Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2019

for

Kazakhmys Limited

Contents of the Financial Statements for the Year Ended 31 December 2019

Kazakhmys Limited

Company Information for the Year Ended 31 December 2019

DIRECTORS:	Roman Eliasov Helen Yakubovskaya
REGISTERED OFFICE:	Unit 1 Moore House, Millfields Road, London, E5 0BF
REGISTERED NUMBER:	09132358 (England and Wales)
AUDITORS:	Simmons Gainsford LLP Chartered Accountants 7-10 Chandos Street London W1G 9DQ

Kazakhmys Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
The company's principal activity during the period was that of a holding company.

PRINCIPAL RISKS AND UNCERTAINTIES
The management of the company assessed the risks facing the company and concluded that the only significant risk relates to recoverability of loan issued to subsidiary. To ensure that loan is recoverable, management reviews the business plan for the underlying investment on regular basis.

Also, the spread of the coronavirus disease, together with other political and economic developments is currently negatively impacting the international markets and global economic growth expectations. Depending on the evolution of the coronavirus disease, the fair values of investments and assets may be significantly impacted going forward. The directors have discussed with the subsidiaries and group entities their plans of dealing with the COVD-19 disruption, and are confident that they have adequate plans and financial strengths to deal with the challenges faced due to the epidemic.

ON BEHALF OF THE BOARD:

....
H Yakubovskaya - Director

Date: 18-06-2020

Report of the Directors for the Year Ended 31 December 2019

The directors present their report and financial statements for the period ended 31 December 2019.

DIVIDENDS
No dividends were distributed during 2019 year.

FUTURE DEVELOPMENTS
The company will continue to act as a holding company.

At publication date, the overall financial impact of coronavirus disease cannot be accurately estimated but an adverse influence on 2020 performance is expected. The directors do not consider that any adjustments or further disclosures to be required to the financial information at this stage. In the meantime, the Company continues to monitor the situation as it evolves.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

Roman Eliasov
Helen Yakubovskaya

DIRECTOR'S RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FINANCIAL INSTRUMENTS

As a holding company, the company has limited exposure to risks. The company has an interest-bearing bank loan denominated in US Dollars which is matched with an interest earning receivable due from the company's subsidiary undertaking, also denominated in US Dollars.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

So far as each person who was a director at the date of approving the report is aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

The auditors, Simmons Gainsford LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

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H Yakubovskaya - Director

Date: 18-06-2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAZAKHMYS LIMITED

Opinion

We have audited the financial statements of Kazakhmys Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of profit or loss, the statement of financial position, the statement of cash flows, the statement of changes in equity and related notes and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Strategic Report and the Report of the Directors other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 (UK) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simmons Gainsford

Atulya Mehta FCCA (Senior Statutory Auditor)

For and on behalf of Simmons Gainsford LLP
Chartered Accountants
7-10 Chandos Street
London
W1G 9DQ

Date: 18/06/2020

Statement of Profit or Loss for the Year Ended 31 December 2019

	Notes	Year Ended 31.12.19 $	Year Ended 31.12.18 $
CONTINUING OPERATIONS			
Revenue		5,000	5,000
Other operating income			
Operational costs		(1,864,625)	(324,967)
OPERATING LOSS		**(1,859,625)**	**(319,967)**
Finance costs	4	(488,320)	(487,528)
Finance income	4	24,885	270,921
Investment income		-	64,263,406
PROFIT/(LOSS) BEFORE INCOME TAX	5	**(2,323,059)**	**63,726,832**
Income tax	6	-	-
PROFIT/(LOSS) FOR THE YEAR		**(2,323,059)**	**63,726,832**

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2019

	31.12.19 $	31.12.18 $
PROFIT/(LOSS) FOR THE YEAR	(2,323,059)	63,726,832
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(2,323,059)	63,726,832

Kazakhmys Limited

Statement of Financial Position 31 December 2019

	Notes	31.12.19 $	31.12.18 $
ASSETS			
NON-CURRENT ASSETS			
Investments	**8**	38,645,696	6,645,696
		38,645,696	**6,645,696**
CURRENT ASSETS			
Loans and other financial assets	**9**	94,763	182,301
Trade and other receivables	**10**	413,145	423,726
Cash and cash equivalents	**11**	23,849	989,856
		531,757	**1,595,883**
TOTAL ASSETS		**39,177,452**	**8,241,579**
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	**12**	171	171
Retained earnings	**13**	(2,313,989)	9,070
TOTAL EQUITY		**(2,313,818)**	**9,241**
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	**15**	9,553,411	8,000,000
		9,553,411	**8,000,000**
CURRENT LIABILITIES			
Trade and other payables	**14**	23,899,363	204,399
Interest bearing loans and borrowings	**15**	8,000,000	-
Bank overdraft	**11**	38,496	27,939
		31,937,859	**232,338**
TOTAL LIABILITIES		**41,491,271**	**8,232,338**
TOTAL EQUITY AND LIABILITIES		**39,177,452**	**8,241,579**

The financial statements were approved by the Board of Directors on 18-06-2020
and were signed on its behalf by:

....

H Yakoubovskaya - Director

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital $	Retained earnings $	Total equity $
Balance at 31 December 2017	**171**	**(1,015,356)**	**(1,015,185)**
Changes in equity			
Dividends distributed	-	(62,702,406)	(62,702,406)
Total comprehensive income	-	63,726,832	63,726,832
Balance at 31 December 2018	**171**	**9,070**	**9,241**
Changes in equity			
Total comprehensive income	-	(2,323,059)	(2,323,059)
Balance at 31 December 2019	**171**	**(2,313,989)**	**(2,313,818)**

Kazakhmys Limited

Statement of Cash Flows for the Year Ended 31 December 2019

	Notes	Year Ended 31.12.19 $	Year Ended 31.12.18 $
Cash flows from operating activities			
Cash generated from operations	1	(143,307)	(375,360)
Net cash from operating activities		**(143,307)**	**(375,360)**
Cash flows from investing activities			
Purchase of investment		(10,000,000)	-
Dividends received		-	1,381,000
Net cash from investing activities		**(10,000,000)**	**1,381,000**
Cash flows from financing activities			
Repayment of bank loans		-	1,338
Loans issued given/received		(428,807)	
Repayment of Loan Receivable		10,082,000	431,140
Interest paid/received		(486,451)	(486,667)
Net cash from financing activities		**9,166,743**	**(54,189)**
(Decrease)/increase in cash and cash equivalents		**(976,564)**	**951,451**
Cash and cash equivalents at beginning of the year	2	**961,917**	**10,466**
Cash and cash equivalents at end of the year	2	**23,849**	**989,856**
Bank overdraft	2	**(38,496)**	**(27,917)**

Non cashflow movements:		
Dividends paid		*(62,702,406)*
Dividends received		*62,702,406*

Kazakhmys Limited

Notes to the Statement of Cash Flows for the Year Ended 31 December 2019

1. RECONCILIATION OF PROFIT/(LOSS) BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	Year Ended 31.12.19 $	Year Ended 31.12.18 $
Profit/(loss) before income tax	(2,323,059)	63,726,832
Finance costs	488,320	487,528
Finance income	(24,885)	(64,534,327)
	(1,859,625)	**(319,967)**
Increase in trade and other receivables	10,581	(69,897)
Decrease in trade and other payables	23,694,964	14,504
Increase in investments	(22,000,000)	-
Cash generated from operations	**(143,307)**	**(375,360)**

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	31.12.19 $	01.01.19 $
Year ended 31 December 2019		
Cash and cash equivalents	23,849	989,856
Bank overdraft	(38,496)	(27,939)
	(14,647)	**961,917**

	31.12.18 $	01.01.18 $
Cash and cash equivalents	961,917	10,466
Cash generated from operations	**961,917**	**10,466**

1. STATUTORY INFORMATION

Kazakhmys Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments which have been measured at amortised cost, using the effective interest rate method.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The company financial statements are presented in US Dollars, which is the functional currency of the company.

The company is exempt from the requirement to prepare group accounts under section 401 of the Companies Act 2006 and accordingly these financial statements present information about the company only, and not about its group.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Going concern

The directors believe that the company is well placed to manage its business risks successfully. Having placed reliance on the support of Kazakhmys Corporation LLC, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Investments in subsidiaries

Subsidiary undertakings are all entities over which the company has power to govern the financial and operating policies so as to obtain benefit from their activities.
The investments in subsidiaries held by the company are valued at cost less any provision for impairment that is considered to have occurred, the resultant loss being recognised in the income statement.

Leases
Rentals paid under operating leases are charged to the income statement on a straight-line basis over the period of the lease.
Management of the Company has assessed the potential effect of implementation of the new IFRS 16 'Leases' in the period beginning on 1 January 2019 and anticipates that implementation of the new standard will have no material effect on financial position and financial results of the Company in the current reporting period or in the next reporting period as the Company has no material non-cancellable long-term rent agreements as at the reporting date and has no intention to execute them in the next reporting period.

Foreign currency translation
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Impairment of non-financial assets
The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the assets recoverable amount. As assets recoverable amount is the higher its fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Financial Assets

- Initial Recognition and measurement
The company determines the classification of its financial assets at initial recognition, at fair value. The company's financial assets, within the scope of IFRS 9, include cash and loans receivable. The company's most significant financial asset is the loan receivable from related parties. Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortised cost.
- Allowance for impairment is estimated on a case-by-case basis.
The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company has adopted IFRS 9 for the first year and has elected not to restate comparative information in accordance with IFRS 9. All of the loans issued to related companies, measured at amortized cost, are considered to have low credit risk and as such any credit losses are not considered to be material for the purpose of disclosure.

Receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the profit or loss account. The losses arising from impairment are recognised in the profit and loss account in other operating expenses.

