



Kazakhstan-China Pipeline LLP

Condensed Interim Financial Statements

**For the six months ended 30 June 2022
(unaudited)**

Content

Report on review of the condensed interim financial statements

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Report on Review of Condensed Interim Financial Statements

To the Participants and Management of Kazakhstan-China Pipeline LLP:

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Kazakhstan-China Pipeline LLP as at 30 June 2022 and the related condensed interim statement of comprehensive income for the three-month and the six-month periods then ended, condensed interim statements of cash flows and changes in equity for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed 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 condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers LLP

26 July 2022
Almaty, Kazakhstan

Kazakhstan-China Pipeline LLP
Condensed Interim Statement of Financial Position

<i>In thousands of Kazakhstani Tenge</i>	Note	At 30 June 2022 (unaudited)	At 31 December 2021
Non-current assets			
Property, plant and equipment	6	195,573,240	200,610,761
Right-of-use assets		560,428	744,457
Long-term value added tax recoverable		-	1,049,510
Intangible assets		58,660	65,678
Other non-current assets		1,025	-
Total non-current assets		196,193,353	202,470,406
Current assets			
Inventories		848,691	789,598
Current income tax prepayments		-	401,187
Accounts receivable from related parties	5	121,745	40,317
Trade receivables		231	672
Other current assets		773,132	783,303
Bank deposits	7	22,116,253	20,261,584
Cash and cash equivalents	8	74,372,783	58,398,390
Total current assets		98,232,835	80,675,051
TOTAL ASSETS		294,426,188	283,145,457
Equity			
Charter capital		13,000,000	13,000,000
Revaluation reserve for property, plant and equipment		44,181,597	42,691,315
Other reserves		(4,765)	(4,765)
Retained earnings		45,022,512	37,135,833
TOTAL EQUITY		102,199,344	92,822,383
Non-current liabilities			
Loans and borrowings	9	76,990,681	94,393,053
Provision for Asset and its Facilities Retirement and Land Reclamation Obligation	4	10,966,053	12,122,659
Lease liabilities		350,510	716,921
Deferred income tax liabilities		26,038,430	26,134,686
Other non-current liabilities		18,209	18,209
Total non-current liabilities		114,363,883	133,385,528
Current liabilities			
Loans and borrowings	9	51,024,577	44,617,184
Trade payables		328,796	730,179
Accounts payable to related parties	5	5,009,169	1,043,308
Contract liabilities for oil transportation – related parties	5	2,048,764	3,218,107
Contract liabilities for oil transportation – third parties	10	4,518,384	4,576,180
Income tax liabilities		2,948,485	-
Other payables and accrued liabilities	11	1,187,606	2,057,015
Lease liabilities		797,180	695,573
Short-term payables on dividends and income of participants		10,000,000	-
Total current liabilities		77,862,961	56,937,546
TOTAL LIABILITIES		192,226,844	190,323,074
TOTAL EQUITY AND LIABILITIES		294,426,188	283,145,457

Approved for issue and signed on behalf of the management on 26 July 2022:

Qian Yalin
General Director



Zhang Yubo
Deputy General Director/Chief
Accountant

Kazakhstan-China Pipeline LLP
Condensed Interim Statement of Comprehensive Income

In thousands of Kazakhstani Tenge	Note	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2022	2021	2022	2021
Revenue	12	23,457,277	19,493,292	44,293,740	36,264,904
Cost of sales	13	(8,363,460)	(8,123,386)	(16,454,141)	(15,897,288)
Gross profit		15,093,817	11,369,906	27,839,599	20,367,616
General and administrative expenses	14	(733,162)	(651,504)	(1,413,009)	(1,670,751)
Other operating income, net	15	2,691,323	267,069	6,495,687	828,433
Operating profit		17,051,978	10,985,471	32,922,277	19,525,298
Finance income		96,826	50,149	187,091	87,887
Finance costs	16	(2,524,211)	(2,602,229)	(13,241,663)	(5,597,229)
Profit before income tax		14,624,593	8,433,391	19,867,705	14,015,956
Income tax expense	17	(3,006,028)	(1,580,459)	(3,880,682)	(2,752,798)
Profit for the period		11,618,565	6,852,932	15,987,023	11,263,158
Other comprehensive income					
Provision for Asset Retirement and Land Reclamation Obligation	4	2,437,517	(826,539)	4,237,423	900,838
Income tax effect		(487,504)	165,307	(847,485)	(180,168)
Total other comprehensive income/(loss) for the period		1,950,013	(661,232)	3,389,938	720,670
Total comprehensive income for the period		13,568,578	6,191,700	19,376,961	11,983,828

Approved for issue and signed on behalf of the management on 26 July 2022:

Qian Yalin
General Director



Zhang Yubo
Deputy General Director/Chief
Accountant

Kazakhstan-China Pipeline LLP
Condensed Interim Statement of Cash Flows

<i>In thousands of Kazakhstani Tenge</i>	For the six months ended 30 June (unaudited)	
	2022	2021
Cash flows from operating activities		
<i>Cash inflows from operating activities</i>		
Services rendered	38,298,480	31,393,655
Advances received	6,567,149	6,580,923
Interest received	237,176	108,122
Other inflows	182,265	188,875
<i>Cash outflows from operating activities</i>		
Payments to suppliers for goods and services	(4,891,588)	(8,647,322)
Advances paid	(172,596)	(179,384)
Salaries paid	(900,758)	(764,619)
Loan interests paid	(1,807,214)	(2,347,288)
Corporate income tax	(1,088,767)	(26,739)
Other payments to budget	(1,776,451)	(1,940,593)
Other payments	(633,150)	(441,755)
Net cash flow from operating activities	34,014,546	23,923,875
Cash flows from investing activities		
<i>Cash inflows from investing activities</i>		
Withdrawal from bank deposits	20,277,231	19,732,932
Sale of other non-current assets	-	23,838
<i>Cash outflows from investing activities</i>		
Placement of bank deposits	(20,197,122)	(19,955,465)
Acquisition of property, plant and equipment	(636,438)	(935,055)
Acquisition of intangible assets	-	(14,800)
Net cash flow used in investing activities	(556,329)	(1,148,550)
Cash flows from financing activities		
<i>Cash outflows from financing activities</i>		
Repayment of borrowings	(21,719,000)	(16,949,600)
Repayment of lease obligations	(329,954)	(328,908)
Other payments	(38,546)	(86,928)
Net cash flow used in financing activities	(22,087,500)	(17,365,436)
Net increase in cash and cash equivalents	11,370,717	5,409,889
Effect of exchange rate changes on cash and cash equivalents	4,603,676	701,904
Cash and cash equivalents at the beginning of the reporting period	58,398,390	49,186,084
Cash and cash equivalents at the end of the reporting period	74,372,783	55,297,877

