Retained Earnings		
Balance as at 1 January of reporting year (row 100 + row 200 + row 300)	400	13,000,000	-	-	34,048,562	(61,370,618)	-	(14,322,056)
Change in accounting policy	401	-	-	-	-	-	-	-
Revised balance (row 400 +/- row 401)	500	13,000,000	-	-	34,048,562	(61,370,618)	-	(14,322,056)
Total comprehensive income (row 610+ row 620):	600	-	-	-	(2,086,108)	15,391,514	-	13,305,406
Profit (loss) for the year	610	-	-	-	-	12,649,475	-	12,649,475
Total other comprehensive income (sum of 621 to 629 rows):	620	-	-	-	(2,086,108)	2,742,039	-	655,931
Including:								
Gain on revaluation of fixed assets (net of tax effect)	621	-	-	-	655,931	-	-	655,931
Transfer of depreciation of the revaluation of fixed assets (net of tax effect)	622	-	-	-	(2,742,039)	(2,742,039)	-	-
Revaluation of financial assets available-for-sale (net of tax effect)	623	-	-	-	-	-	-	-
Share in other comprehensive income (loss) of associates and joint ventures (by equity method)	624	-	-	-	-	-	-	-
Actuarial gains (losses) on pension obligations	625	-	-	-	-	-	-	-
Effect on change in income tax rate on deferred tax of the subsidiaries	626	-	-	-	-	-	-	-
Cash flow hedges (net of tax effect)	627	-	-	-	-	-	-	-
Exchange differences on investments in foreign operations	628	-	-	-	-	-	-	-
Hedges of net investments in foreign operations	629	-	-	-	-	-	-	-

Organization's name: Kazakhstan-China Pipeline LLP

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

in thousands of Kazakhstani tenge

Components name	Row code	Equity of Parent Company				Non-Controlling Interest	Total Equity
		Share Capital	Share Premium	Treasury stocks	Reserves	Retained Earnings	
Transactions with owners (sum of 710 to 718 rows)	700	-	-	-	-	-	-
Including:							
Employee benefits (by issuing shares)	710	-	-	-	-	-	-
Including:							
Cost of services provided by employees		-	-	-	-	-	-
Issuance of shares for the employees based on the remuneration scheme		-	-	-	-	-	-
Tax benefit in respect of the remuneration scheme		-	-	-	-	-	-
Contributions from the owners	711	-	-	-	-	-	-
Issuance of own equity instruments (shares)	712	-	-	-	-	-	-
Issuance of equity instruments related to the business combination	713	-	-	-	-	-	-
Equity component of convertible instruments (net of tax effect)	714	-	-	-	-	-	-
Dividends payments	715	-	-	-	-	-	-
Other distributions to the owners	716	-	-	-	-	-	-
Other transactions with owners	717	-	-	-	-	-	-
Changes in ownership interests in subsidiaries, not resulting the loss of control	718	-	-	-	-	-	-
Balance as at 31 December of reporting year (rcw 500 + row 600 + row 700)	800	13,000,000	-	-	31,962,454	(48,979,104)	(1,016,650)

General Director: Tanatarov A.B.
(full name)Chief Accountant: Tang Jing
(full name)

**Explanatory notes
to the special purpose financial information
Kazakhstan-China Pipeline LLP as at 31 December 2016**

1. General Information

Kazakhstan-China Pipeline LLP (the "Company") was incorporated as a limited liability partnership on 6 July 2004 under the legislation of the Republic of Kazakhstan. The Company is owned by two participants: China National Operating and Development Corporation ("CNODC"), a subsidiary of China National Petroleum Corporation ("CNPC"), and KazTransOil JSC ("KazTransOil"), a subsidiary of KazMunaiGas National Company JSC ("KazMunayGas"), each owning 50 percent interest in the Company's charter capital. The Company is jointly controlled by KazTransOil and CNODC on an equal basis. KazTransOil is fully controlled by the Kazakh Government through Samruk-Kazyna National Welfare Fund JSC, a holding company, and CNODC is fully controlled by the Chinese Government through CNPC, a state-owned company.

On 17 May 2004 the Government of the People Republic of China and the Government of the Republic of Kazakhstan signed the Framework Agreement concerning Development of all-around cooperation in oil and gas sphere. Moreover, on 17 May 2004 CNPC and KazMunaiGas signed the Agreement Concerning Main Principles for Construction of Atasu – Alashankou oil pipeline, with length 965.1 km, and on 20 December 2006 CNPC and KazMunaiGas signed Agreement Concerning Main Principles for Construction of the Second Stage of Kazakhstan – China Oil Pipeline and on 18 August 2007, additional agreement #1 thereto was signed.

The Company is considered to be a monopolist and, accordingly, is subject to regulation by the Natural Monopolies Regulation and Competition Protection Committee of the Ministry of National Economy of the Republic of Kazakhstan (the "Committee on Natural Monopolies Regulation"). The Committee on Natural Monopolies Regulation approves the tariff rates for oil transportation based on the recovery of assets cost value. On 20 August 2015, the Chairman of the Committee on Natural Monopolies Regulation №343-ML approved the tariff for the domestic market in the amount of Tenge 5,377.92 per ton for 1,000 kilometers (excluding VAT) for the year 2016.

On 5 May 2015, the Law of the Republic of Kazakhstan "On amendments and addendums to some legislative acts of the Republic of Kazakhstan on natural monopolies and regulated markets" was published, whereby the transportation services of oil and oil products through pipelines for transit through the territory of the Republic of Kazakhstan and the export from the Republic of Kazakhstan are not considered to be areas of natural monopolies in the Republic of Kazakhstan. Upon enforcement of the Law, the Company has the right to approve, at its own discretion, tariffs on oil transportation for the aforementioned purposes. On 24 November 2015, the Company approved the tariff for exports out of Republic of Kazakhstan for the year 2016 in the amount of Tenge 6,000 per ton for 1,000 kilometers (excluding VAT). On 28 December 2016, the Company approved the tariff for exports out of Republic of Kazakhstan for 2017 year in the amount of Tenge 6,799 per ton for 1,000 kilometers (excluding VAT).