Financial liabilities
The company determines the classification of its financial liabilities within the scope of IAS at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans, plus directly attributable transaction costs.

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents are as defined above and net of any outstanding bank overdrafts.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.
Interest bearing loans are stated at their amortised value applying the effective interest rate method.

Income taxes
Tax expense comprises both current tax and changes in net deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions: deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised".

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance-sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the group to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise income tax is recognised in the income statement.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes. Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

3. EMPLOYEES AND DIRECTORS

	31.12.2019 $	31.12.2018 $
Wages and salaries	124,531	131,656
Social security costs	2,736	2,007
	127,267	**133,663**

The average monthly number of employees during the year was as follows:

	31.12.2019	31.12.2018
Directors	2	2

	31.12.2019 $	31.12.2018 $
Directors' remuneration	124,531	131,656

4. NET FINANCE INCOME

	31.12.2019 $	31.12.2018 $
Finance income		
Interest receivable on loans issued	18,704	269,583
Interest receivable on short-term deposits	6,181	1,338
	24,885	**270,921**
Finance costs:		
Bank interest payable	(486,667)	(487,528)
Interest payable on loans received	(1,653)	-
	(488,320)	**(487,528)**
Net finance income	**(463,434)**	**(216,607)**

5. PROFIT/(LOSS) BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting):

	31.12.2019 $	31.12.2018 $
Other operating leases	13,587	4,821
Auditors' remuneration	8,316	8,300
Foreign exchange differences	28,151	3,714

6. INCOME TAX

(a) Factors affecting the total tax charge

The income tax expense in the income statement for the year is the same as the standard rate of corporation tax in the UK, as reconciled below:

	2019	2018
Profit / (Loss) on ordinary activities before taxation	(2,323,059)	63,726,832
Exemption from income tax	-	(64,263,406)
Taxable profit / (loss)	2,323,059)	(536,574)
- Income tax charge	-	-
Income tax loss carried forward	(441,381)	(101,949)

(b) Factors that may affect future tax charges

The UK corporation tax rate is now set at 19% with effect from 1 April 2018 and set to reduce to 18% with effect from 1 April 2020 in accordance with legislation that was substantively enacted before 31 December 2015.

7. DIVIDENDS

	31.12.19 $	31.12.18 $
Dividends distributed	-	64,263,406

8. INVESTMENTS

	Shares in group undertakings $
COST	
At 1 January 2018	**1,353**
Addition	6,644,343
and 31 December 2018	**6,645,696**
Addition	32,000,000
and 31 December 2019	**38,645,696**
NET BOOK VALUE	
At 31 December 2019	**38,645,696**
At 31 December 2018	**6,645,696**

8. INVESTMENTS - continued

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name	Principal activities	Country of incorporation	Share
Kazakhmys Holding Group B.V.*	Investment holding	Netherlands	100.00%
Valion Investment Ltd *	Aircraft holder	British Virgin Islands	100.00%
Kazakhmys Resources B.V.	Investment holding	Netherlands	100.00%
Kaz Chemicals LLP	Services	Kazakhstan	80.00%
KCC B.V.	Investment holding	Netherlands	100.00%
FS B.V.	Investment holding	Netherlands	100.00%
Kazakhmys Cooper JSC	Financing activities	Kazakhstan	100.00%
Kazakhmys Corporation LLP	Production of copper	Kazakhstan	99.90%
Kazakhmys Coal LLP	Production of coal	Kazakhstan	99.90%
Kazakhmys Distribution LLP	Heat distribution	Kazakhstan	99.90%
Maker LLP	Construction and maintenance	Kazakhstan	99.90%
Kazakhmys Power Projects B.V.	Construction and Investment holding	Netherlands	100.00%
Kazakhmys Energy LLP	Power generation	Kazakhstan	100.00%
Kazakhmys Distributive Power Station	Power generation	Kazakhstan	100.00%
Green Plaza LLP	Hospitality	Kazakhstan	100.00%
Kaz Green Energy LLP	Power generation	Kazakhstan	70.00%
Kazakhmys Smelting B.V.	Investment holding	Netherlands	100.00%
Kazakhmys Maintenance Services B.V.	Investment holding	Netherlands	100.00%
Kazakhmys Maintenance Services LLP	Repair Services	Kazakhstan	100.00%
Kazakhmys Construction B.V.	Investment holding	Netherlands	100.00%
FZE.KZ LLP	Financing activities	Kazakhstan	100.00%
Kazakhmys Building Project LLP	Construction	Kazakhstan	90.10%
Kazakhmys Management B.V.	Investment holding	Netherlands	100.00%
Kazakhmys Holding LLP	Management services	Kazakhstan	100.00%
Kazakhmys Exploration B.V.	Investment holding	Netherlands	100.00%
Kazakhmys Satpayev B.V.	Investment holding	Netherlands	100.00%
Kazakhmys Corporation Finance Ltd	Financing Activities	United Kingdom	100.00%
Kazakhmys Smelting Finance Ltd	Financing Activities	United Kingdom	100.00%
Kazakhmys Smelting LLP	Services	Kazakhstan	100.00%
Kazakhmys Drilling LLP	Geological works	Kazakhstan	100.00%
Kazakhmys Satpayev LLP	Geological works	Kazakhstan	100.00%
Dank LLP	Extraction works	Kazakhstan	100.00%
Gorservice LLP	Services	Kazakhstan	99.90%
Ulytau Nan LLP	Services	Kazakhstan	99.90%
Kazakhaltyn JSC	Services	Kazakhstan	25.00%
Kazakhaltyn Service LLP	Services	Kazakhstan	100.00%

Shares held directly* or indirectly through the company's investment in Kazakhmys Holding Group B.V. All holdings are in ordinary shares.

9. LOANS AND OTHER FINANCIAL ASSETS

	Loans to group undertakings $
At 1 January 2018	**6,988,201**
Repayment in year	(431,141)
Interest accrued as at 31/12	269,583
Set off investment	(6,644,342)
At 31 December 2018	**182,301**
Loan given during the year	581,842
Repayment in year	(153,035)
Set-off with accounts payables	(530,242)
Interest repaid during the year	(216)
Interest accrued as at 31/12	18,704
Forex effect	(4,592)
At 31 December 2019	**94,763**

As at 31 December 2019 the company has several loans issued to its related companies with interest from 2.5% to 6.5% per annum with total commitment amount to $ 63,050,000.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The management assessed that the fair values of cash and cash equivalents, loans issued, other receivables, trade payables, and other current liabilities approximate their carrying amounts.

10. TRADE AND OTHER RECEIVABLES

	31.12.19 $	31.12.18 $
Trade debtors	24,000	18,000
Other accounts receivable	367,283	387,911
VAT recoverable	20,850	16,803
Overpayment to HMRC	1,012	1,012
		-
	413,145	**423,726**

11. CASH AND CASH EQUIVALENTS

	31.12.19 $	31.12.18 $
Cash and cash equivalents	23,849	989,856
Bank overdraft	(38,496)	(27,939)
	(14,647)	**961,917**

12. CALLED UP SHARE CAPITAL

Allotted and issued:

Number:	Class:	Nominal value:	31.12.19 $	31.12.18 $
100	Ordinary shares	£1	171	171

13. RESERVES

	Retained earnings $
At 1 January 2018	**(1,015,356)**
Profit for the year	63,726,832
Dividends	(62,702,406)
At 31 December 2018	**9,070**
Profit for the year	(2,323,059)
At 31 December 2019	**(2,313,989)**

14. TRADE AND OTHER PAYABLES

	31.12.19 $	31.12.18 $
Current		
Trade and other creditors	43,615	19,906
Payable for acquired investment	22,000,000	-
Amounts due to related parties	1,841,909	166,291
Accrued expenses	13,839	18,202
	23,899,363	**204,399**

15. FINANCIAL LIABILITIES - BORROWINGS

	31.12.19 $	31.12.18 $
Non-current		
Bank loans	-	8,000,000
Loans received from related parties - principal	9,553,147	-
Loans received from related parties - interest	264	-
	9,553,411	**8,000,000**
Current		
Bank loans	8,000,000	-
	8,000,000	**-**

15. **FINANCIAL LIABILITIES - BORROWINGS** - continued

Terms and debt repayment schedule

	Less than 1 year $	2-3 years $
Bank loans	8,000,000	-
Interest payable on bank loan	-	-
Loans received from related parties - principal	-	9,553,147
Loans received from related parties - interest	-	264
	8,000,000	**9,553,411**

16. **ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's immediate parent undertaking is East Copper Holdings Private Limited, a company incorporated in Singapore.

In the directors' opinion the company's ultimate controlling beneficiaries are Vladimir Kim and Eduard Ogai.

17. **RELATED PARTY DISCLOSURES**

Included within other debtors (Note 10) is an amount of $ 10,823 ($ 10,823 in 2018) due from shareholder.
Included within other and trade debtors (Note 10) is an amount of $ 380,460 ($ 364,084 in 2018) due from subsidiaries and other related parties.
Included within other creditors (Note 14) is an amount of $ 154,515 ($ 154,515 in 2018) due to shareholder.
Included within other creditors (Note 14) is an amount of $ 1,687,394 ($ 11,776 in 2018) due to subsidiaries.
Included within loan given to a subsidiary, Kazakhmys Holding Group B.V, is an amount of $ 74,532 (2018: $182,301).
Included within loan given to a parent company, East Copper Holdings Private Limited, is an amount of $ 20,231 (2018: NIL).
Included within loan received from related companies, is an amount of $ 9,553,411 (2018: NIL).
Dividends received during 2018 year from a subsidiary, Kazakhmys Holding Group B.V, was an amount of $64,263,406.
Dividends paid during 2018 year to the parent, East Copper Holdings Private Limited, was an amount of $62,702,406.
During the year, interest of $ 18,704 ($ 269,583 in 2018) was charged on the Loan issued and $ 1,653 (NIL in 2018) on the Loans Received.