Approved for issue and signed on behalf of the management on 26 July 2022:

Qian Yalin
General Director




Zhang Yubo
Deputy General Director/Chief
Accountant

Kazakhstan-China Pipeline LLP
Condensed Interim Statement of Changes in Equity

<i>In thousands of Kazakhstani Tenge</i>	Charter capital	Revaluation reserve for property, plant and equipment	Other reserves	Retained earnings	Total
At 1 January 2021	13,000,000	47,281,290	(3,262)	13,538,729	73,816,757
Profit for the period	-	-	-	11,263,158	11,263,158
Other comprehensive income for the period	-	720,670	-	-	720,670
Total comprehensive income for the period (unaudited)	-	720,670	-	11,263,158	11,983,828
Realized revaluation reserve for property, plant and equipment	-	(2,719,335)	-	2,719,335	-
At 30 June 2021 (unaudited)	13,000,000	45,282,625	(3,262)	27,521,222	85,800,585
At 1 January 2022	13,000,000	42,691,315	(4,765)	37,135,833	92,822,383
Profit for the period	-	-	-	15,987,023	15,987,023
Other comprehensive income for the period	-	3,389,938	-	-	3,389,938
Total comprehensive income for the period (unaudited)	-	3,389,938	-	15,987,023	19,376,961
Realised revaluation reserve for property, plant and equipment	-	(1,899,656)	-	1,899,656	-
Dividends declared	-	-	-	(10,000,000)	(10,000,000)
At 30 June 2022 (unaudited)	13,000,000	44,181,597	(4,765)	45,022,512	102,199,344

During 2022 the Company announced dividends to the Participants in the amount of Tenge 10,000,000 thousand, based on the results of activities for 2021, out of which to KazTransOil JSC Tenge 5,000,000 thousand and to China National Oil and Gas Exploration and Development Company Tenge 5,000,000 thousand, taking into account the corporate withholding income tax at the source of payment. Dividends were paid to the Participants on July 22, 2022 (2021: amount of announced and paid dividends was Tenge 3,600,000 thousand in the second half of the year).

Approved for issue and signed on behalf of the management on 26 July 2022:


 Qian Yalin
 General Director




 Zhang Yubo
 Deputy General Director/Chief Accountant

1 Company and Its Operations

Kazakhstan-China Pipeline LLP (hereinafter – the “Company”) was established as a limited liability partnership on 6 July 2004 in accordance with the legislation of the Republic of Kazakhstan. The Company is owned by two founders: China National Oil and Gas Exploration and Development Company (hereinafter – “CNODC”), the subsidiary of China National Petroleum Corporation (hereinafter – “CNPC”), and KazTransOil Joint Stock Company (hereinafter – “KazTransOil”), the subsidiary of “National Company “KazMunayGas” Joint Stock Company (hereinafter – “KazMunayGas”); share of each founder in the charter capital of the Company equals 50%. The Company is jointly controlled by KazTransOil and CNODC on an equal basis. KazTransOil is owned by the Government of the Republic of Kazakhstan through Samruk-Kazyna National Welfare Fund JSC holding company (hereinafter – “Samruk-Kazyna”) (90%) and the National Bank of the Republic of Kazakhstan (10%), and CNODC is fully owned by the Government of the People's Republic of China through CNPC state-owned company.

On 17 May 2004, the Government of the People's Republic of China and the Government of the Republic of Kazakhstan signed the Framework Agreement on Development of Overall Cooperation in oil and gas sector. In addition, on 17 May 2004, CNPC and KazMunayGas entered into the Agreement for main construction principles of 965.1 km long Atasu-Alashankou oil pipeline. On 20 December 2006, CNPC and KazMunayGas entered into the Agreement for main construction principles of the second phase of Kazakhstan-China oil pipeline, as well as Additional agreement No. 1 thereto dated 18 August 2007.

On 17 November 2005, the Company received a patent for investment, construction, operation and repair of Atasu-Alashankou oil pipeline in China valid until 16 November 2025. Therefore, the Company registered its branch in China.

The Company constructed Atasu-Alashankou oil pipeline with capacity of 7 million tons per year and put it into operation on 28 July 2006. In 2008 the Company put into operation additional equipment for increase in capacity of the oil pipeline up to 10 million tons per year.

Technological oil for pipeline filling in the amount of 401,449 metric tons was provided by the PetroChina International Kazakhstan LLP (hereinafter – “PetroChina”). Technological oil belongs to the PetroChina.

On 8 May 2008, the Company received an approval for performing installation and construction works for Kenkiyak-Kumkol oil pipeline issued by the Committee for Construction and Housing and Utilities Infrastructure of the Ministry of Industry and Trade of the Republic of Kazakhstan, and signed contracts with OGCC KazStroyService and China Petroleum Pipeline Engineering Kazakhstan LLP for project development, delivery of materials and construction of 794,263 km long Kenkiyak-Kumkol oil pipeline with rated annual capacity of first stage of second phase around 10 million tons.

On 1 July 2009, construction of the line section of the oil pipeline Kenkiyak-Kumkol was completed.

On 7 October 2009, the Company put into operation the first commissioning and start-up complex of Kenkiyak-Kumkol oil pipeline with rated capacity at the first phase of 10 million tons per year.

Technological oil for pipeline filling is provided by Shippers in accordance with the Technical Agreement in an amount proportional to their share in the total traffic. Technological oil is in safe custody, ownership remains with the Shippers. Technological oil is returned upon termination of obligations under the Oil Transportation Agreement, or upon transfer of technological oil volumes to the pipeline by the third parties, or upon transfer of ownership of technological oil to the third parties, or upon completion of operation of Kenkiyak-Kumkol oil pipeline.

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

In 2011 and 2013 the Company put into operation additional equipment for increase in capacity of Atasu-Alashankou oil pipeline up to 20 million tons per year.