On 17 November 2005, the Company obtained a patent to invest, construct, operate and repair the Atasu – Alashankou oil pipeline in China valid until 16 November 2025. In this regard, the branch of the Company was registered in China.

The Company constructed and put into operation the Atasu-Alashankou pipeline on 28 July 2006 with the capacity of 7 million tons per year. In 2008, the Company put into operation the additional facilities to increase the Atasu-Alashankou pipeline's capacity up to 10 million tons per year.

Technological oil to fill the pipeline in the amount of 401,449 metric tons was provided by PetroChina International Kazakhstan LLP ("PetroChina"). Technological oil belongs to PetroChina. The policy on accounting for technological oil is presented in Note 2.

On 8 May 2008 the Company obtained an approval from the Committee for Construction and Housing and Communal Services under the Ministry of Industry of Trade of the Republic of Kazakhstan to carry out construction and assembly operations for the Kenkiyak-Kumkol oil pipeline, and signed contracts with KazStroiService NSCC and China Petroleum Pipeline Engineering Kazakhstan LLP for project development, supply of materials and construction of 794.263 km long Kenkiyak-Kumkol oil pipeline with the annual throughput capacity of the second stage's first phase of 10 million tons.

On 1 July 2009, the construction of the linear part of Kenkiyak-Kumkol oil pipeline was completed. On 27 June 2009, the Company filled Kenkiyak-Kumkol with technological oil in the amount of 411,915 metric tons, provided by CNPC-Aktobemunaigas JSC under contract #02-2009 dated 12 February 2009.

1 General information (continued)

Technological oil belongs to CNPC-Aktobemunaigas JSC. The return period of the technological oil to CNPC-Aktobemunaigas JSC is upon termination of the Kenkiyak-Kumkol pipeline operation.

On 7 October 2009, the Company launched the first starting complex of the Kenkiyak-Kumkol pipeline with the first phase project capacity of 10 million tons per year.

On 10 December 2010, the Company commissioned the facilities of the first phase of the second stage of the Kenkiyak-Kumkol pipeline construction.

In 2011 and 2013, the Company commissioned additional facilities to increase the throughput capacity of the Atasu-Alashankou pipeline up to 20 million tons per year.

During years 2013 and 2014, construction works to connect pump station ("NPS") # 8 to the open distribution unit 35kV to the 500kV Agadyr substation were performed, including the construction, installation, pre-commissioning activities and commissioning of the equipment with the capacity of 40,000 kVA.

On 2 March 2015, route roads in the Eastern Kazakhstan region of total distance of 50,055 km and cost of Tenge 2,609,831 thousand were put into operations, including reconstruction of two sections of total distance of 30,516 km in the amount of Tenge 1,024,582 thousand.

The Company liquidated a subsidiary, KCP Finance B.V., in the fourth quarter of 2015, KCP Finance B.V. was deregistered in the Chamber of Commerce of Netherlands on 31 December 2015.

During 2016 and 2015, the Company transported through the Atasu-Alashankou pipeline 3,074 thousand tons and 4,800 thousand tons of oil, respectively. Also, during 2016 and 2015 years, the Company transported 6,992 thousand tons of transit oil in each year, according to the agreement between the Governments of the Republic of Kazakhstan and the Russian Federation on Cooperation in the field of Russian oil transportation through the territory of the Republic of Kazakhstan to People's Republic of China, which came into force on 1 January 2014. The tariff on oil transportation under this agreement is determined in accordance with the contract entered into between the Company, KazTransOil and NC Rosneft OJSC.

During 2016 and 2015, the Company transported through the Kenkiyak-Kumkol pipeline 4,890 thousand tons and 6,235 thousand tons of oil, respectively.

The Company's registered address is: 109B, Abay Avenue, Almaty, 050008, Republic of Kazakhstan.

2. Basis of Preparation

This special purpose financial information of Kazakhstan-China Pipeline LLP for the year ended 31 December 2016 has been prepared in accordance with the Order #143 of the Minister of Finance of the Republic of Kazakhstan dated 27 February 2015. This special purpose financial information has been prepared solely for the purpose of its publication in the Kazakhstani mass media.

In preparation of the special purpose financial information, the Company implemented the accounting policy principles, described in the financial statements for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") dated 30 January 2017.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the special purpose financial information and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the special purpose financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Going concern. Management prepared this special purpose financial information on a going concern basis. This judgement of management is based on consideration of the financial position of the Company, current plans, operation profitability and access to financial resources, and on the analysis of the impact of situation on the financial markets on the Company's operations.

Fair value of property, plant and equipment. The Company engages an independent appraiser to determine the fair value of fixed assets. An independent evaluation of the assets is conducted on a regular basis. The last independent valuation of the Company's property, plant and equipment was held on 31 August 2014 using the market value that was based on the analysis of comparable sales. The remaining assets were assessed using the cost approach. Validity of the fair value measurement, as described above, was determined by the appraiser through the analysis of discounted future cash flows.

The Company's assets are specialized and cannot be used for other purposes. The oil transportation industry is heavily regulated and not subject to fast changes. As at 31 December 2016, management analyzed changes in key assumptions applied in determining the fair value of fixed assets, and concluded that the results of the evaluation conducted at 31 August 2014 remain relevant.

Impairment of property, plant and equipment. The Company tests the carrying value of its property, plant and equipment to assess whether there are any indicators of impairment of such assets. Based on the analysis of internal and external factors, management determined the absence of indicators of impairment at the end of the reporting period.