These are parent accounts for the year ended 31 December 2019 to be attached to Company number: 09132358

Company Registration No. 201420830H

East Copper Holdings Private Limited and its Subsidiaries

Annual Financial Statements
For the financial year ended 31 December 2019

EY
Building a better working world

East Copper Holdings Private Limited and its Subsidiaries

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Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of East Copper Holdings Private Limited ("the Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Helen Yaroslavna Yakubovskaya
Zheng Shushan
Yee Kai Cheong

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement, whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Share options

No share options have been granted by the Company since its incorporation.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor of the Company.

Yee Kai Cheong
Director

Zheng Shushan
Director

Singapore

30 JUN 2020

Independent Auditor's Report to the Members of East Copper Holdings Private Limited and its subsidiaries

Report on the audit of the financial statements

Opinion

We have audited the financial statements of East Copper Holdings Private Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and Company as at 31 December 2019, statements of changes in equity of the Group and Company, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). 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 are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority "(ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for other information. The other information comprises the directors' statement set out on pages 1 to 2.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 SSAs 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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 Group'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 financial statements 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 Group to cease to continue as a going concern.

Independent Auditor's Report to the Members of East Copper Holdings Private Limited and its Subsidiaries

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ernstyoung LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

30 June 2020

East Copper Holdings Private Limited and its Subsidiaries

Consolidated Statement of Comprehensive Income
For the financial year ended 31 December 2019

	Note	2019	2018
Continuing operations		$ 000	$ 000
Revenue	6	1,955,883	2,091,271
Cost of sales	7 (i)	(1,099,146)	(1,090,416)
Gross profit		**856,737**	**1,000,855**
Selling and distribution expenses		(44,475)	(42,604)
Administrative expenses	7 (ii)	(481,291)	(502,029)
Other operating income	7 (iii)	26,222	40,447
Other operating expenses	7 (iv)	(67,655)	(41,937)
Impairment losses on financial assets	8 (a)	(1,019)	(29,173)
Reversal of impairment / (impairment losses) on non-financial assets	8 (b)	98,749	(401,859)
Operating profit		**387,268**	**23,700**
Finance income	9	68,235	96,742
Finance costs	9	(93,624)	(142,479)
Share of profit of an associate	5	17,832	16,652
Profit / (loss) before tax from continuing operations		**379,711**	**(5,385)**
Income tax expense	10	(77,825)	(84,248)
Profit / (loss) for the year from continuing operations		**301,886**	**(89,633)**
Discontinued operations			
Profit after tax for the year from discontinued operation	27	–	24,983
Profit / (loss) for the year		**301,886**	**(64,650)**
Net profit / (loss) attributable to:			
Equity holders of the parent		301,617	(65,207)
Non-controlling interests		269	557
		301,886	**(64,650)**
Other comprehensive income / (loss):			
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		608	(85,694)
Net other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods		**608**	**(85,694)**
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net of tax			
Actuarial losses on employee benefits	22	(3,711)	(2,501)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(3,711)**	**(2,501)**
Other comprehensive income / (loss) for the year, net of tax		**(3,103)**	**(88,195)**
Total comprehensive income / (loss) for the year		**298,783**	**(152,845)**
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		298,514	(153,402)
Non-controlling interests		269	557
		298,783	**(152,845)**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

East Copper Holdings Private Limited and its Subsidiaries

Balance Sheet
As at 31 December 2019

	Note	Group 2019	Group 2018	Company 2019	Company 2018
		$ 000	$ 000	$ 000	$ 000
Assets					
Non-current assets					
Intangible assets	11	41,282	26,619	–	–
Property, plant and equipment	12	898,672	637,772	–	–
Mining assets	13	324,652	227,879	–	–
Investment in associate	5	59,640	29,737	–	–
Investment property	12 (a)	5,297	11,799	–	–
Other non-current assets	14	52,665	24,672	–	–
Deferred tax assets	10	103,592	97,257	–	–
Non-current financial assets	15	135,480	154,982	–*	–*
		1,621,280	**1,210,717**	–*	–*
Current assets					
Prepayments and other current assets	17	203,096	149,854	–	–
Inventories	16	354,835	313,600	–	–
Income tax prepaid		4,898	4,058	–	360
Trade and other receivables	18	127,748	94,704	159	–
Current financial assets	15	129,613	93,839	–	–
Investments	19	12,629	328	–	–
Cash and cash equivalents	20	13,807	98,365	1	20
		846,626	**754,748**	**160**	**380**
Assets held for sale	27	3,180	1,689	–	–
		849,806	**756,437**	**160**	**380**
Total assets		**2,471,086**	**1,967,154**	**160**	**380**

** Represents amounts less than $1,000*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

East Copper Holdings Private Limited and its Subsidiaries

Balance Sheet (cont'd)
As at 31 December 2019

	Note	Group 2019	Group 2018	Company 2019	Company 2018
		$ 000	$ 000	$ 000	$ 000
Equity and liabilities					
Equity					
Share capital	21	–*	–*	–*	–*
Foreign currency translation reserve		(627,595)	(628,203)	(2)	(2)
Retained earnings		1,357,063	1,059,157	6	42
Equity attributable to equity holders of the parent		**729,468**	**430,954**	**4**	**40**
Minority interests		3,711	3,437	–	–
Total equity/(deficit)		**733,179**	**434,391**	**4**	**40**
Non-current liabilities					
Borrowings and other financial liabilities	26	346,361	331,597	54	275
Employee benefits	22	431,442	330,734	–	–
Provisions and other financial liabilities	23	143,465	111,986	–	–
Deferred tax liabilities	10	8,752	5,294	–	–
		930,020	**779,611**	**54**	**275**
Current liabilities					
Provisions and other financial liabilities - short-term	23	25,075	29,969	–	–
Employee benefits - short-term	22	30,692	28,295	–	–
Income tax payable		34,404	33,441	–	–
Borrowings - short-term	26	286,156	380,143	–	–
Dividend payable		622	619	–	–
Trade and other payables	24	295,204	232,307	102	65
Other non-financial liabilities	25	135,734	48,378	–	–
		807,887	**753,152**	**102**	**65**
Total liabilities		**1,737,907**	**1,532,763**	**156**	**340**
Total equity and liabilities		**2,471,086**	**1,967,154**	**160**	**380**

** Represents amounts less than $1,000*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

East Copper Holdings Private Limited and its Subsidiaries

Statement of Changes in Equity
For the financial year ended 31 December 2019

	Attributable to equity holders of the parent					
	Share capital	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Group						
At 1 January 2018	**–***	**(542,509)**	**1,192,799**	**650,290**	**1,998**	**652,288**
Net loss for the year	–	–	(65,207)	(65,207)	557	(64,650)
Other comprehensive loss	–	(85,694)	(2,501)	(88,195)	–	(88,195)
Total comprehensive loss	**–***	**(85,694)**	**(67,708)**	**(153,402)**	**557**	**(152,845)**
Dividends	–	–	(65,931)	(65,931)	(67)	(65,998)
Recognition of financial guarantee given to the entity under common control	–	–	(3)	(3)	–	(3)
Contribution to charter capital	–	–	–	–	949	949
At 31 December 2018 and 1 January 2019	**–***	**(628,203)**	**1,059,157**	**430,954**	**3,437**	**434,391**
Net profit for the year	–*	–	301,617	301,617	269	301,886
Other comprehensive income	–*	608	(3,711)	(3,103)	–*	(3,103)
Total comprehensive income	**–***	**608**	**297,906**	**298,514**	**269**	**298,783**
Contribution to charter capital	–	–	–	–	5	5
At 31 December 2019	**–***	**(627,595)**	**1,357,063**	**729,468**	**3,711**	**733,179**

** Represents amounts less than $1,000*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

East Copper Holdings Private Limited and its Subsidiaries

Statement of Changes in Equity
For the financial year ended 31 December 2019

	Share capital	Translation reserve	Accumulated losses	Total (deficit)/ equity
	$ 000	*$ 000*	*$ 000*	*$ 000*
Company				
At 31 December 2017	**–***	**(2)**	**(56)**	**(58)**
Total comprehensive income for the year	–	–	98	98
At 31 December 2018	**–***	**(2)**	**42**	**40**
Total comprehensive loss for the year	–	–	(36)	(36)
At 31 December 2019	**–***	**(2)**	**6**	**4**

**Represents amounts less than $1,000*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

East Copper Holdings Private Limited and its Subsidiaries

Consolidated Cash Flow Statement
For the financial year ended 31 December 2019

	2019	2018
	$ 000	$ 000
Cash flows from operating activities		
Profit / (loss) before tax	379,711	(5,385)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation, depletion and amortisation	127,388	86,475
Impairment (reversal) / losses (Note 8)	(97,730)	431,032
Share of profit in associate (Note 5)	(17,832)	(16,653)
Loss / (gain) on disposal of property, plant and equipment, net (Note 7)	16,640	(5,254)
(Gain) / loss on disposal of mining assets (Note 7)	(2,157)	3,684
Derecognition of social liabilities	(3,516)	–
Finance income (Note 9)	(68,235)	(96,742)
Finance costs (Note 9)	93,624	80,647
Movements in provisions and employee benefits	69,687	6,130
Net foreign exchange differences	(13,585)	26,045
Working capital adjustments:		
Change in inventories	(52,005)	16,703
Change in prepayments and other current assets	(45,676)	(16,060)
Change in trade and other receivables	(22,234)	128,851
Change in trade and other payables	62,897	(96,537)
Change in other financial assets	–	3,517
Change in other non–financial liabilities	79,957	(64,390)
Change in provisions	(5,107)	(34,274)
Cash flows from operations before income taxes paid	**501,827**	**447,789**
Income taxes paid	(79,079)	(90,419)
Net cash flow from operating activities	**422,748**	**357,370**
Cash flows from investing activities		
Purchase of intangible assets	(20,048)	(2,754)
Purchase of property, plant and equipment	(319,847)	(265,122)
Purchase of mining assets	(79,550)	(72,696)
Proceeds from disposal of intangible assets	1,061	186
Proceeds from disposal of property, plant and equipment	12,820	29,388
Interest received	2,048	1,924
Purchase of loans given (Note 27)	–	(29,979)
Proceeds from loans given	33,064	138,887
Acquisition of subsidiaries, net of cash acquired (Note 4)	(13,001)	–
Acquisition of non-listed investments	(1,371)	–
Placement of loans given	(19,688)	(26,754)
Placement of short-term bank deposits	(830,068)	(209)
Proceeds from short-term bank deposits	817,686	–
Placement of long-term deposits (Note 15 (a))	(1,386)	(3)
Net cash flows used in investing activities	**(418,280)**	**(227,132)**