During 2013 and 2014, the Company performed construction works to connect pump station (hereinafter – “NPS”) No. 8 to the 35 kV open distribution unit of 500 kV Agadyr substation, including the construction, installation, commissioning activities and start-up operation 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 50.06 km were put into operation.

1 Company and Its Operations (Continued)

The Company is treated as a monopolist, and therefore is subject to regulation by the Committee for Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter – the “CRNM”). The CRNM approves tariff rates for oil transportation based on reimbursement of costs incurred on assets used. On 31 December 2019, according to Order No. 74-ОД of the Chairman of the CRNM, the domestic market tariff for the period of 2020-2024 was approved in the amount of Tenge 4,359 per ton per 1,000 km (net of VAT) which will be effective during 2022 year (2021: Tenge 4,323 per ton).

On 5 May 2015, the Law of the Republic of Kazakhstan “On Introducing Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Issues of Natural Monopolies and Regulated Markets” was issued, according to which services for transportation of oil and oil products through main pipelines for transit purposes through the Republic of Kazakhstan and export outside the Republic of Kazakhstan are not included in the scope of natural monopolies in the Republic of Kazakhstan. After the enactment, the Company has the right for independent approval of tariff rates for oil transportation for the above-mentioned purposes. On 28 December 2016, the Company approved a tariff for export purposes outside the Republic of Kazakhstan in the amount of Tenge 6,799 per ton per 1,000 km (net of VAT) for 2022 (2021: Tenge 6,799 per ton).

During the six months ended 30 June 2022 and 2021, the Company transported 819 thousand tons of oil and 520 thousand tons of oil, respectively, through the Atasu-Alashankou pipeline. During the six months ended 30 June 2022 and 2021, the Company transported 4,895 thousand tons and 4,933 thousand tons of transit oil, respectively, 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, effective from 1 January 2014. The contractual tariff for oil transportation is determined in accordance with the contract entered into between the Company, KazTransOil and Oil Company “Rosneft” OJSC.

During the six months ended 30 June 2022 and 2021, the Company transported 4,479 thousand tons of oil and 3,153 thousand tons of oil, respectively, through the Kenkiyak-Kumkol pipeline.

The Company's registered office is located at the following address: 109B Abay Avenue, Almaty, 050008, Republic of Kazakhstan.

2 Basis of Preparation

These condensed interim financial statements as of and for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as adopted by the International Accounting Standards Board (hereinafter – “IASB”). The principal accounting policies applied in the preparation of these condensed interim financial statements are consistent with the accounting policies applied in the preparation of the financial statements for the year ended 31 December 2021.

The condensed interim financial statements do not include the information or disclosures, which would be required in the annual financial statements, and shall be read in conjunction with the annual financial statements of the Company as at 31 December 2021.

These condensed interim financial statements are presented in Tenge, and all monetary amounts are rounded to the nearest thousands, except where specifically indicated. The functional currency of the Company is Tenge.

Foreign currency translation

Transactions and balances

Foreign currency transactions are initially recorded by the Company in its functional currency at the rates effective at the date of the transaction first qualified for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates effective at the reporting date.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities are included in the statement of comprehensive income.

2 Basis of Preparation (Continued)

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

Exchange rates

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

Weighted average exchange rates for the six months ended 30 June 2022 and 2021 were as follows:

<i>In Kazakhstani Tenge</i>	For the six months ended 30 June	
	2022	2021
US Dollars	450.06	424.22
Russian Roubles	6.08	5.71
Euro	492.40	511.21
Chinese Yuan	69.59	65.58

At 30 June 2022 and 31 December 2021, foreign exchange rates established at KASE were as follows:

<i>In Kazakhstani Tenge</i>	30 June 2022	31 December 2021
US Dollars	470.34	431.80
Russian Roubles	8.98	5.76
Euro	490.47	489.10
Chinese Yuan	70.25	68.00

3 New Standards and Interpretations

The new and amended standards and interpretations are to be applied in the preparation of the first interim financial statements issued after the effective date. There are no new IFRS standards or Interpretations applied for the first time to this interim period that would have a significant impact on the Company, the presentation of its financial statements and the measurement of transactions and balances.

A number of new standards, changes to standards and clarifications did not enter into force as of 30 June 2022. The requirements of these amended standards have not been considered in the preparation of these condensed interim financial statements. The company plans to apply these standards from the moment they come into force. The Company has not yet completed its analysis of the possible impact of these standards on its financial statements.

4 Significant Accounting Judgements, Estimates and Assumptions

Useful life of property, plant and equipment

Assessment of useful lives of property, plant and equipment is subject to judgement based on the management's experience of using similar assets. Future economic benefits from assets are mainly gained through their usage. Nevertheless, other factors such as technical and commercial obsolescence often lead to decrease of economic benefits to be derived from the assets. Management assesses the remaining useful life of the assets based on their current technical conditions and expected period during which these assets will bring such benefits to the Company.

Impairment of property, plant and equipment

The Company checks the carrying value of its property, plant and equipment to identify impairment indicators of such assets. The carrying value of property, plant and equipment and other non-financial assets is tested for impairment in case any indicators identified that the carrying value of the assets may not be recoverable.

4 Significant Accounting Judgements, Estimates and Assumptions (Continued)

When conducting an impairment test, the recoverable amount is determined as the higher of an asset's value in use (i.e. the net present value of the discounted forecasted cash flows for the corresponding cash generative unit) and fair value net of the cost to sell (the amount that can be redeemed as a result of selling the asset or a cash generating unit in an arm's length transactions entered voluntarily by knowledgeable non-related parties, less the cost of disposal). Where there is no binding sale and purchase agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Company could receive for the cash generating unit in an arm's length transaction.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or assets groups. For the purpose of the analysis of impairment indicators and in case impairment test is required, management concluded that all of the Company's property, plant and equipment is a separate cash generating unit.

The estimates used for impairment reviews are based on approved budgets, forecasted volumes of oil transported and forecasted tariffs, modified as appropriate to meet the requirements of IAS 36 "Impairment of Assets". Future cash flows are based on:

- forecasted volumes of the oil transported;
- forecasted tariff for the transportation of transit oil, export and domestic markets, and
- future costs of production, capital expenditures and operating expenses.

As of 30 June 2022, the Company had conducted an analysis and found no impairment indicators (signs).