Deferred income tax asset recognition. Deferred income tax asset is recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. At 31 December 2016, the future taxable profits and the amount of tax benefits that are probable in the future are based on the Company's medium term business plan prepared by management. This financial forecast is based on management's expectations that are believed to be reasonable under the circumstances. The key assumptions used in the forecast are indicated in the going concern clause of this Note.

VAT recoverability. The Company is entitled to claiming VAT receivable for reimbursement if it meets certain requirements under the Tax code of the Republic of Kazakhstan, and the VAT is subject to reimbursement upon successful completion of according tax audits. Non-refunded amount of VAT receivable to be used in the future to offset the VAT payable. According to the management of the Company, the accrued non-refunded amount of VAT receivable will be offset by the future payments of VAT on sales.

Useful lives and residual values of property, plant and equipment. Management estimates economic useful lives of property, plant and equipment as the period over which the Company expects to consume economic benefits from the assets. Management estimates that the residual value of the asset is nil if the Company expects to use the asset until the end of its physical life. The useful lives and residual values of the assets are reviewed at least at each year-end.

Provision for pipeline retirement and site restoration obligation. In accordance with the Law of Republic of Kazakhstan "On Mainland Pipeline" effective 4 July 2012, the Company has a legal obligation to remediate damage caused to the environment from its operations and to dismantle the "Atasu Alashankou" and "Kenkiyak-Kumkol" pipelines upon completion of their operations.

Provision is accrued, based on the net present values, of the site restoration and rehabilitation costs when the obligation arises from past operations. Provision for asset retirement obligations is measured based on the value of decommissioning and restoration works calculated by the Company in accordance with the technical regulations effective in the Republic of Kazakhstan. Estimates for remediation costs are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Asset retirement obligation is recognised when it is probable that the costs will be incurred and those costs can be measured reliably.

The amount of the provisions was determined using the nominal prices effective at the reporting dates by applying the forecasted inflation rate for the period 2017-2020 and long-term forecasted weighted average inflation rate during the period and after 2020, and the discount rate at the end of the reporting period.

Uncertainties in the estimates of such costs include potential changes in the regulatory requirements, alternatives to closure and reclamation of disturbed lands, discount and inflation rates.

Main assumptions used in the estimation of provision for pipeline retirement and site restoration obligations were as follows:

<i>In percentage</i>	31 December 2016	31 December 2015
Discount rate (Kenkiyak-Kumkol)	9.97	8.05
Discount rate (Atasu-Alashankou)	9.45	7.54
Inflation rate - 2017	7.1	6.5
Inflation rate - 2018	5.5	7.0
Inflation rate - 2019	5.9	6.9
Inflation rate - 2020	5.9	5.6
Long-term weighted average inflation rate	5.4	5.6

Construction-in-Progress. As of 31 December 2016, the total construction-in-progress in the amount of Tenge 1,630,347 thousand (Note 9) includes capitalised costs for the construction of the roads along the main routes in total amount of Tenge 626,404 thousand, the cost of implementation of the interface between the SCADA systems of the Company and KazTransOil in the amount of Tenge 118,690 thousand, capitalised expenditures related to construction projects of the second phase of the second stage of the "Kazakhstan-China" pipeline in the amount of Tenge 859,235 thousand, and other capitalised expenditures in the amount of Tenge 26,018 thousands. As of 31 December 2016, the second phase of the second stage of the Kazakhstan-China pipeline construction project was postponed for an indefinite period. The management conducted a technical analysis based on internal and external factors, including the uncertainty associated with the source of financing for the construction and lack of oil resource base. As a result of the analysis, the Company recognised additional provision for impairment of construction-in-progress related to this project in the amount of Tenge 439,863 thousand. As a result, amount of the accumulated provision for impairment is equal to Tenge 859,235 thousands (Note 9).

4. Balances and Transactions with Related Parties

The definition of related parties is given in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions or joint control over the other party. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's immediate parents and ultimate controlling parties are disclosed in Note 1.

For the purpose of this special purpose financial information, related parties of the Company include its owners and their subsidiaries.

At 31 December 2016, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Joint control (owners)	Associated entities	Total
Trade receivables from related parties	-	217	217
Advances received from related parties	-	2,606,601	2,606,601
Trade payables to related parties	2,109,621	265,712	2,375,333

4 Balances and Transactions with Related Parties (continued)

The income and expense items with related parties for the year ended 31 December 2016 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Joint control (owners)	Associated entities	Total
Revenue	4,877	32,692,938	32,697,815
Other income	-	519,162	519,162
Expenses:			
Pipeline maintenance services	6,935,857	642,518	7,578,375
Security services	-	1,136,323	1,136,323
Other services	2,948	307,114	310,062

As at 31 December 2015, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Joint control (owners)	Associated entities	Total
Trade receivables from related parties	-	9,842	9,842
Advances received from related parties	-	4,564,589	4,564,589
Trade payables to related parties	627,119	356,514	983,633

<i>In thousands of Kazakhstani Tenge</i>	Joint control (owners)	Associated entities	Total
Revenue	-	36,470,820	36,470,820
Expenses:			
Pipeline maintenance services	6,650,357	564,365	7,214,722
Capital expenditures	-	574	574
Security services	-	1,234,875	1,234,875
Other services	5,233	279,357	284,590

Key management remuneration. Remuneration paid to six management board members for their services in full time executive management positions consists of their contractual salary and bonuses. Total key management remuneration included in general and administrative expenses in the statement of profit or loss and other comprehensive income for the year ended 31 December 2016 was Tenge 156,471 thousand (year ended 31 December 2015 – Tenge 129,228 thousand).