East Copper Holdings Private Limited and its Subsidiaries

Consolidated Cash Flow Statement (cont'd)
For the financial year ended 31 December 2019

	2019	2018
	$ 000	$ 000
Cash flows from financing activities		
Dividends paid to equity holders of the parent	–	(65,931)
Dividends paid to non–controlling interests	–	(67)
Bonds issued (Note 27)	–	29,973
Repayment of bonds (Note 27)	–	(3,482)
Proceeds from borrowings	322,686	177,265
Repayment of borrowings	(385,871)	(244,599)
Interest paid	(15,388)	(36,164)
Payment for licences	(2,068)	(3,520)
Payment of lease liabilities	(8,390)	(9,536)
Contributions from non–controlling interest	5	949
Net cash flows used in financing activities	**(89,026)**	**(155,112)**
Net decrease in cash and cash equivalents	(84,558)	(24,874)
Cash and cash equivalents at the beginning of the year	98,365	123,239
Cash and cash equivalents at end of the year	**13,807**	**98,365**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

East Copper Holdings Private Limited and its subsidiaries (hereinafter "the Company" or "the Group") is a private limited liability company incorporated and domiciled in Singapore. The Company was incorporated on 16 July 2014.

The registered office and principal place of business of the Company is located at 65 Chulia Street, #42-06, OCBC Centre, Singapore 049513.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, which are mainly located in the Republic of Kazakhstan, are disclosed in Note 4.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The consolidated financial statements have been prepared on a historical cost basis except for certain classes of fixed assets as described in the accounting policies and the notes to these consolidated financial statements.

The financial statements are presented in the United States dollars ("USD" or "$") and all values are rounded to the nearest ($ 000), except when otherwise indicated.

2.2 Change in accounting policies

New standards and amendments

The Group has applied the following FRS, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2019:

- FRS 116 *Leases*
- FRS INT 123 *Uncertainty over Income Tax Treatments*

Other than FRS 116, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

FRS 116 *Leases*

FRS 116 supersedes FRS 17 Leases, INT FRS 104 *Determining whether an Arrangement contains a Lease,* INT FRS 15 Operating Leases-Incentives and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group adopted FRS 116 using the modified retrospective method of adoption with the date of initial application of 1 January 2019, without restatement of comparatives and using certain simplifications allowed by the standard. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, The Group applied the standard only to contracts that were previously identified as leases applying FRS 17 and INT FRS 104 at the date of initial application.

2. Summary of significant accounting policies (cont'd)

2.2 Change in accounting policies (cont'd)

FRS 116 *Leases* (cont'd)

Impact of FRS 116

The Group has leases of production equipment, vehicles, offices and other equipment. Prior to the application of FRS 116, the Group classified each lease (in which it was a lessee) at the inception of the lease as a finance lease or an operating lease. A lease was classified as a finance lease if the Group transferred almost all the risks and benefits associated with owning the leased asset; otherwise, the lease is classified as an operating lease. Finance leases are capitalized at the commencement date of the lease at the fair value of the leased property or, if this amount is less, at the present value of the minimum lease payments that were determined at the date the lease began. Lease payments were allocated between interest (which was recognised as finance costs) and decrease in lease obligations. In the case of operating leases, the value of the leased property was not capitalized, and lease payments were recognised as a lease expense in profit or loss on a straight-line basis over the lease term. All advance lease payments and accrued lease payments are recognised in advance payments and trade and other payables, respectively.

As a result of the adoption of FRS 116, the Group has adopted a uniform approach to the recognition and measurement of all leases, except for short-term leases and leases of low-value assets. The group applied the special transitional requirements and practical simplifications provided for in the standard and described above. The following describes the effect of the transition to FRS 116 on the Group's leases at the date of transition, classified in accordance with FRS 17 Leases.

Upon adoption of FRS 116, The Group applied a single recognition and measurement approach for all leases except for land rents, short-term leases and leases of low-value assets (Note 2.9).

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

2. Summary of significant accounting policies (cont'd)

2.2 Change in accounting policies (cont'd)

FRS 116 ***Leases (cont'd)***

(a) **Leases previously classified as finance leases**
The Group has not changed the initial carrying amount of recognised assets and liabilities at the date of initial application (i.e., assets in the form of right of use and lease obligations were estimated at the amount equal to the value of leased assets and lease obligations recognised using FRS 17). The requirements of FRS 116 were applied to such leases from January 1, 2019. At the date of transition to FRS 116, the Group reclassified assets under finance leases in accordance with FRS 17 within property, plant and equipment from its own fixed assets to assets in the form of the right to use fixed assets. Recognised assets in the form of a right of use are classified as property, plant and equipment "Machinery and equipment". The Group presents lease obligations as part of the line "Loans and other financial obligations". At the date of transition to FRS 116, the Group has reclassified finance lease liabilities to lease liabilities within this article. Therefore, the adoption of FRS 116 did not affect the items in the statement of financial position of the Group.

(b) **Leases previously accounted for as operating leases**

The Group analysed contracts previously classified as operating leases and contracts disclosed under operating lease commitments as at 1 January 2019. As a result of the analysis, the Group concluded that FRS 116 does not lead to recognition of the right to use assets and lease obligations, as these contracts are either short-term or contain only variable payments that are independent of the index or rate. Accordingly, the Group accounts for lease payments under such leases as operating expenses as incurred.

Leases in which the Group is the lessor

As FRS 116 contains substantially the same accounting requirements for a lessor as FRS 17, the Group has not recognised any significant effect on its consolidated financial statements in relation to transactions that relate to the Group's activities as the landlord.

The accounting policy prior to 1 January 2019 is disclosed in Note 2.9.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	***Effective for annual periods beginning on or after***
Amendments to FRS 3 *Definition of a Business*	1 January 2020
Amendments to FRS 1 and FRS 8 *Definition of Material*	1 January 2020
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Subsidiaries are entities that are controlled by the Group. Control is achieved when the Group has rights, to returns and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the following conditions are met:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other arrangements;
- Voting rights or potential voting rights belonging to the Group.

The Group re–assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiary is consolidated from the date on which control is transferred to the Group. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non–controlling interests, even if this results in the non–controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra–group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non–controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is measured at fair value.

The list of the Group's subsidiaries is presented in Note 4.

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency

The Company is an investment holding and it is considered that its own operations are not sufficiently substantive to enable it to have different functional currency from its subsidiaries. Therefore, Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which its subsidiaries operate – Kazakhstani Tenge ("KZT" or "the functional currency"). The Group chose US Dollar as its presentation currency for the purpose of these consolidated financial statements.

The Group's financial statements are translated to US Dollars (the presentation currency) as follows:

- Assets and liabilities for each balance sheet presented (i.e. including comparatives) are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as separate component of equity.

Transactions in foreign currencies are initially recorded at respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in profit or loss.

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

The currency exchange rate as of 31 December 2019 at Kazakhstan Stock Exchange ("KASE") was 381.18 Tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in US dollars as of 31 December 2019 (2018: 384.20 Tenge to 1 US dollar).

Official weighted–average foreign exchange rates published by the National Bank of the Republic of Kazakhstan during the year ended 31 December 2019 was 382.87 Tenge to 1 US dollar (2018: 344.71 Tenge to 1 US dollar). These rates are reasonable approximation of the spot exchange rates at the dates of the transactions.

2. Summary of significant accounting policies (cont'd)

2.6 Dividends

Dividends are recognised as a liability in the period in which they are approved by the owners of the Company. Dividends receivable are recognised when the Group's right to receive payment is established.

2.7 Intangible assets

Mineral licences and other intangibles, which are acquired by the Group and which have finite useful lives, are stated at cost (which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use) less accumulated amortisation and impairment losses.

Intangible assets primarily comprise subsurface use licences acquisition costs, which are amortised on a unit of production basis. Amortisation for other intangible assets, which have expected useful lives of three to ten years, is computed under the straight–line method over the estimated useful lives of the assets.

2.8 Property, plant and equipment

(i) Initial measurement

Property, plant and equipment are recognised at cost of acquisition less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use and borrowing costs for long–term construction project if the recognition criteria are met. The cost of self–constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

(ii) Depreciation

The cost of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has due regard to both its own physical life limitations and the present assessment of recoverable reserves of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to the consolidated statement of comprehensive income on a straight–line basis over the estimated useful life of the individual asset.

Depreciation is charged from the moment the item of property, plant and equipment is put into operational use. Land is not depreciated.

The useful lives are as follows:

Buildings	15–40 years
Property, plant and equipment	4–25 years
Other	3–15 years

2. Summary of significant accounting policies (cont'd)

2.8 Property, plant and equipment (cont'd)

(ii) Depreciation (cont'd)

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

(iii) Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. Construction in progress is not depreciated.