Revaluation of property, plant and equipment

The Company recognizes property, plant and equipment at revalued amount. In 2019, the Company engaged an independent professional appraiser, Value Solution LLP (hereinafter – the "appraiser") to evaluate its property, plant and equipment at 31 July 2019. The appraiser has a professional qualification and relevant experience.

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

Valuation method was at the first stage based on the valuation of the depreciable replacement cost (hereinafter – "cost approach"). Cost approach is used if the valuation object is new or is under construction, it relates to objects with a limited market (specialized assets), for which it is not possible to obtain information on sales prices (in the absence of an active market).

The majority of the Company's property is specialized, its alternative use for other types of activity is impossible. The transactions with assets similar to evaluated ones are absent.

In using the cost method, certain key elements were considered, such as:

- understanding specifics of the asset, its function and environment;
- review and analysis to determine the remaining useful life (to evaluate physical wear) and economic useful life of the asset;
- knowledge of the requirements of financial and economic activities (to evaluate functional or technical obsolescence);
- knowledge of property, plant and equipment by access to available market data; knowledge of construction technologies and materials (to evaluate the cost of a modern equivalent asset); and
- sufficient knowledge to determine the impact of economic/external obsolescence on the cost.

As part of the valuation, the appraiser conducted a test for adequate profitability using the income approach in the analysis of economic depreciation of specialized items of property, plant and equipment of the Company, as a result of which the value in use was determined at Tenge 341,403,715 thousand as of 31 July 2019. As of 30 June 2022, the Company performed an analysis of the fair value of property, plant and equipment using the cost method and have not detected a significant change in the fair value of property, plant and equipment as of 30 June 2022.

4 Significant Accounting Judgements, Estimates and Assumptions (Continued)

Asset retirement and land reclamation obligation

According to the Law of the Republic of Kazakhstan *On the Main Pipeline* which came into force on 4 July 2012, the Company has a legal obligation to decommission the main pipeline (oil pipeline) at the end of its operating life and conduct environmental remediation, including land reclamation. Activities on land reclamation are carried out when replacing the pipelines at the end of their useful life.

In addition, in accordance with Environmental Code of Republic of Kazakhstan, upon shutdown of operation of facilities that have a negative impact on the environment, facility operators are required to ensure elimination of consequences of operation of such facilities in accordance with requirements of legislation of Republic of Kazakhstan. The Company, in addition to the linear part of the main pipeline, has other facilities necessary to ensure operation of the pipeline. By decision of the Ministry of Ecology, Geology and Natural Resources of Republic of Kazakhstan, such facilities of the Company were classified as category II facilities that have a moderate negative impact on the environment. Accordingly, the obligation to decommission assets and land reclamation includes estimated costs of taking necessary measures in relation to these facilities.

The provision for asset retirement and land reclamation obligations is estimated based on the value of the work to decommission and rehabilitate land calculated by the Company in accordance with the technical regulations of the Republic of Kazakhstan.

The amount of provision was determined at the end of the reporting period using the projected inflation rate for the expected period of fulfilment of the obligation, and the discount rate at the end of the reporting period which are presented below:

	30 June 2022
Pipelines decommission expense for 1 km	Tenge 7,712 thousand
Cost of dismantling of 1 cubic meter of facility	Tenge 102 thousand
Discount rate	7.81%
Inflation rate	4.47%
Period of fulfilment of obligations on Kenkiyak – Kumkol oil pipeline and its facilities	17 years
Period of fulfilment of obligations on Atasu – Alashankou oil pipeline and its facilities	14 years

The discount rate is based on the risk-free US treasury bonds, adjusted on long-term inflation rate and country risk.

At 30 June 2022, the carrying amount of the provision for asset retirement and land reclamation obligation was Tenge 10,966,053 thousand (31 December 2021: Tenge 12,122,659 thousand).

Assessing the costs of elimination of damage is subject to potential changes in environmental requirements and interpretations of the law. Furthermore, uncertainties in the estimates of such costs include potential changes in alternatives, methods of disposal and recovery of damaged land, levels of discount and inflation rates, and the period, when these obligations will be due.

Sensitivity analysis of asset retirement and land reclamation obligation for the change in significant assumptions at 30 June 2022 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	(Decrease)/increase in rate	Increase/(decrease) in liability
	-0.5%	813,099
Discount rate	+0.5%	(745,371)
	-0.5%	(813,535)
Inflation rate	+0.5%	974,646

5 Balances and Transactions with Related Parties

Definition of related parties is presented in IAS 24 *Related Party Disclosures*. The parties are considered to be related if one party has the ability to control the other party, is under common control, or may exercise significant influence over the other party in making financial or operational decisions or exercises general control over it.

In considering each possible related party relationship, attention is directed to the nature of the relationship, and not merely the legal form. Information about immediate parent companies and parties exercising ultimate control over the Company is disclosed in Note 1.

For the purposes of these condensed interim financial statements, related parties of the Company include owners, their subsidiaries and entities under control/significant influence of the owners.

At 30 June 2022, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent companies	Companies under control/significant influence of Samruk-Kazyna	Companies under control/significant influence of CNPC	Total
Accounts receivable from related parties	121,582	115	48	121,745
Contract liabilities for oil transportation – related parties	-	1,450,339	598,425	2,048,764
Accounts payable to related parties	4,908,303	10,126	90,740	5,009,169
Short-term payables on dividends and income of participants (net of corporate withholding income tax)	9,415,468			9,415,468

The income and expense items with related parties for the three months ended 30 June 2022 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent companies	Companies under control/significant influence of Samruk-Kazyna	Companies under control/significant influence of CNPC	Total
Revenue	117,816	4,672,627	4,364,609	9,155,052
Expenses:				
- Oil pipeline maintenance services	2,191,298	-	314,140	2,505,708
- Other services	-	54,173	-	54,173

The income and expense items with related parties for the six months ended 30 June 2022 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent companies	Companies under control/significant influence of Samruk-Kazyna	Companies under control/significant influence of CNPC	Total
Revenue	131,709	8,420,561	8,485,001	17,037,271
Expenses:				
- Oil pipeline maintenance services	4,383,134	-	513,011	4,896,145
- Other services	-	118,678	-	118,678