5. Cash and Cash Equivalents (balance sheet row 010)

<i>In thousands of Kazakhstani Tenge</i>	31 December 2016	31 December 2015
Cash in bank accounts – foreign currency	6,110,600	11,538,837
Cash in saving accounts – Tenge	2,427,785	-
Cash in bank accounts – Tenge	2,343,380	1,647,040
Cash in saving accounts – foreign currency	1,633,121	4,785,848
Cash on corporate cards accounts	4,030	2,888
Cash on hand	3	-
Total cash and cash equivalents	12,518,919	17,974,613

5. Cash and Cash Equivalents (balance sheet row 010) (Continued)

The cash and cash equivalent in foreign currency are presented in following currencies:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2016	31 December 2015
US Dollar	7,714,923	16,269,141
Chinese Yuan	28,798	55,544
Total cash and cash equivalents – foreign currency	7,743,721	16,324,685

6. Other current financial assets (balance sheet row 015)

<i>In thousands of Kazakhstani Tenge</i>	31 December 2016	31 December 2015
Term deposits with maturity less than 12 months	2,339,510	3,061,538
Current interests receivable	8,176	15,897
Total bank deposits	2,347,686	3,077,435

As at 31 December 2016 and 31 December 2015, term bank deposits are denominated in US Dollars.

7. Current trade and other receivables (balance sheet row 016)

<i>In thousands of Kazakhstani Tenge</i>	31 December 2016	31 December 2015
VAT recoverable	867,058	1,388,880
Prepaid taxes	342,440	338,160
Trade receivable from related parties	217	9,842
Trade receivable from main activity	71	48
Other receivable	13,328	11,807
Total current trade and other receivables	1,223,114	1,748,737

8. Non-current trade and other receivables (balance sheet row 115)

Non-current receivables mainly represents input VAT on purchases. As at 31 December 2016 the Company recognised VAT receivable of Tenge 5,460,339 thousand (31 December 2015: Tenge 5,937,842 thousand) as a non-current asset because management of the Company believes that VAT will be offset against future VAT payable during period exceeding 12 months after 31 December 2016.

9. Property, Plant and Equipment (balance sheet row 118)

<i>In thousands of Kazakhstani Tenge</i>	Land	Buildings and constructions	Machinery and Equipment	Pipeline and other vehicles	Other	Construction in progress	Total
Revalued cost at 1 January 2015	60,732	42,458,704	62,016,184	139,654,996	821,484	4,171,888	249,183,988
Accumulated depreciation	-	(700,423)	(2,126,769)	(1,965,577)	(57,805)	-	(4,850,574)
Carrying amount at 1 January 2015	60,732	41,758,281	59,889,415	137,689,419	763,679	4,171,888	244,333,414
Additions	-	-	6,347	139,904	26,626	885,119	1,057,996
Transfers between categories	-	2,697,581	486,045	(44,364)	3,970	(3,143,232)	-
Disposals	-	-	(56)	(48,845)	(33,869)	-	(82,770)
Depreciation charge for the period	-	(2,382,547)	(6,005,459)	(5,890,939)	(94,592)	-	(14,373,537)
Impairment losses	-	-	(377)	-	(24)	(419,372)	(419,773)
Carrying amount at 31 December 2015	60,732	42,073,315	54,375,915	131,845,175	665,790	1,494,403	230,515,330
Revalued cost at 31 December 2015	60,732	45,156,285	62,390,533	139,693,143	835,064	1,913,775	250,049,532
Accumulated depreciation and impairment	-	(3,082,970)	(8,014,618)	(7,847,968)	(169,274)	(419,372)	(19,534,202)
Additions	-	-	20,022	131,862	43,962	531,447	727,293
Transfers between categories	-	4,742,600	(4,400,571)	(46,061)	(253)	(295,715)	-
Disposals	-	-	(167)	(5,457)	(8,832)	(519,160)	(533,616)
Depreciation charge for the period	-	(2,576,417)	(5,824,981)	(5,916,849)	(122,422)	-	(14,440,669)
Impairment losses	-	-	-	-	-	(439,863)	(439,863)
Carrying amount at 31 December 2016	60,732	44,239,498	44,170,218	126,008,670	578,245	771,112	215,828,475
Revalued cost at 31 December 2016	60,732	49,898,885	58,009,817	139,773,487	869,941	1,630,347	250,243,209
Accumulated depreciation and impairment	-	(5,659,387)	(13,839,599)	(13,764,817)	(291,696)	(859,235)	(34,414,734)

Depreciation expense

<i>In thousands of Kazakhstani Tenge</i>	Note	2016	2015
Cost of Sales	15	14,343,281	14,278,937
General and administrative expenses	16	97,388	94,600
Total depreciation expense		14,440,669	14,373,537

9. Property, Plant and Equipment (balance sheet row 118) (continued)

The following is information on property, plant and equipment if they were recognized at historical cost:

<i>In thousands of Kazakhstani Tenge</i>	Building and constructions	Machinery and equipment	Pipeline and other vehicles	Other	Total
As at 31 December 2015					
Cost	45,852,246	65,112,575	147,903,446	1,155,321	260,023,588
Accumulated depreciation	(10,131,644)	(27,167,094)	(33,796,010)	(524,516)	(71,619,264)
Net Book Value	35,720,602	37,945,481	114,107,436	630,805	188,404,324
As at 31 December 2016					
Cost	49,528,643	61,790,923	147,162,872	1,172,025	259,654,463
Accumulated depreciation	(12,201,872)	(30,334,071)	(38,792,471)	(617,937)	(81,946,351)
Net Book Value	37,326,771	31,456,852	108,370,401	554,088	177,708,112

10. Borrowings (balance sheet row 210 and 310)

<i>In thousands of Kazakhstani Tenge</i>	31 December 2016	31 December 2015
Current portion of borrowings	32,540,110	56,449,928
Non-current portion of borrowings	195,797,446	206,193,620
Total borrowings	228,337,556	262,643,548
<i>In thousands of Kazakhstani Tenge</i>	31 December 2016	31 December 2015
Industrial and Commercial Bank of China and ING Bank N.V.	156,166,509	177,583,517
Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC	72,171,047	85,060,031
Total borrowings	228,337,556	262,643,548

Industrial and Commercial Bank of China and ING Bank N.V.