(iv) Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. All other day–to–day maintenance and repairs costs are expensed as incurred.

2.9 Leases

These accounting policies are applied on and after the initial application date of FRS 116, 1 January 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

__Group as a lessee__

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. Summary of significant accounting policies (cont'd)

2.9 Leases (cont'd)

Group as a lessee (cont'd)

Right-of-use assets

The Group recognised right-of-use assets within property, plant and equipment at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Plant and machinery	3 to 15 years
• Motor vehicles and other equipment	3 to 5 years

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of equipment and offices, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate) the lease.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate) the lease.

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets recognised within property, plant and equipment are also subject to impairment. Refer to the accounting policies in Note 2.11 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2. Summary of significant accounting policies (cont'd)

2.9 Leases (cont'd)

Group as a lessee (cont'd)

Lease liabilities (cont'd)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Note "Loans and other financial liabilities" (see Note 26 - (iv) Lease liabilities / Finance Leases).

The Group leases land, office space, as well as machinery and equipment.

(i) Land lease

The Group leases land for its production activities. The rental period varies from 5 to 50 years. The rent payment for land plots is tied to prevailing land tax, which is established by the Government of the Republic of Kazakhstan, and does not depend on the agreement of the lessee and the lessor. Contracts also do not contain minimum rental payments. In case of increase or decrease in land tax, rental payments are proportionally increasing or decreasing. The Group concluded that such rent is a variable consideration, independent of index or rate.

Accordingly, lease payments under such agreements are recognised in the statement of comprehensive income when incurred. In 2019, the Group recognised variable rental expenses of $3,233,474 (2018: $3,452,177) under such agreements

(ii) Office rental

The Group has an office lease agreement for a period of 12 months. Despite the fact that these agreements were renewed in previous years, the Group does not recognize any right of use asset under such agreements, as the contract does not contain extension options that the Group would be reasonably certain to exercise. Furthermore, the Group did not incur significant capital expenditures in respect of such premises, the rented premises are used to accommodate a small number of employees and therefore the possible costs of relocation will not be significant. In addition, the premises are not specialized and there are currently enough alternative premises on the office rental market that the Group could use.

(iii) Rental of machinery and equipment

The Group has a number of machinery and equipment rental agreements. These contracts provide for the transfer of ownership of the leased asset at the end of the lease period and have been classified as finance leases in accordance with FRS 17. Payments under such agreements are fixed. After the adoption of FRS 116, the Group recognizes assets under such agreements in the form of right of use and lease obligations.

2. Summary of significant accounting policies (cont'd)

2.9 Leases (cont'd)

Group as a lessee (cont'd)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income in the consolidated statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Variable rent payments are recognised as other operating income in the period in which they are earned.

These accounting policies are applied before the initial application date of FRS 116, 1 January 2019:

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of comprehensive income on a straight–line basis over the lease term.

2. Summary of significant accounting policies (cont'd)

2.9 Leases (cont'd)

These accounting policies are applied before the initial application date of FRS 116, 1 January 2019: (cont'd)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.10 Mining assets

(i) Mine development costs

Mine development costs are incurred to obtain access to proved reserves or mineral-bearing ore deposits and to provide facilities for extracting, lifting, and storing minerals. Such costs are, upon commencement of production, amortised using the units of production method.

The units of production method is the ratio of commodity production in the period to the estimated quantities of commercial reserves over the life of the mine (using proven and probable mineral reserves as determined by the JORC Code on an annual basis) based on the estimated economically recoverable reserves to which they relate. Changes in estimates, which affect unit of production calculations, are accounted for prospectively.

Costs of acquiring mineral properties are capitalised in the consolidated statement of financial position in the period in which they are incurred. Costs associated with a start-up period for significant developments are capitalised during the commissioning period (development expenditure) where the asset is incapable of operating at normal levels without a commissioning period. Mineral properties are amortised over the remaining life of the mine using the units of production method.

(ii) Mine exploration costs

Exploration and evaluation expenditure for each area of interest once the legal right to explore has been acquired, other than that acquired through a purchase transaction, is carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recovered through successful exploration and development of the area of interest or, alternatively, by its sale;
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off. General and administrative expenses related to exploration and evaluation activities are expensed as incurred.

2. Summary of significant accounting policies (cont'd)

2.10 Mining assets (cont'd)

(ii) Mine exploration costs (cont'd)

Identifiable exploration and evaluation assets acquired in a purchase transaction are recognised as assets at their cost or fair value if purchased as part of a business combination. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

(iii) Mine stripping costs

Mine stripping costs incurred in order to access the mineral-bearing ore deposits are deferred prior to the commencement of production. Such costs are amortised over the remaining life of the mine using a unit of production method.

The ongoing mining and development of the open-pit mines is generally performed via a succession of individual phases. The costs of extracting material from an open-pit mine are generally allocated between ore and waste stripping in proportion to the tonnes of waste and ore material extracted (the stripping ratio). The waste stripping costs are generally absorbed into inventory and expensed as that inventory is processed and sold. Where the stripping costs relate to a waste stripping campaign which is expected to provide improved access to an identifiable component of the ore body, the costs of removing waste in order to improve access to that part of the ore body will be capitalised within mining assets. The capitalised costs will then be amortised in a systematic manner over the reserves that directly benefit from the specific stripping activity. Changes to the stripping ratio arising from changes to mine plans or ore reserves are regarded in changes in estimates and are accounted for prospectively.

2.11 Impairment of non-financial assets

The Group conducts annual internal assessments for impairment of the values of any intangible assets with an indefinite life. The carrying values of non-financial assets are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of comprehensive income so as to reduce the carrying amount to its recoverable amount.

Impairment losses are recognised in the consolidated statement of comprehensive income as the separate line item "impairment losses".

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU's) fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for each cash–generating unit to which the asset belongs. The Group's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are independent from the cash inflows from other assets or groups of assets.

2. Summary of significant accounting policies (cont'd)

2.11 Impairment of non-financial assets (cont'd)

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

2.12 Inventory

Inventories are valued at the lower of cost and net realisable value. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost is determined on the following bases:

- Raw materials and consumables are valued at cost on a first-in, first-out (FIFO) basis; and
- Work in progress and finished goods is the cost of production, including the appropriate proportion of depreciation, labour and overheads based on normal operating capacity. The cost of work in progress and finished goods is based on the weighted average cost method.

Net realisable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

2.13 Employee benefits

The Group remits contributions to defined contribution pension plans on behalf of its employees. Contributions to be paid by the Group to pension fund are withheld from employees' salaries and are recognised as part of the salary expense in the consolidated statement of comprehensive income as incurred.

The Group's unfunded defined benefit plans are accounted in accordance with FRS 19 'Employee Benefits (Revised)', such that the plan liabilities are measured by actuarial valuations using the projected unit credit method.

The future benefits earned by employees are discounted to determine the present value. The discount rate is determined by the reference to the Kazakhstani Government bond rate. The 10 year government bond rate approximates to the average duration profile of the Group's benefit obligations. The calculation is performed by a qualified independent actuary.

Actuarial gains and losses arising from empirical adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise for defined benefit plans that are not considered to be other long-term employee benefits. In respect of other long-term employee benefit plans, namely the Group's disability benefits obligation, all actuarial gains and losses are recognised in the statement of comprehensive income in the period in which they arise.

The expenses in relation to all long-term employee benefits are charged to the consolidated statement of comprehensive income so as to match the cost of providing these benefits in the period of service of the employees.

2. Summary of significant accounting policies (cont'd)

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre–tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Site restoration costs

Site restoration provisions are made in respect of the estimated future costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted where material and the unwinding of the discount is included in finance costs. Over time, the discounted provision is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the mine to which it relates.

The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumptions will be recognised as additions or charges to the corresponding asset and provision when they occur. For permanently closed sites, changes to estimated costs are recognised immediately in the consolidated statement of comprehensive income.

(i) Other provisions

Other provisions are accounted for when the Group has a legal or constructive obligation for which it is probable there will be an outflow of resources, for which the amount can be reliably estimated.

2.15 Revenues

The Group's activities are related to the extraction and production of metals such as copper cathode, gold and silver. In addition, the Group renders services for the processing and transit of electricity. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its arrangements.

<u>Sales of goods and services</u>

Revenue from the sale of goods or services is recognised after (or in the course) the Group settled its performance obligation by transferring the goods or services to the customer. An asset is transferred when (or as) the customer takes control over the asset. Revenue from sale of products and rendering of services is estimated to reflect the recovery that the Group expects to receive in exchange for those goods or services, net of related sales taxes (VAT).

2. Summary of significant accounting policies (cont'd)

2.15 Revenues (cont'd)

Provisionally priced sales

Under contracts with customers for the sale of cathode copper, product prices are determined in advance and are not set until the final price based on the market price for a certain period is known. Revenue from sales in such cases is initially recognised on the basis of the relevant metal indices. An adjustment to such contracts between the final and preliminary price is recognised as other revenue (Note 6).

Significant financing component

In some cases, the Group receives advance payments from buyers in the case of cathode copper sales contracts and the delivery time of which, from the moment of conclusion of the contract or receipt of payment and delivery by metal supply, could potentially span across 2 years. There is a significant financing component for these contracts considering the length of time between the customers' payment and the transfer of the goods, as well as the prevailing interest rate in the market. The financial component of the transactions is computed and recognised separately using the interest rate included into the contract. This rate commensurates with the rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

2.16 Finance income

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues, calculated in accordance with the effective interest rate method.

2.17 Finance costs

Finance costs comprise interest on employee obligations, unwinding of discount on provisions and lease liabilities, interest expense on loans and foreign exchange losses.