5 Balances and Transactions with Related Parties (Continued)

At 31 December 2021, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent companies	Companies under control/significant influence of Samruk-Kazyna	Companies under control/significant influence of CNPC	Total
Accounts receivable from related parties	6,113	34,204	-	40,317
Contract liabilities for oil transportation – related parties	-	3,218,107	1,579,460	3,218,107
Accounts payable to related parties	955,795	87,513	43,980	1,043,308

The income and expense items with related parties for the three months ended 30 June 2021 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent companies	Companies under control/significant influence of Samruk-Kazyna	Companies under control/significant influence of CNPC	Total
Revenue	13,645	2,334,708	4,274,969	6,623,322
Expenses:				
- Oil pipeline maintenance services	2,191,257	-	-	2,191,257
- Security services	-	29,776	-	29,776
- Other services	100	49,179	132	49,411

The income and expense items with related parties for the six months ended 30 June 2021 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent companies	Companies under control/significant influence of Samruk-Kazyna	Companies under control/significant influence of CNPC	Total
Revenue	27,290	4,655,111	6,746,316	11,428,717
Expenses:				
- Oil pipeline maintenance services	4,382,515	-	-	4,382,515
- Capital expenditures	-	717	-	717
- Security services	-	74,441	-	74,441
- Other services	775	114,717	4,606	120,098

Remuneration to the members of the Management Board

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 comprehensive income for the three and six months ended 30 June 2022 was Tenge 38,088 thousand and 114,287 thousand respectively (for the three and six months ended 30 June 2021: Tenge 28,806 thousand and 68,272 thousand respectively).

Kazakhstan-China Pipeline LLP
Notes to the Condensed Interim Financial Statements

6 Property, Plant and Equipment

Property, plant and equipment at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Land	Buildings and structures	Machinery and equipment	Pipeline	Other vehicles	Other	Construction in progress	Total
Revalued cost 31 December 2021	78,157	43,508,642	49,458,113	136,295,861	218,824	1,671,557	5,163,569	236,394,723
Additions	-	2,636,566	63,634	-	-	752	-	2,700,952
Transfers	-	9,398	14,238	-	-	(23,000)	2,364	-
Disposals	-	-	-	(414)	-	(2,324)	(10,676)	(13,414)
Revalued cost at 30 June 2022	78,157	46,151,606	49,535,985	136,295,447	218,824	1,646,985	5,155,257	239,082,261
Accumulated depreciation and impairment at 31 December 2021	-	(6,252,784)	(10,739,392)	(17,150,980)	(129,895)	(524,813)	(986,098)	(35,783,962)
Depreciation charge for the period	-	(1,458,353)	(2,362,520)	(3,725,539)	(20,190)	(160,841)	-	(7,727,443)
Depreciation on disposal	-	-	-	60	-	2,324	-	2,384
Transfers	-	2,614	(2,736)	(21)	-	149	-	-
Accumulated depreciation and impairment at 30 June 2022	-	(7,708,523)	(13,104,648)	(20,876,480)	(150,085)	(683,187)	(986,098)	(43,509,021)
At 30 June 2022								
Revalued cost	78,157	46,151,606	49,535,985	136,295,447	218,824	1,646,985	5,155,257	239,082,261
Accumulated depreciation and impairment	-	(7,708,523)	(13,104,648)	(20,876,480)	(150,085)	(683,187)	(986,098)	(43,509,021)
Carrying amount	78,157	38,443,083	36,431,337	115,418,967	68,739	963,798	4,169,159	195,573,240
At 31 December 2021								
Revalued cost	78,157	43,508,642	49,458,113	136,295,861	218,824	1,671,557	5,163,569	236,394,723
Accumulated depreciation and impairment	-	(6,252,784)	(10,739,392)	(17,150,980)	(129,895)	(524,813)	(986,098)	(35,783,962)
Carrying amount	78,157	37,255,858	38,718,721	119,144,881	88,929	1,146,744	4,177,471	200,610,761

6 Property, Plant and Equipments (Continued)

Information on property, plant and equipment, if carried at historical cost, is presented below:

<i>In thousands on Kazakhstani Tenge</i>	Land	Buildings and structures	Machinery and equipment	Pipeline	Other vehicles	Other	Construction in progress	Total
At 31 December 2021								
Cost	5,361	49,132,140	71,884,507	146,618,223	674,175	2,761,890	5,163,570	276,239,866
Accumulated depreciation	-	(22,388,023)	(44,386,707)	(58,097,061)	(631,951)	(1,780,459)	(986,098)	(128,270,299)
Net carrying amount	5,361	26,744,117	27,497,800	88,521,162	42,224	981,431	4,177,472	147,969,567
At 30 June 2022								
Cost	5,361	51,118,179	71,963,670	143,035,757	674,175	2,737,322	5,155,257	274,689,721
Accumulated depreciation	-	(23,353,347)	(46,049,015)	(60,561,564)	(639,320)	(1,898,867)	(986,098)	(133,488,211)
Net carrying amount	5,361	27,764,832	25,914,655	82,474,193	34,855	838,455	4,169,159	141,201,510

7 Bank Deposits

Bank deposits at 30 June 2022 and 31 December 2021 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	30 June 2022	31 December 2021
Term deposits with maturity of less than 12 months	22,110,990	20,170,329
Short-term interest receivable	24,402	97,632
Less credit loss allowance	(19,139)	(6,377)
Total bank deposits	22,116,253	20,261,584

At 30 June 2022 and 31 December 2021 short-term deposits were placed in US Dollars. The effective interest rate was 0.5% per annum in 2022 (0.5% per annum in 2021).