On 12 August 2008 the Company signed a loan agreement with the Industrial and Commercial Bank of China and ING Bank N.V. The credit line was US Dollar 1,180 million for 10 years with the possibility for extension up to five years. The loan purpose was to finance the Kenkiyak-Kumkol oil pipeline construction. The loan was disbursed in tranches with cash calls.

Within the framework of this loan agreement the Company received four tranches for the total amount of US Dollar 950 million. The Company has incurred cost of Tenge 3,003,382 thousand on loan arrangement (or US Dollar 23.15 million).

The interest rate for each interest period is the annual rate, which includes six-month LIBOR plus bank margin. The interest capitalisation period, which was 36 months from the loan agreement execution date, ended in 2011. Since the interest capitalisation period ended, the loan agreement principal amount was fixed at Tenge 153,311,743 thousand or US Dollar 1,033,098 thousand.

During 2011-2013 the Company extended the grace period for the principal repayment up to 54 months. In 2013 upon expiry of 54 months period from the date of agreement, the lending bank margin has increased from 2 percent to 4 percent.

10. Borrowings (balance sheet row 210 and 310) (continued)

Under the loan agreement, the Company has accounts in Industrial and Commercial Bank of China in Almaty, which are used for receipts of funds from the oil transportation by Kenkiyak-Kumkol pipeline. These funds could be subsequently used by the Company either for the payment of interest and principal of the loan or for the operating costs associated with the Kenkiyak-Kumkol pipeline.

The Company has obtained letters of consent from ING Bank N.V to decrease the amount of the principal payments from US dollar 59,498 thousand to US dollar 25,000 thousand due in February 2016.

On 13 July 2016, the Company signed an addendum to the loan agreement with Industrial and Commercial Bank of China and ING Bank N.V. on extension of the maturity of the loan of the Company from 2018 to 2023. The addendum came into effect after the issue of an insurance policy by China Export & Credit Insurance Corporation ("Sinasure") on 29 September 2016. The addendum provides for the maturity of the principal, which allowed to decrease the existing contractual scopes of repayment of the principal in 2017 from US dollar 243,993 thousand to US dollar 50,000 thousand. As a result of revision of the terms of the agreement, the effective rate on the loan increased from 3.75% to 4.83%.

The company conducted an analysis on the significance of these changes and their impact on the carrying value of the loan, and concluded that changes in the conditions should not be considered as loan de-recognition. The discounted present value of cash flows under the modified terms discounted using the original effective interest rate does not differ by more than 10% from the discounted present value of cash flows in accordance with the original terms.

During the year ended 31 December 2016 the Company paid interest of Tenge 8,516,840 thousand and repaid the principal in the amount of Tenge 18,182,750 thousand.

Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC

On 2 August 2013 the Company signed a loan agreement with the Industrial and Commercial Bank of China jointly with Industrial and Commercial Bank of China in Almaty JSC, acting as an agent. The loan amount was US Dollar 300 million for 6 years with the possibility of an early repayment. The loan purpose is to refinance the obligations on bonds issued on 22 September 2005. The interest rate is the annual rate which includes six-month LIBOR plus bank margin of 3.75 percent. The Company has incurred cost of Tenge 829,398 thousand on loan arrangement (equivalent of US Dollar 5.44 million).

According to the collection account agreement relating to the loan agreement dated 2 August 2013, the Company has collection accounts in Industrial and Commercial Bank of China in Almaty, to which funds received from oil transportation by Atasu-Alashankou pipeline are collected. These funds could be subsequently used for the payment of interest and principal of the loan.

During the year ended 31 December 2016 the Company paid interest of Tenge 3,750,710 thousand and repaid part of the principal of Tenge 11,995,375 thousand.

11. Long-term provisions (balance sheet row 314)

<i>In thousands of Kazakhstani Tenge</i>	2016	2015
Carrying amount at 1 January	3,552,598	4,518,420
Changes in estimates	(819,914)	(1,264,754)
Amortization of discount	306,548	298,932
Carrying amount at 31 December	3,039,232	3,552,598

12. Current trade and other payables (balance sheet row 213)

<i>In thousands of Kazakhstani Tenge</i>	31 December 2016	31 December 2015
Advances received from related parties	2,606,601	4,564,589
Accounts payable to related parties	2,375,333	983,633
Accounts payable from main activity	165,821	435,827
Total current trade and other payables	5,147,755	5,984,049

Trade payables are presented in following currencies:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2016	31 December 2015
Denominated in Tenge	197,489	521,739
Denominated in foreign currency	50,866	60,705
Total trade payables	248,355	582,444

13. Other current liabilities (balance sheet row 217)

<i>In thousands of Kazakhstani Tenge</i>	31 December 2016	31 December 2015
Advances received	1,613,121	1,566,497
Corporate income tax payable for non-residents	655,634	658,502
Accrued liabilities	245,710	546,182
Other payables	146,362	189,167
Taxes other than income tax	60,040	124,429
Fines and penalties as a result of tax audits	1,444	-
Other current liabilities	2,722,311	3,084,777

As at 31 December 2016 the Company has received an advance on transit oil transportation from Oil Company Rosneft JSC in the amount of Tenge 1,406,155 thousand (31 December 2015: Tenge 1,404,185 thousand).