2.18 Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

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

2. Summary of significant accounting policies (cont'd)

2.18 Income tax (cont'd)

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- Those arising on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither accounting profit nor taxable profit; and
- Investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.19 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

2. Summary of significant accounting policies (cont'd)

2.19 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Initial recognition and measurement (cont'd)

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under FRS 115.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

Financial assets at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Financial assets designated at fair value through OCI (equity instruments)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

2. Summary of significant accounting policies (cont'd)

2.19 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

Impairment of financial assets

The Group's approach to estimating expected credit losses based on the classification of financial assets is described below.

According to FRS 109, the Group estimates the provision for Expected Credit Loss ("ECL") on one of the following bases:

- 12-month ECLs: ECLs that result from default events that are possible within the 12-months after the reporting date; and
- Lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL is applied, if there have been significant increases in credit risk since initial recognition, and if there have not been significant increases in credit risk since initial recognition, 12-month ECL is applied. The Group may assume that the credit risk of a financial asset has not increased significantly, if the asset has a low credit risk at the reporting date. However, estimation of impairment allowance based on the life time of an asset is applied to trade receivable and contractual assets without a significant financing component.

Trade receivables

The estimated ECL were calculated based on the actual credit loss history for the last two years. As the Group used a two-year loss history to calculate the impairment allowance, the management concluded that the input data reflect current economic conditions and do not require further adjustments to macroeconomic indicators.

2. Summary of significant accounting policies (cont'd)

2.19 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets (cont'd)

Cash and cash equivalents and amounts due from banks and other credit institutions

As at 31 December 2019, the Group places funds with banks and financial institutions rated from AA to B- based on Standard and Poor's (S&P) ratings. The estimated impairment of cash and cash equivalents was calculated on the basis of expected losses for 12 months, as the credit risk was not significantly increased for all deposits with banks and credit institutions. Based on external credit ratings of counterparties, the Group believes that its cash and cash equivalents have a low credit risk.

To estimate the ECL, the Group calculated the probability of default based on standard matrices of S&P using a modified Vasicek model to include forecast information in ECL and to reflect differences between economic conditions during the period of historical data collection and current economic conditions.

Debt instruments at amortised cost

The Group uses an approach based on S&P matrices using a modified Vasicek model to include forecast information in ECL for those instruments that have an external rating of international rating agencies.

For unrated instruments, the Group uses an internal model based on the Moody's rating model. This model distributes rating on the basis of both quantitative and qualitative indicators, taking into account financial indicators and market position.

For long-term accounts receivable without international rating and without sufficient information to assign an internal rating to a counterparty, the Group uses ECL from short-term accounts receivable adjusted for the period of the estimated contract.

The Group considers financial instrument to have a default, if contractual cash flows are overdue for more than 360 days. Although in certain circumstances the Group may conclude that event of default has happened if internal or external information indicates that the it is unlikely that the Group receives the remaining contractual cash flows. Financial assets are written off if the Group does not have reasonable expectations with regards to recoverability of financial assets.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

2. Summary of significant accounting policies (cont'd)

2.19 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

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

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantees and other financial liabilities.

Subsequent measurement

Loans and borrowings and trade payables

This category is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings and trade accounts payable are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or cost that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement. This category generally applies to interest-bearing loans and borrowings. Further details are contained in Notes 26.

Payments for licences

In accordance with the terms of subsoil use contracts, provision is made for future licence payments when the Group has a present obligation to repay the costs of geological information provided for licensed deposits. The amounts payable are accounted for as part of the value of subsoil use contracts (licenses) and discounted to the present value.

Financial guarantees

The Group has financial guarantees issued to related parties. After initial recognition, the Group evaluates the financial guarantees at the higher of the provision for ECL determined in accordance with the impairment requirements of FRS 109 and the initially recognised amount less, where appropriate, cumulative amortisation recognised in accordance with the principles of FRS 115. Further details are contained in Note 26 (iii).

Derecognition

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

2. Summary of significant accounting policies (cont'd)

2.19 Financial instruments (cont'd)

(c) Offsetting of financial instruments

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

2.20 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non–controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non–controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition–related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of FRS 109 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2. Summary of significant accounting policies (cont'd)

2.21 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.22 Investment properties

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment.

Investment property of the Group includes land without specific purpose for use in the future.

2.23 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

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

Additional disclosures are provided in Note 27. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (cont'd)

2.25 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of The Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of The Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements are based on the management' best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements.

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes could differ from these estimates. The estimates and underlying assumptions applied are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Judgements made in applying accounting policies

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets

The management reviews the carrying value of the Group's assets to determine whether there are any indicators of impairment such that the carrying values of the assets may not be recoverable.

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

Impairment of non-financial assets (cont'd)

As at 31 December 2019, the Group's management decided to perform impairment test because of the presence of impairment indicators such as gradual maturity of the mines, increased capital expenditure and cost of production, and estimated the recoverable amount of its non-current assets. The Group split all items of property, plant and equipment and mining assets into Balkhash CGU and Zhezkazgan CGU, Zhezkazgan Distribution Electric Grid Company JSC (ZHREK JSC), Kazakhmys Energy, Gres Topar, Kazakhmys Distribution and Kazakhmys Coal, as the smallest identifiable groups of assets that generate cash inflows that are substantively independent from the cash inflows from other assets and the lowest level at which the management of the Group controls the recovery of the assets value.

The management estimated the recoverable amount of non-current assets as at 31 December 2019 based on the value in use determined as the amount of estimated discounted future cash flows that the Group expected to receive from their use. The main assumptions used by the management in determining value in use comprise:

	2020	2021	2022	2023
Copper cathodes sales volume (thousand tons)	215	227	234	232
Price US Dollar/ton (China)	5,775	5,904	6,027	6,155
Price US Dollar/ton (Russia)	5,894	6,026	6,152	6,282
Inflation	6%	6%	5%	5%

The forecast of sales volume was made based on the information for previous years and management expectations according to the Strategic Plan of the Group covering the periods from 2020 to 2040. The forecast period is limited to the estimated period of depletion of all copper reserves in 2050. Assumptions for 2040 were taken as the basis for calculation of cash flows from 2040 to 2050 taking into account adjustments for inflation.

Copper, silver and gold price forecasts are based on Bloomberg's expected market price in nominal terms. As forecasts of analysts are presented until 2023, forecast prices for copper, silver and gold, starting from 2024, were indexed to the US consumer price index until the end of the forecast period. Profitability of the Group's activities largely depends on the situation in the global metal markets. In this regard, any deviation from forecast prices may have a significant impact on cash flows and financial indicators, and as a consequence, the recoverable amount of the Group's non-current assets.

As the results, the Group assessed in case of increase / decrease in the selling price by 10%, the recoverable amount of non-current assets will increase by $391,160,986 / decrease by $341,326,959 for Balkhash CGU and will increase / decrease by $264,915,245 for Zhezkazgan CGU. In terms of change in Group's net operating profit after tax by 10%, the recoverable amount of non-current assets will increase/decrease by $110,718,258 for Balkhash CGU and by $122,273,933 for Zhezkazgan CGU.

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

Impairment of non-financial assets (cont'd)

Cash flows were discounted at an interest rate of 10.82% per annum for both Zhezkazgan CGU and Balkhash CGU. Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. In case of increase/decrease in the discount by 1%, the recoverable amount of non-current assets will decrease by $53,406,037 / increase by $59,597,026 for Balkhash CGU and will decrease by $35,086,497 / increase by $38,023,289 for Zhezkazgan CGU.

As a result of the testing, the Group reversed impairment of long-term assets (property, plant and equipment, mining assets and intangible assets) in the amount of $69,675,039 (2018: impairment charge for amount of $213,258,000).

Determination of ore reserves and useful lives of property, plant and equipment

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's mining properties. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

The Group estimates its ore reserves and mineral resources based on information compiled by State Reserves Committee of the Republic of Kazakhstan for the protection of reserves. A review of the Group's reserves and resources is undertaken on a regular basis with the approval by state authorities of the Republic of Kazakhstan.

In assessing the life of a mine for accounting purposes, mineral reserves are only taken into account where there is a high degree of confidence of economic extraction. Since the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation, depletion and amortisation charged in the statement of comprehensive income may change where such charges are determined by the unit of production basis, or where the useful economic lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in reserves being revised.

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

Determination of ore reserves and useful lives of property, plant and equipment (cont'd)

For property, plant and equipment depreciated on a straight-line basis over its useful economic life, the appropriateness of the assets' useful economic life is reviewed at least annually and any changes could affect prospective depreciation rates and asset carrying values.

Employee benefits

The expected costs of providing long-term employee benefits under defined benefit arrangements relating to employee service during the period are determined based on financial and actuarial assumptions. Assumptions in respect of the expected costs are set in consultation with an independent actuary.

In accordance with the legislation, the benefits payable are calculated on the basis of average salaries of employees currently in service. Other key assumptions include the selection of discount and mortality rates. The discount rate used has been determined by the reference to Kazakhstani Government bond rate. The 10-year government bond rate approximates to the average duration profile of the Group's benefit obligations. Mortality rates are based on the official mortality table of Kazakhstan published by the Government.

The management believes the assumptions used are appropriate, a change in the assumptions used would impact the employee benefit obligation recognised in the consolidated statement of financial position and hence the financial performance of the Group.

Income taxes

In determining the level of accruals and provisions to be recognised in respect of any potential exposures for various tax liabilities, the management makes estimates in relation to the level of taxes payable, particularly in relation to transfer pricing, non-deductible items and outcomes of tax disputes. Calculation and payment of tax obligations may be audited by the tax authorities at a future date which may also impact the level of accruals and provisions recognised.