8 Cash and Cash Equivalents

Cash and cash equivalents at 30 June 2022 and 31 December 2021 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	30 June 2022	31 December 2021
Cash in bank in foreign currency	54,790,296	48,741,002
Cash in bank in Tenge	19,577,659	8,142,480
Cash on corporate cards	5,287	6,013
Cash on saving accounts in Tenge	-	1,509,499
Less credit loss allowance	(459)	(604)
Total cash and cash equivalents	74,372,783	58,398,390

Cash in foreign currency is denominated in the following foreign currencies:

<i>In thousands of Kazakhstani Tenge</i>	30 June 2022	31 December 2021
US Dollars	54,357,632	48,326,145
Chinese Yuan	432,664	414,857
Total cash at bank in foreign currency	54,790,296	48,741,002

9 Loans and Borrowings

Loans and borrowings of the Company as at 30 June 2022 and 31 December 2021 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	30 June 2022	31 December 2021
Current portion of loans	51,024,577	44,617,184
Non-current portion of loans	76,990,681	94,393,053
Total loans and borrowings	128,015,258	139,010,237

Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities for six months ended 30 June 2022 and 30 June 2021 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
At 1 January	139,010,237	169,196,139
Cash flows	(23,526,214)	(19,296,888)
Interest expense	2,178,686	2,516,131
Capitalized interest	-	2,860
Changes in foreign exchange rates	10,550,106	2,633,742
Withholding CIT	(197,557)	(228,547)
At 30 June	128,015,258	154,823,437

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

On 27 June 2018 the Company signed a loan agreement with the Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC, acting as an agent. The loan amount was US Dollar 540 million (equivalent to Tenge 191,756,400 thousand at the exchange rate on that date) for 6 years with the possibility of early repayment. The loan purpose was to refinance the loans received from Industrial and Commercial Bank of China and ING Bank N.V. and Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC. The Company has incurred cost on loan arrangement in the amount of Tenge 1,715,867 thousand (equivalent of US Dollar 5,010 thousand). The effective rates applied for six months ended 30 June 2022 and 30 June 2021 amounted to 3.27% and 2.95%, respectively.

10 Contract Liabilities for Oil Transportation

Contract liabilities for oil transportation with third parties as at 30 June 2022 mainly include advances received for the transportation of transit oil from Rosneft Oil Company OJSC in the amount of Tenge 4,114,704 thousand (31 December 2021: Tenge 4,116,967 thousand).

11 Other Payables and Accrued Liabilities

Other payables and accrued liabilities as at 30 June 2022 and 31 December 2021 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	30 June 2022	31 December 2021
Accrued liabilities	563,411	881,584
Guarantee obligations under contracts	261,002	370,466
Short-term estimated employee compensation liabilities	197,137	444,500
Other liabilities	166,056	360,465
Total other accounts payable and accrued liabilities	1,187,606	2,057,015

Accrued liabilities represent liabilities for operations from operating activities related to the reporting period, in respect of which the Company did not receive any formalized documents from suppliers as at the reporting date.

12 Revenue

Set out below is the disaggregation of the Company's revenue from contracts with customers for the three and six months ended 30 June 2022 and 2021:

<i>In thousands of Kazakhstani Tenge</i>	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Type of services				
Transit oil transportation	12,047,894	11,582,871	23,247,289	22,462,604
Domestic oil transportation	6,983,265	4,612,281	13,524,339	9,759,442
Export oil transportation	4,426,118	3,298,140	7,522,112	4,042,858
Total revenue from contracts with customers	23,457,277	19,493,292	44,293,740	36,264,904
Geographical markets				
Kazakhstan	23,457,277	19,493,292	44,293,740	36,264,904
Total revenue from contracts with customers	23,457,277	19,493,292	44,293,740	36,264,904
Timing of revenue recognition				
Revenue recognized over time	23,457,277	19,493,292	44,293,740	36,264,904
Total revenue from contracts with customers	23,457,277	19,493,292	44,293,740	36,264,904
Revenue				
Sales to residents	11,409,383	7,910,421	21,046,451	13,802,300
Sales to non-residents	12,047,894	11,582,871	23,247,289	22,462,604
Total revenue from contracts with customers	23,457,277	19,493,292	44,293,740	36,264,904

13 Cost of Sales

Cost of services rendered for the three and six months ended 30 June 2022 and 30 June 2021 comprise the following:

<i>In thousands of Kazakhstani Tenge</i>	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Depreciation of property, plant and equipment (Note 6)	3,828,161	3,651,216	7,673,558	7,281,493
Operational and technical maintenance	2,618,171	2,655,301	5,236,095	5,218,907
Taxes other than income tax	699,968	704,066	1,385,189	1,402,786
Security services	499,915	294,098	811,763	587,834
Electricity expenses	315,606	220,545	580,633	423,815
Road maintenance and repair	116,478	205,520	126,832	233,453
Depreciation of right-of-use assets	84,742	84,741	174,005	169,482
Salaries	72,418	72,508	164,319	150,199
Inspection services	55,411	54,916	114,399	108,566
Other	72,590	180,475	187,348	320,753
Total cost of sales	8,363,460	8,123,386	16,454,141	15,897,288

14 General and Administrative Expenses

General and administrative expenses for the three and six months ended 30 June 2022 and 30 June 2021 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Salaries	383,172	332,828	749,844	734,523
Salaries of hired administrative personnel	120,211	113,044	250,915	239,786
Taxes other than income tax	44,034	38,458	95,026	85,559
Business trip expenses	39,492	12,923	74,303	22,276
Depreciation of property, plant and equipment (Note 6)	26,858	26,374	53,885	52,156
Insurance	18,010	16,114	35,672	32,041
Depreciation of right-of-use assets	8,955	6,983	10,024	13,967
Communication	3,484	4,711	7,346	10,678
Transportation expenses	2,387	6,410	5,428	9,105
Lease expenses	2,051	2,180	4,306	4,402
Consulting services	1,709	8,171	3,421	282,425
Penalties	-	-	853	12,640
Other	82,799	83,308	121,986	171,193
Total general and administrative expenses	733,162	651,504	1,413,009	1,670,751

15 Other Operating Income, Net

Other operating income and expenses for the three and six months ended 30 June 2022 and 30 June 2021 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Foreign exchange gain other than loans and borrowings, net	2,710,931	297,901	6,505,525	824,297
Other	(19,608)	(30,832)	(9,838)	4,136
Total other operating income, net	2,691,323	267,069	6,495,687	828,433

16 Finance Costs and Income

Finance costs and income for the three and six months ended 30 June 2022 and 30 June 2021 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Foreign exchange loss on loans and borrowings, net	1,167,257	1,083,817	10,550,106	2,633,742
Interest on loan from Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC	1,116,684	1,300,175	2,178,686	2,516,131
Amortization of discount on asset retirement and land reclamation obligation	206,238	166,896	444,251	341,550
Amortization of discount on lease liabilities	34,032	51,341	68,620	105,806
Total finance costs	2,524,211	2,602,229	13,241,663	5,597,229

17 Income Tax Expense

Income tax expense is accrued based on the expected weighted average effective annual tax rate applicable to actual pre-tax profit for the interim period, adjusted for the tax effect of the individual items recognized in the interim period.