14. Revenue (P&L row 010)

<i>In thousands of Kazakhstani Tenge</i>	2016	2015
Export oil transportation	19,954,642	21,015,951
Transit oil transportation	17,157,052	10,561,838
Domestic oil transportation	16,374,507	19,556,819
Total revenue	53,486,201	51,134,608

15. Cost of Sales (P&L row 011)

<i>In thousands of Kazakhstani Tenge</i>	2016	2015
Depreciation of property, plant and equipment	14,343,281	14,278,937
Operational and technical maintenance	8,401,245	7,955,929
Taxes other than income tax	2,952,192	3,711,684
Security services	1,136,323	1,234,875
Electricity expenses	541,090	803,358
Payroll	284,196	274,736
Inspection services	169,246	119,237
Other	1,481,026	1,267,621
Total cost of sales	29,308,599	29,646,377

16. General and Administrative Expenses (P&L row 014)

<i>In thousands of Kazakhstani Tenge</i>	2016	2015
Payroll	1,571,594	1,687,161
Outsourcing	281,330	159,919
Taxes other than income tax	259,407	315,862
Business trip expenses	144,422	176,933
Depreciation of property, plant and equipment	97,388	94,600
Motor transport expenses	69,983	61,414
Consulting services	69,059	66,227
Insurance	53,551	65,806
Rent expenses	49,150	89,160
Communication expenses	20,747	20,684
Fines and penalties	4,065	282,838
Other	277,299	296,129
Total general and administrative expenses	2,897,995	3,316,733

17. Other Income and Expenses (net) (P&L rows 015 and 016)

<i>In thousands of Kazakhstani Tenge</i>	2016	2015
Foreign exchange gains less losses other than on borrowings	1,577,459	4,716,575
Reimbursement of historical costs related to the development of the project on increase of throughput capacity of the oil pipeline	519,162	-
Loss on disposal of construction in progress related to the development of the project on increase of throughput capacity of the oil pipeline	(519,162)	-
Impairment loss on construction-in-progress	(439,863)	(419,372)
Loss on disposal of fixed assets (net)	(16,949)	(31,334)
Income from liquidation of a subsidiary	-	495,998
Other	49,875	287,842
Total other income (net)	1,170,522	5,049,709

18. Finance Costs (P&L row 022)

<i>In thousands of Kazakhstani Tenge</i>	2016	2015
Interest expenses on borrowing from Industrial and Commercial Bank of China and ING Bank N.V.	7,800,312	4,919,773
Interest expenses on borrowing from Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC	4,728,413	3,208,204
Expenses of discounting pipeline retirement and site restoration obligations	306,548	298,932
Expenses on borrowing from KCP Finance B.V.	-	3,420
Foreign exchange loss less gain on borrowings	-	122,093,675
Total finance costs	12,835,273	130,524,004
Foreign exchange gain less loss on borrowings	2,382,427	-
Other finance income	152,529	181,776
Total finance income	2,534,956	181,776

19. Income Tax (balance sheet row 315 and P&L row 101)

Income tax expense comprises the following:

<i>In thousands of Kazakhstani Tenge</i>	2016	2015
Current income tax expense	22,020	-
Deferred income tax benefit	(521,683)	(18,215,008)
Adjustments of current income tax of prior years	-	236,504
Income tax benefit	(499,663)	(17,978,504)

Reconciliation between the actual income tax benefit presented in this special purpose financial information and calculated applying the current tax rate to profit in accordance with IFRS before income tax is provided below:

<i>In thousands of Kazakhstani Tenge</i>	2016	2015
Gain/(loss) before taxation	12,149,812	(107,121,021)
Theoretical income tax expense/(benefit) at statutory rate of 20%	2,429,962	(21,424,204)
Tax effect of non-deductible expenses and non-taxable revenues	415,787	(136,216)
(Use of unrecognised deferred income tax assets)/unrecognised deferred income tax assets	(3,345,412)	3,345,412
Adjustments of current income tax of prior years	-	236,504
Income tax benefit	(499,663)	(17,978,504)

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities recorded in the special purpose financial information and their tax bases.

19. Income Tax Expense (balance sheet row 315 and P&L row 101) (continued)

The tax effect of the movements in these temporary differences is detailed below, and is recorded at the tax rate of 20% (2015: 20%).

<i>In thousands of Kazakhstani Tenge</i>	1 January 2016	Charged to profit or loss	Charged to other comprehensive income	31 December 2016
Tax effect of deductible temporary differences				
Loans and borrowings	1,124,331	(392,987)	-	731,344
Provision for pipeline retirement	711,170	60,659	(163,983)	607,846
Provision for unused vacation	12,252	(2,861)	-	9,391
Tax payables	6,255	(2,217)	-	4,038
Tax losses carried forward	25,583,398	(2,618,550)	-	22,964,848
Deferred tax asset	27,437,406	(2,955,956)	(163,983)	24,317,467
Unrecognised deferred tax assets	(3,345,412)	3,345,412	-	-
Less: offset with deferred tax liability	(24,091,994)	132,227	-	(23,959,767)
Recognised deferred tax asset	-	521,683	(163,983)	357,700
Tax effect of taxable temporary differences				
Property, plant and equipment and intangible assets	(24,091,994)	132,227	-	(23,959,767)
Deferred income tax liability	(24,091,994)	132,227	-	(23,959,767)
Less: offset with deferred tax assets	24,091,994	(132,227)	-	23,959,767
Recognised deferred income tax liability, net	-	-	-	-

As described in Note 3, the Company has applied judgment in relation to the recognition of deferred tax asset. Based on the management's estimates, the Company will generate taxable profit in future periods against which the deductible temporary differences can be used existing as of 31 December 2016.

19. Income Tax Expense (balance sheet row 315 and P&L row 101) (continued)

The tax effect of the movements in the temporary differences for the year ended 31 December 2015 is detailed below.