Estimating variable consideration for sale of copper cathode

In estimating the variable consideration for the sale of copper cathodes and other precious metals, the Group uses the provisional pricing features which are considered to be embedded derivatives. fair value is based on the most recently estimated forward price that the entity expects to receive during the quotation period (QP). The initial estimate of the fair value of the embedded derivative and subsequent changes in fair value over the QP, are also estimated by reference to market prices. The subsequent changes in fair value are recognised in the statement of profit or loss and other comprehensive income each period until final settlement and presented as other revenue.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, historical default rates are updated.

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

Provision for expected credit losses of trade receivables (cont'd)

The assessment of the correlation between historical observed default rates and ECLs is a significant estimate. The Group's historical credit loss experience may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 8(a), 15 and 18.

4. Group information

As at 31 December 2019 and 2018, the following subsidiaries were included in the consolidated financial statements of the Group:

Name	Principal activities	Country of incorporation	Share 2019	Share 2018
Kazakhmys Limited (UK)	Investment holding	United Kingdom	100%	100%
Valion Investment Ltd	The aircraft holder	British Virgin Islands	100%	-
Kazakhmys Holding Group B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Management B.V.	Investment holding	Netherlands	100%	100%
KCC B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Power Projects B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Smelting B.V.	Investment holding	Netherlands	100%	100%
Financial Services B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Maintenance Services B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Construction B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Exploration B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Satpayev B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Resources B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Corporation Finance Ltd	Financing activities	United Kingdom	100%	100%
Kazakhmys Smelting Finance Ltd	Financing activities	United Kingdom	100%	100%
Kazakhmys Copper JSC	Investment holding	Kazakhstan	100%	100%
Kazakhmys Corporation LLP	Production of copper concentrate	Kazakhstan	99.90%	99.90%
Kazakhmys Smelting LLP	Copper smelting	Kazakhstan	100%	100%
MMC KazakhAltyn JSC	Production of gold containing raw materials	Kazakhstan	25%	25%
Maker LLP	Construction and maintenance	Kazakhstan	100%	100%
Kazakhmys Maker LLP	Other services	Kazakhstan	-	100%
Kramz LLP	Other services	Kazakhstan	[illegible]	100%
Kazakhmys Distribution LLP	Heat distribution	Kazakhstan	100%	100%
Kazakhmys Coal LLP	Production of coal	Kazakhstan	100%	100%
Kazakhmys Drilling LLP	Geological works	Kazakhstan	100%	100%
Kazakhmys Satpayev LLP	Geological works	Kazakhstan	100%	100%
Kazakhmys Holding LLP	Management services	Kazakhstan	100%	100%
Kazakhmys Energy LLP	Power generation	Kazakhstan	100%	100%
GRES Topar LLP	Power generation	Kazakhstan	100%	100%
Kazakhmys Maintenance Services LLP	Repair services	Kazakhstan	100%	100%
Kazakhmys Building Project LLP	Construction	Kazakhstan	100%	100%
Dank LLP	Sale of concentrate	Kazakhstan	100%	100%
Aidarly Project LLP	Exploration project	Kazakhstan	68.9%	65%
Anisimov Project LLP	Exploration project	Kazakhstan	100%	100%
Anisimov Kluch LLP	Exploration project	Kazakhstan	90%	90%
Sayk–4 project LLP	Exploration project	Kazakhstan	100%	100%
Zhanashyr Project LLP	Exploration project	Kazakhstan	100%	100%
Zhezkazgan REK JSC	Electricity distribution	Kazakhstan	90%	90%

4. Group information (cont'd)

Name	Principal activities	Country of incorporation	Share 2019	Share 2018
Zhezkazgan Air JSC	Airline	Kazakhstan	99.47%	99.47%
Medical Center Zhezkazgan LLP	Medical services	Kazakhstan	100%	100%
Polytechnic college of Kazakhmys	Education	Kazakhstan	100%	100%
Technological college of Kazakhmys	Education	Kazakhstan	100%	100%
Ulytau Specialized Enterprise LLP	Other services	Kazakhstan	-	100%
SP KazBelaz LLP	Other services	Kazakhstan	51%	51%
Comlux Atlantic A.V.V	Airline	Aruba	100%	100%
Avariyno–spasatelnaya sluzhba Seriktes LLP	Security services	Kazakhstan	100%	100%
FZE.KZ LLP	Rental of property	Kazakhstan	100%	100%
Kazakhstanskaya Innovacionnaya Metallurgiya LLP	Other services	Kazakhstan	100%	100%
Kazakhmys Development LLP	Other services	Kazakhstan	100%	100%
GRP–Kazakhmys GmbH	Import & export of equipment	Germany	51%	51%
Gemstone LLP	Mine Exploration	Kazakhstan	100%	100%
Zhambylmys LLP	Mine Exploration	Kazakhstan	100%	100%
Itauyz LLP	Mine Exploration	Kazakhstan	75%	75%
Tamdy-Sainbulak LLP	Mine Exploration	Kazakhstan	75%	75%
Dusembai Project LLP	Mine Exploration	Kazakhstan	75%	75%
Ozernoe LLP	Mine Exploration	Kazakhstan	75%	75%
Altynkazgan LLP	Mine Exploration	Kazakhstan	75%	75%
Idygei LLP	Mine Exploration	Kazakhstan	75%	75%
Arka Cuprum Projec LLP (Kaskyrmys Project LLP)	Mine Exploration	Kazakhstan	100%	100%
Benkala Cuprum Project LLP	Mine Exploration	Kazakhstan	75%	75%
Kazakhmys Barlau LLP	Mine Exploration	Kazakhstan	100%	100%
Gorservice KZ LLP	Business Management consultation	Kazakhstan	99.9%	99.9%
Ulytaunan LLP	Bakery and flour confectionery	Kazakhstan	100%	–
SN Mining LLP	Mine Exploration	Kazakhstan	100%	0%
BM Mining LLP	Mine Exploration	Kazakhstan	100%	0%
Green Plaza LLP	Water supply & sewerage	Kazakhstan	100%	100%
Kaz Green Energy LLP	Green energy	Kazakhstan	70%	100%
Kaz Chemicals LLP	Fertilization	Kazakhstan	80%	80%
Kaz Chemicals Trading House LLP	Trading activities	Kazakhstan	100%	-
Agro Lab LLP	Technical tests and soil analysis	Kazakhstan	80%	-

Changes during 2019

On 23 December 2019, Kazakhmys Limited acquired 100% of shares in Valion Investment Ltd ("Valion") from Cerano Holdings Ltd for the amount of $32,000,000, where $10,000,000 was paid on 30 December 2019 and the remaining balance due is shown within accounts payable (Note 24).

As of 1 June 2019, Gorservice KZ LLP acquired 100% of shares in Ulytaunan LLP ("Ulytaunan") for $3,000,000 for cash. Also, in October of 2019, the charter capital of Ulytaunan was increased by $950,000 (KZT 363,000,000).

On 20 June 2019, the Group made a decision to liquidate Ulytau Specialized Enterprise LLP.

4. Group information (cont'd)

Changes during 2019 (cont'd)

The fair value of the net identifiable assets of Ulytaunan as at the date of acquisition was:

	1 June 2019
	$000
Assets	5,269
Liabilities	(6,145)
Goodwill arising on acquisition	3,877
Purchase consideration transferred	**3,001**

As of 31 December 2019, the goodwill was fully impaired and the Group's goodwill balance is nil.

Changes during 2018

On 24 April 2018, Financial Services B.V. made a buyback of 75% of shares from FALCON NR&I FUND SICAV P.L.C. As a result, KCC B.V. that previously owned 25% in Financial Services B.V., became a sole shareholder of Financial Services B.V.

At the Group level this operation, in substance, represented an exchange transaction based on which KCC B.V. gave up 25% share in Financial Services B.V. in return for 100% share in Financial Services B.V., its financial assets and financial liabilities and 25% investment in associate MMC KazakhAltyn JSC. This transaction was accounted at fair value.

Carrying amount of investment in associate, Financial Services B.V., before the operation was zero and the Group recognised gain on disposal of an associate (Note 9), recognised financial assets and financial liabilities at fair value and investment in MMC KazakhAltyn JSC.

Prior to the exchange transaction the Group had cumulative unrecognised accumulated losses in amount of $55,781,000 related to Financial Services B.V.

In November 2018, the Ministry of Justice of the Republic of Kazakhstan officially signed an order to terminate the activities of Kazakhmys Extraction LLP.

5. Investment in associate

In 2018, the Group acquired a 25% share in MMC KazakhAltyn JSC via an exchange transaction on which KCC B.V. gave up 25% share in Financial Services B.V. in return for 100% share in Financial Services B.V., its financial assets and financial liabilities and 25% investment in associate MMC KazakhAltyn JSC. This transaction was accounted at fair of $152,495,000.

5. Investment in associate (cont'd)

The Group's interest in MMC KazakhAltyn JSC. is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in MMC KazakhAltyn JSC:

	2019	2018
	$000	$000
Current assets	159,759	133,295
Non-current assets	300,246	228,056
Current liabilities	(85,051)	(107,933)
Non-current liabilities	(254,490)	(196,068)
Equity	120,464	57,350
Revenue	297,520	221,533
Cost of sales	(139,342)	(130,014)
Administrative expenses	(26,720)	(13,743)
Selling expenses	(3,983)	(827)
Other operating income	809	799
Other operating expenses	(4,718)	(2,305)
Impairment losses	(1,765)	16,522
Foreign exchange loss	308	(11,378)
Finance income	487	9,355
Finance costs	(43,430)	(23,129)
Income before tax	79,166	66,813
Income tax expense	**(7,838)**	**(206)**
Net income and total comprehensive income for the year	**71,328**	**66,607**
Group's share of profit for the year	**17,832**	**16,652**

The movement of the balance of investment in associate for the year ended 31 December 2019 and 2018 was as follows:

	2019	2018
	$ 000	$ 000
Fair value of investment as at 1 January/date of acquisition	**29,737**	**152,495**
Share of profit in associate	17,832	16,652
Impairment reversal / (charge)	11,706	(128,366)
Exchange adjustment	365	(11,044)
Carrying amount as at 31 December	**59,640**	**29,737**
Recognised share of profit of an associate	17,832	16,652
Cumulative recognised share of profit of the associate	**34,484**	**16,652**

At initial recognition of investment in associate, the Group recognised it in the in amount of $143,766,000. As at 31 December 2018 the investment was impaired in amount $128,366,000. During 2019, The Group reversed some part of previously recognised impairment for the amount of $11,705,030 in profit or loss.