The estimated average annual rate for the six months ended 30 June 2022 was 20% (30 June 2021: 20%).

18 Contingencies and Commitments

Impact of tensions in the region

In 2021, ongoing political tensions in the region have intensified as a result of further developments in the situation with Ukraine which negatively affected commodity and financial markets and increased volatility, especially in exchange rates. Since December 2021, the situation has continued to deteriorate and remains highly volatile. There is increased volatility in financial and commodity markets. Additional sanctions and restrictions on business activity of organizations operating in Russia are expected, as well as consequences for economies in the region as a whole, the full range and possible consequences of which cannot be assessed.

On 23 February 2022, the exchange rate of national currency of Kazakh Tenge against US dollar began to weaken sharply.

On 24 February 2022, the National Bank of Republic of Kazakhstan decided to raise the base rate by 3.25 percentage points to 13.50% while maintaining +/-1% band. It is impossible to determine how long the increased volatility will last, or at what level the above financial indicators will eventually stabilize.

These events adversely affect the economy of Kazakhstan and the results of the Company's operations. As a result of the depreciation of the Kazakhstani Tenge against the US dollar in the six months of 2022, the Company incurred a net foreign exchange loss of Tenge 4,044,581 thousand. Information about the Company's exposure to currency risk is presented in Note 19.

It was noted that there is a possibility of restricting the access of Russian organizations to Euro and US dollar markets. On 2 March 2022, additional sanctions were introduced to disconnect certain Russian banks from the SWIFT system from 12 March 2022. These events may further affect the economy of Kazakhstan.

The cost of Company's services for transportation of transit oil (Rosneft) along the transportation route is set in US dollars. As a result of the external economic events, from 29 March to 30 June 2022, Rosneft made payments for transportation services of transit oil in Russian Rubles. The amount payable under the payment order was converted into Russian Rubles, using the US dollar to Russian Ruble conversion rate of the Central Bank of the Russian Federation, set on the date the funds were debited from the Consumer's account. The Company recognized payment in Tenge at the exchange rate of the National Bank of the Republic of Kazakhstan on the day of payment. The Company's management continues to discuss the best way for transit oil transportation services settlement method with Rosneft, and as of the date of this report, final settlement terms have not yet been agreed.

The Company's management continues to monitor the situation and is developing an action plan to overcome possible difficulties caused by the situation in the region, including increased volatility. Management also analyzes possible scenarios in connection with existing supply and logistics risks and develops a detailed action plan.

Overall, despite the rapidly changing environment, management believes that these developments will not materially affect the Company's ability to continue as a going concern in the foreseeable future.

Operating environment

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas and other minerals, which constitute major part of the country's export. These characteristics 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 debt and equity securities in the markets.

Ongoing political tension in the region, volatility of exchange rate has caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

18 Contingencies and Commitments (Continued)

On 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. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 475.92 per US Dollar 1 compared to Tenge 431.67 per US Dollar 1 as at 31 December 2021. Therefore, uncertainty remains in relation to the exchange rate of Tenge and future actions of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

In April 2021 S&P Global Ratings (hereinafter – the "S&P"), international rating agency affirmed the long-term foreign and local currency sovereign credit ratings of Kazakhstan of "BBB-". The outlook is stable (long-term ratings). The stable outlook is supported by the government's strong balance sheet, built on past budgetary surpluses accumulated in the National Fund of the Republic of Kazakhstan, low government debt, total volume of which will not exceed the external liquid assets of the state within two years, as well as measures implemented by the Government of the Republic of Kazakhstan aimed at controlling the negative consequences of the pandemic on the economy.

The key factors supporting the rating of Kazakhstan are the strong fiscal and external balances of the country's economy. At the same time, the presence of liquid external assets significantly supports the fiscal stability of Kazakhstan.

The Agency, after joint discussions with the Government of the Republic of Kazakhstan, determined that the consequences of economic sanctions against Russia are surmountable for the economy of Kazakhstan. At the same time, it was found that the reduction in capacity at the loading terminal of the Caspian Pipeline Consortium (CPC) is temporary and will not lead to significant interruptions in Kazakhstan's export oil supplies. Overall, S&P notes that the country's stable government and external balance sheet, along with rising oil and gold prices, will be sufficient to mitigate external shocks. According to S&P, Kazakhstan's economy is projected to grow at 2% in 2022.

Management expects that, in the event of a significant restriction of the export of Kazakhstani oil through the territory of Russia in the western direction, it is possible to increase the volume of transportation through the Company's main oil pipelines.

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.

In December 2019, news from China about the outbreak of a new virus first appeared. On 11 March 2020, the World Health Organization announced an outbreak of a new type of coronavirus, COVID19, as a pandemic. In response to the pandemic, Kazakh authorities have taken a range of measures to contain the spread and mitigate the impact of COVID-19, such as travel bans and restrictions, quarantines, self-isolation, and restrictions on commercial activities, including business closures. Some of the above measures were subsequently relaxed remotely.

COVID-19 epidemic is spreading globally, having a dramatic negative effect on the entire world economy. Management considers this outbreak to be a non-correcting event after the reporting date. As of the date of the issue of these financial statements, the situation is still developing; to date, there has not been any significant effect on the Company's revenues and deliveries, but the future effect is difficult to predict. Management will continue to monitor the potential effect of the above events and will take all necessary measures to prevent negative consequences for the business, however:

- the consequences of downtime/quarantine due to the COVID-19 pandemic will lead to a slowdown in business activity in general, which may affect the Company's financial performance in the future;
- oil price volatility may have a negative impact on the Company's revenue due to a decrease in purchasing power.

Management is unable to predict the extent or duration of changes in the Kazakhstani economy or evaluate their possible impact on the financial position of the Company in the future. Management believes that it is taking all necessary measures to maintain the sustainability and growth of the Company in current circumstances.

In the opinion of the Company's management, this event related to the outbreak of the virus does not have a material effect on the measurement of assets and liabilities in the special purpose condensed interim financial statements as of 30 June 2022.