<i>In thousands of Kazakhstani Tenge</i>	1 January 2015	Charged to profit or loss	Charged to other comprehensi ve income	31 December 2015
Tax effect of deductible temporary differences				
Loans and borrowings	1,293,469	(169,138)	-	1,124,331
Provision for pipeline retirement	903,684	59,787	(252,301)	711,170
Provision for unused vacation	16,415	(4,163)	-	12,252
Tax payables	11,867	(5,612)	-	6,255
Tax losses carried forward	4,452,116	21,131,282	-	25,583,398
Deferred tax asset	6,677,551	21,012,156	(252,301)	27,437,406
Unrecognised deferred tax assets	-	(3,345,412)	-	(3,345,412)
Less: offset with deferred tax liability	(6,677,551)	(17,666,744)	252,301	(24,091,994)
Recognised deferred tax asset	-	-	-	-
Tax effect of taxable temporary differences				
Property, plant and equipment and intangible assets	(24,640,258)	548,264	-	(24,091,994)
Deferred income tax liability	(24,640,258)	548,264	-	(24,091,994)
Less: offset with deferred tax assets	6,677,551	17,666,744	(252,301)	24,091,994
Recognised deferred income tax liability, net	(17,962,707)	18,215,008	(252,301)	-

20. Contingencies and Commitments

Political and economic situation in Kazakhstan. In general, the economy of the Republic of Kazakhstan continues to displays characteristics of an emerging market. Its economy is particularly sensitive to prices for oil and gas and other mineral commodities comprising the main part of the country's export. These characteristics also include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of the securities market.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free floating exchange rate. As the result, during the period of August-December 2015 the exchange rate of Tenge varied from Tenge 187 to 350 per USD 1. As at the date of this report, the official exchange rate of the National Bank of the Republic of Kazakhstan amounted to Tenge 333.29 per USD 1 compared to Tenge 339.47 per USD 1 as at 31 December 2015. Therefore, an uncertainty exists in relation to exchange rate of Tenge and future actions of National Bank and the Government and the impact of these factors on the economy of the Republic of Kazakhstan.

Low prices for oil and other mineral commodities, persisting political tension in the region, volatility of the exchange rate impacted and can continue to have a negative impact on the economy of the Republic of Kazakhstan, including the decrease in liquidity and appearance of in attracting of international financing.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations.

20. Contingencies and Commitments (continued)

However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Additionally, the oil and gas sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Company's control.

Contractual capital commitments. As at 31 December 2016 the Company had contractual capital commitments related to property, plant and equipment totalling Tenge 294,837 thousand (31 December 2015: Tenge 722,210 thousand).

Tax legislation. Tax legislation of Kazakhstan and its practice are constantly changing and therefore subject to varying interpretations and frequent changes, which may have retrospective impact. In addition, the interpretation of tax legislation by tax authorities in respect with the transactions and activities of the Company may not coincide with that of management. As a result, the Company's transactions may be challenged by tax authorities and additional taxes, penalties and fines may be accrued to the Company. Tax audits are open to retrospective verification by the Kazakhstan tax authorities for five years.

Despite the risk that Kazakhstan tax authorities may challenge policies applied by the Company, management believes that its position will be sustained and potential claims of the tax authorities cannot be a reasonably estimated at the reporting date. Accordingly, as at 31 December 2016 the special purpose financial information does not include other provisions for potential tax liabilities, except for already accrued liabilities (31 December 2015: nil, except for accrued liabilities disclosed in Note 15).

21. Financial Risk Management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's activities are exposed to interest rate risk because it borrows funds at floating interest rates.

The following is the analysis of sensitivity to changes in an interest rate on floating rate loans at the reporting date. Commitments with floating interest rates have been analysed based on the assumption that their value at the balance sheet date remained unchanged during the year. The Company's management uses the assumption of a change in interest rates by 1 percent, which corresponds to the expectations of management with respect to reasonable interest rate fluctuations. The Company does not have any financial instruments revalued through the capital. With increase/decrease of interest rate by 1 percent profit before tax will decrease/increase by Tenge 871,092 thousand (2015: loss before tax will increase/decrease by Tenge 749,278 thousand). Since the Company does not have any financial instruments revalued through the capital, the impact of change in the interest rate on the capital was the same as on the profit/loss after tax.

Currency risk

Currency risk is the risk that fair value or future cash flows under a financial instrument may vary due to changes in foreign exchange rates. Exposure of the Company to the currency risk is mainly associated with operations of the Company, when revenues or expenses are denominated in foreign currencies, different from functional currency of the Company. The Company's operations are carried out mainly in Kazakhstan. Nevertheless, the Company has significant cash inflows and outflows denominated in US Dollars. Significant amounts of borrowings as well as cash and cash equivalents and short-term deposits are denominated in US Dollars.

21. Financial Risk Management (continued)

Due to the significant weakening of the Kazakhstani Tenge against the US dollar in August 2015, the carrying value of borrowings increased significantly compared to the previous period (Note 10), and subsequent undiscounted principal and interest payments increased significantly. Management takes necessary steps to optimise cash flows within the current financial risk management policy of the Company.

As of 31 December 2016, if US Dollar was strengthened by 20 percent against Tenge, with all other conditions unchanged, the profit after tax for the period would be Tenge 34,923,992 thousand lower (2015: loss after tax would be Tenge 38,927,516 thousand higher) mainly due to foreign exchange losses on translation of US Dollar denominated bank borrowings, cash and cash equivalents and deposits. Since the Company does not have any financial instruments, revalued through capital, the effect of strengthening of the foreign exchange rate on capital would be the same as on loss after tax.