18. Contingencies and Commitments (Continued)

Legal proceedings with peasant farms

On 16 May 2022, 14 peasant farms (hereinafter - PF) filed a claim in joint manner to the Company and CPPE LLP (Kazakhstan) and in the Specialized Interdistrict Court of Almaty Region for compensation for damage (lost profit) and moral damage in the amount of Tenge 74,214 thousand. On June 8, 2022, in addition, the heads of 5 PF ("Bigeldi", "Baurzhan", "Duzhanov T", "Dina", "Kara Su") applied to the Specialized Interdistrict Court of the Almaty Region with a request to join cases for joint consideration and compensation for damage (lost profits) and moral damage in the amount of Tenge 30,744 thousand. On 8 July 2022, the head of farm "Tolegenov" also applied to the Specialized Interdistrict Court of the Almaty Region for clarification of claims and compensation for damage (lost profits) and moral damage in the amount of Tenge 6,488 thousand. The total amount of claims from all PF amounted to Tenge 111,446 thousand.

On 19 July 2022, the Company filed a recall to the claims of PF. At the same time, the Management of the Company believes that the likelihood of negative consequences for the Company dispute in court is assessed as possible, and the amount of the potential liability in the event of a negative court decision will be jointly and severally divided between the Company and the contractor - CPPE LLP (Kazakhstan).

Capital commitments

As at 30 June 2022 the Company had contractual capital commitments in respect of property, plant and equipment totalling Tenge 172,017 thousand (31 December 2021: Tenge 282,101 thousand).

Taxation

Kazakhstani tax legislation and practice are in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to International IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of the financial statements, and this may result in additional tax liabilities for the Company. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for 5 years. Management of the Company believes that its interpretation of the relevant legislation is appropriate, and the Company will be able to defend its position in case of dispute.

Penalties are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount, accrued and reflected in this condensed interim financial statement.

Environmental matters

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

Insurance matters

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

19 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.

There have been no changes in the risk management policy since the date stated. Moreover, there have been no changes in contractual undiscounted cash flows from financial assets and liabilities as compared with 31 December 2021.

Credit risk

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

The Company places cash and deposits with Kazakhstani and foreign banks. The Company's management reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. The Company's management believes that recent international credit crisis and subsequent changes in credit rating of local banks do not justify extraordinary credit risk. Accordingly, no impairment provision against bank deposits is required. The maximum exposure to credit risk in respect of deposits and cash and cash equivalents is represented by their carrying amount.

The table below shows the balances of bank accounts and cash and cash equivalents at 30 June 2022 and 31 December 2021 using Moody's credit ratings:

In thousands of Kazakhstani Tenge	Location	Rating		30 June 2022	31 December 2021
		2022	2021		
Banks					
Industrial and Commercial Bank of China in Almaty JSC	Kazakhstan	A1	A1	84,040,992	67,050,621
Halyk bank of Kazakhstan JSC	Kazakhstan	Baa2	Baa2	12,433,798	11,447,001
Bank of China in Alashankou JSC	China	A1	A1	9,412	71,656
Bank of China in Kazakhstan JSC	Kazakhstan	A1	A1	30	33
Aityn Bank JSC (SB of China Citic Bank Corporation Ltd)	Kazakhstan	Ba1	Ba1	-	12
Total				96,484,232	78,569,323

Liquidity risk

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

As of 30 June 2022, current assets of the Company mainly include cash and cash equivalents of Tenge 74,372,783 thousand and bank deposits in the amount of Tenge 22,116,253 thousand. Current liabilities mainly include loans and borrowings in the amount of Tenge 51,024,577 thousand and accounts payable Tenge 5,337,965 thousand, including payables to KazTransOil JSC of Tenge 4,908,303 thousand, and contract liabilities for oil transportation in total Tenge 6,567,148 thousand. In order to improve liquidity, in 2018 the Company obtained the new refinancing loan with larger term of repayment. The Company intends to repay outstanding loans using cash from its operating activities.

19 Financial Risk Management (Continued)

The table below summarizes the maturity profile of the Company's financial liabilities at 30 June 2022 and 31 December 2021 and based on contractual undiscounted payments.

<i>In thousands of Kazakhstani Tenge</i>	Less than 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
At 30 June 2022					
Loans and borrowings	52,514,446	53,179,426	25,952,161	-	131,646,033
Trade and other payables	5,337,965	-	-	-	5,337,965
Accrued liabilities	563,411	-	-	-	563,411
Lease liabilities	800,120	385,425	1,111	2,222	1,188,878
Total	59,215,942	53,564,851	25,953,272	2,222	138,736,287
At 31 December 2021					
Loans and borrowings	46,814,770	49,869,873	48,517,961	-	145,202,604
Trade and other payables	1,773,487	-	-	-	1,773,487
Accrued liabilities	881,584	-	-	-	881,584
Lease liabilities	721,458	705,488	46,699	2,222	1,475,867
Total	50,191,299	50,575,361	48,564,660	2,222	149,333,542

Currency risk

The Company does not have formal arrangements to mitigate foreign exchange risks of the Company's operations. The Company also has risks related to transactions in foreign currency. Such risks occur due to loans received in US Dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rates, with all other variables held constant, of the Company's profit and equity (due to changes in the fair value of assets and liabilities).

<i>In thousands of Kazakhstani Tenge</i>	Increase/decrease in exchange rate	Effect on profit and equity
Six months ended 30 June 2022		
US Dollars	+10.00%/-10.00%	(4,123,310)/4,123,310
Six months ended 30 June 2021		
US Dollars	+10.00%/-10.00%	(7,354,894)/ 7,354,894

20 Fair Value of Financial Instruments

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 of the Company's financial instruments are carried at amortised cost. Their fair values were determined using level 3 measurements of the fair value hierarchy, based on the available market data or relevant valuation techniques.

However, judgement is required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions, and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

20 Fair Value of Financial Instruments (Continued)

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Due to the short-term nature of trade receivables, their carrying amount approximates their fair value.

Due to the short-term nature of cash, bank deposits, trade and other receivables, their carrying amount approximates their fair value.

Financial liabilities carried at amortised cost

The fair value of unquoted fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

Due to the short-term nature of trade payables, their carrying amount approximates their fair value.

Loans and borrowings are carried at amortised cost which approximates their fair value since the floating interest rate was applied at calculation of amortised cost.

The fair value of lease liabilities as of the reporting date is Tenge 1,147,690 thousand.