As of 31 December 2016 and 31 December 2015, assets and liabilities of the Company were denominated in the following currencies:

In thousands of Kazakhstani Tenge	As at 31 December 2016			
	Cash equivalents and deposits	Loans and Borrowings	Trade payables	Net balance
US Dollars	10,062,609	(228,337,556)	-	(218,274,947)
Chinese Yuan	28,798	-	(197,333)	(168,535)
Total	10,091,407	(228,337,556)	(197,333)	(218,443,482)

In thousands of Kazakhstani Tenge	As at 31 December 2015			
	Cash equivalents and deposits	Loans and Borrowings	Trade payables	Net balance
US Dollars	19,346,576	(262,643,548)	-	(243,296,972)
Chinese Yuan	55,544	-	(285,892)	(230,348)
Total	19,402,120	(262,643,548)	(285,892)	(243,527,320)

Credit Risk. The Company is exposed to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and the commission of other transactions with counterparties giving rise to financial assets.

Financial instruments, which potentially subject the Company to credit risk, consist primarily of cash and cash equivalents and term bank deposits. The Company is not exposed to credit risk in relation to accounts receivable as the oil transportation services are mainly provided on prepayment terms.

21. Financial Risk Management (continued)

Cash and cash equivalents are placed in financial institutions, which at the time of opening of an account have a minimum risk of default. The table below shows ratings of the banks, with which cash and cash equivalents are placed:

<i>In thousands of Kazakhstani Tenge</i>	Rating agency	Rating	31 December 2016	31 December 2015
Industrial and Commercial Bank of China (Almaty) JSC **	Moody's	Baa3	7,837,233	12,220,385
Halyk Bank of Kazakhstan JSC	Moody's	Ba2	4,646,870	5,690,999
Bank of China in Alashankou **	Moody's	Aa3	28,763	55,534
SB Bank of China in Kazakhstan JSC **	Moody's	Aa3	4,567	1,695
Kazkommertsbank JSC	Moody's	B2	1,483	1,325
Deutsche Bank**	Moody's	Baa2	-	4,675
Total *			12,518,916*	17,974,613

* The remaining part of the balance sheet item "cash and cash equivalents" is represented by cash on hand.

** The rating is presented for an international bank. The rating for a Kazakhstani bank is not available.

The table below shows ratings and balances in banks, in which deposits were placed with maturity from 3 month till 12 months:

<i>In thousands of Kazakhstani Tenge</i>	Rating agency	Rating	31 December 2016	31 December 2015
Kazkommertsbank JSC	Moody's	B2	1,333,160	-
Halyk Bank of Kazakhstan JSC	Moody's	Ba2	1,014,526	3,077,435

Liquidity risk. Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at a price close to its fair value. The Company monitors its liquidity risk on a regular basis by considering the maturity of its financial instruments and projected cash flows from operating activities.

The Company's approach to liquidity management is to provide as far as possible constant availability of liquid assets sufficient to repay its financial liabilities on time.

The following tables show the maturities of financial liabilities, including interest payments. Amounts, showed in the table below, are undiscounted cash flows according to the contract terms:

<i>In thousands of Kazakhstani Tenge</i>	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
As at 31 December 2016					
Loans and borrowings	39,620,810	38,068,875	132,179,107	53,782,795	263,651,587
Trade payables from main operations and payables to related parties	2,623,688	-	-	-	2,623,688
<i>In thousands of Kazakhstani Tenge</i>	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
As at 31 December 2015					
Loans and borrowings	62,973,006	78,949,368	137,505,221	-	279,427,595
Trade payables from main operations and payables to related parties	1,566,077	-	-	-	1,566,077

21. Financial Risk Management (continued)

Capital risk. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for owners and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of gearing ratio. The Company's policy is to minimise the gearing ratio by retiring borrowings. The Company's objective in capital management is to ensure the Company's ability to continue as going concern basis, providing to the participants an acceptable profitability level, considering the interests of other partners and maintaining an optimal structure of the capital, which allows to minimise the cost of capital.

During 2015, as a result of recognised net foreign exchange losses, the value of the Company's owners' equity was negative, which has led to the excess of debt over equity. However, management believes that the negative owners' equity is a consequence of the current economic situation, and not a result of management decisions, and the Company will be able to achieve adequate level of owners' equity in the foreseeable future.

During 2016 and 2015, the Company has complied with all externally imposed capital requirements. There are also no requirements in the Company's loan agreements on maintaining the gearing ratio on a specific level.

Fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

All financial instruments of the Company are carried at amortised cost. Their fair value was estimated by the Company using level 3 measurements in the fair value hierarchy, based on available market information or respective valuations techniques.

It is necessary to use judgement to interpret market information to determine the estimated fair value. The Republic of Kazakhstan continues to display certain characteristics of an emerging market, and economic conditions continue to limit the scope of activity on financial markets. Market quotations can be outdated or reflect inaccurate terms of operations on a transaction, thus not representing the fair value of financial instruments. Management used all the available information in determining the fair value of financial instruments.

21. Financial Risk Management (continued)

Financial instruments by categories. The following table shows the analysis of financial assets and liabilities by fair value categories as at 31 December 2016 and 31 December 2015:

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2016	31 December 2015
Cash and cash equivalents and trade receivables			
Trade receivables from related parties	7	217	9,842
Trade receivables on principal activity		71	48
Bank deposits	6	2,347,686	3,077,435
Cash and cash equivalents	5	12,518,919	17,974,613
Total financial assets		14,866,893	21,061,938
Other financial liabilities carried at amortised cost			
Loans and borrowings	10	228,337,556	262,643,548
Total financial liabilities		228,337,556	262,643,548

The table below shows fair value analysis of assets and liabilities, not estimated at fair value, but for which the disclosure on fair value hierarchy levels is required:

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2016		31 December 2015	
		Hierarchy level	Fair value	Hierarchy level	Fair value
Financial liabilities					
Loans and borrowings	10	Level 3	228,337,556	Level 3	262,643,548

During the year, there were no movements of financial instruments from or to the categories of Level 1 or 2.

The Company has no other financial and non-financial instruments that are measured subsequent to initial recognition at fair value by level 1 and 2 in order to determine the fair value hierarchy.