6. Revenue

	2019	2018
	$ 000	$ 000
Revenue	**1,955,883**	**2,091,271**
Add: Impact of provisional priced contracts	3,011	15,549
Revenue from contracts with customers	**1,958,894**	**2,106,820**

Disaggregation of revenue

	2019	2018
	$ 000	$ 000
<u>Revenue by products</u>		
Copper cathodes	1,358,871	1,457,880
Gold	206,376	250,965
Silver	111,505	127,652
Processing	90,459	72,615
Copper rods	34,834	35,845
Other revenue	156,849	161,863
Total revenue	**1,958,894**	**2,106,820**

	2019	2018
	$ 000	$ 000
<u>Revenues by timing of transfer of good or service</u>		
At a point in time	1,868,435	2,034,205
Over time	90,459	72,615
Total revenue	**1,958,894**	**2,106,820**
<u>Revenue by geographical location</u>		
UAE (Dubai)	1,470,360	1,561,057
CIS	488,116	545,717
Europe	418	46
Total revenue	**1,958,894**	**2,106,820**

6. Revenue (cont'd)

Disaggregation of revenue (cont'd)

Pre-export financing from Advaita Trade DMCC

In June 2019, Kazakhmys Group, as the Producer and Guarantor, and Advaita Trade DMCC ("Buyer") as the Borrower and Buyer of the copper cathodes, signed a trilateral loan agreement with the international alliance Credit Suisse AG and Societe Generale to obtain pre-financing amounting to $225,000,000 at an interest rate of 1 month LIBOR + 2.55% p.a ("Trilateral agreement). The parties to this Agreement have the opportunity to further increase the limits of funding to the amount of $500,000,000. As part of the advance payment received from the Buyer, the Group signed a separate copper offtake agreement with the Buyer, where the terms of delivery would be monthly deliveries from 1 June 2019 to 31 December 2022. The transaction price also included a financing component calculated at a rate of 7%. This rate approximates market interest rate that would be applied for a separate financing operation between financial institutions and the Buyer at the time of conclusion of the contract.

As part of this advance payment, the Group had in 2019, supplied the Buyer with copper cathodes amounting to $14,383,000 and recognised the interest expense on financing component of $1,543,605 (Note 9).

On 11 December 2019, the Group repaid in cash the outstanding advance payment received amounting to $210,000,000. The repayment was financed through additional loan obtained from Halyk Bank JSC in US Dollars (Note 26). Consequently, the buyer repaid the loan to Credit Suisse AG on 13 December 2019. This repayment was made with the aim of early termination of the Buyer's loan agreement and modification of the copper offtake agreement.

Under the trilateral loan agreement, the Group recognised a guarantee of $7,564,000 as part of the initial advances received, which was amortised by $2,494,319 in 2019. On 13 December, the Group reversed the non-amortised part of the guarantee in the amount of $5,069,681, as the loan amount was fully repaid on 13 December 2019 due to the early termination of the loan agreement (Note 9).

7. Cost of sales, administrative expenses and other operating income/expenses

The following tables analyse the major components of cost of sales, administrative expenses and other operating income/expenses:

(i) Cost of sales

	2019	2018
	$ 000	$ 000
Raw materials	329,417	371,724
Employee salaries and payroll taxes	255,259	266,270
Production overheads	253,211	269,393
Depreciation, depletion and amortisation	116,705	73,850
Mineral extraction tax	79,688	49,331
Insurance	39,306	–
Other taxes	35,720	22,178
Utilities	19,735	68,806
Change in work-in-progress and finished goods	(29,895)	(31,136)
Total cost of sales	**1,099,146**	**1,090,416**

7. Cost of sales, administrative expenses and other operating income/expenses (cont'd)

(ii) Administrative expenses

	2019	2018
	$ 000	$ 000
Employee salaries and payroll taxes	169,658	155,853
Personal injury claims and payments for sick leaves	103,625	42,314
Social responsibility costs	63,985	144,136
Legal and professional	41,077	52,615
Transportation	29,895	35,401
Levies and charges	7,470	16,466
Medical and social support	6,903	7,662
Depreciation and amortisation	4,895	11,882
Utilities	4,498	6,986
Suppliers	4,231	3,693
Business travel	4,119	3,838
Social contributions	3,740	3,757
Bank fees	1,781	838
Communication service	1,045	969
Other	34,369	15,619
Total administrative expenses	**481,291**	**502,029**

Expenses on personal injury claims include actuarial losses recognized in amount of $100,366 (Note 22) and payments for sick leaves in amount of $3,259.

(iii) Other operating income

	2019	2018
	$ 000	$ 000
Lease income	8,870	10,980
Derecognition of social liabilities	3,516	1,050
Income from fines and penalty charges	2,962	8,259
Railway services	2,400	2,881
Gain on disposal of mining assets	2,157	–
Sanatorium, medical and canteen	1,805	264
Utilities	287	200
Supplies	–	2,237
Gain on disposal fixed assets	–	5,361
Other	4,225	9,215
Total other operating income	**26,222**	**40,447**

7. Cost of sales, administrative expenses and other operating income/expenses (cont'd)

(iv) Other operating expenses

	2019	2018
	$ 000	$ 000
Railway services	23,517	21,319
Loss on disposal of fixed assets	16,640	107
Depreciation of leased assets	4,414	743
Supplies	1,423	–
Sanatorium, medical and canteen	1,374	589
Utilities	865	873
Loss on disposal of mining assets	–	3,684
Other	19,422	14,622
Total other operating expenses	**67,655**	**41,937**

8. *Reversal of impairment / (impairment losses)*

(a) Impairment losses on financial assets include the following:

	Note	2019	2018
		$ 000	$ 000
Impairment charge on loans given	15	(10,682)	(15,680)
Impairment reversal / (charge) on financial assets		12,481	(14,396)
Impairment reversal / (charge) on cash and cash equivalents	20	118	(80)
Impairment (charge) / reversal on trade and other receivables	18	(2,988)	1,041
Impairment reversal / (charge) on long-term deposits	15	52	(41)
Other		–	(17)
Total impairment losses on financial assets		**(1,019)**	**(29,173)**

8. Reversal of impairment / (impairment losses) (cont'd)

(b) Reversal of impairment / (impairment losses) on non-financial assets include the following:

	Note	2019 $ 000	2018 $ 000
Impairment reversal / (charge) on property, plant, and equipment (i)	12	74,435	(210,007)
Impairment reversal on prepayments and other current assets	17	7,864	2,312
Impairment charge on inventories	16	(4,315)	(3,088)
Impairment reversal / (charge) on mining assets	13	24,047	(45,514)
Impairment charge on advances paid for non-current assets	14	(3,973)	(11,703)
Impairment reversal / (charge) on intangible assets	11	888	(3,770)
Impairment charge on investment property		(6,566)	–
Impairment charge on assets held for sale		(1,465)	–
Impairment charge on non-current investments		–	(1,723)
Impairment charge on goodwill	11	(3,872)	–
Impairment reversal / (charge) on investment in associate	5	11,706	(128,366)
Total impairment reversal / (losses) on non-financial assets		**98,749**	**(401,859)**

(i) Impairment charge on property, plant and equipment

In addition to the impairment described in Note 3.1, the Group reversed impairment in amount of $48,089,607 (2018: impairment charge of $47,877,338) in respect of property, plant and equipment that comprise impairment provision for certain production assets within the reporting year, mainly consisting of items identified as unused, suspended and damaged.

9. Finance income and finance costs

	2019 $ 000	2018 $ 000
Finance income		
Unwinding of discount on other financial assets carried at amortised cost	35,161	45,377
Gain on loan modification	16,739	–
Derecognition of financial guarantee	6,261	–
Amortisation of financial guarantee	2,494	8,868
Net foreign exchange gains	2,729	–
Interest income	2,048	1,923
Recognition of discount on borrowings	1,465	–
Gain on disposal of an associate	–	39,404
Others	1,338	1,170
Total finance income	**68,235**	**96,742**

	2019 $ 000	2018 $ 000
Finance costs		
Interest on employee benefits (Note 22)	26,179	27,922
Interest on borrowings	19,612	26,498
Unwinding of discount on provisions and payment for licenses	9,938	7,076
Loss on modification of the loan issued	7,997	–
Recognition of financial guarantee	7,556	–
Unwinding of discount on borrowings	5,477	–
Recognition of discount on other non-current assets	2,776	–
Unwinding of discount on guarantee	2,675	9,443
Interest expense on financing component	1,544	–
Lease interest	1,528	–
Net foreign exchange loss	–	61,832
Unwinding of discount on loans given	–	3,531
Recognition of discount on loans given	–	1,558
Others	8,342	4,619
Total finance costs	**93,624**	**142,479**

10. Income tax

(i) Income tax expenses

Income tax expenses shown in the consolidated statement of comprehensive income for the years ended 31 December 2019 and 2018 are presented as follows:

	Group	
	2019	2018
	$ 000	$ 000
Current income tax		
Current income taxation	76,017	85,122
Current income tax - prior periods	3,184	(2,692)
	79,201	**82,430**
Deferred income tax		
Deferred income tax - current period	(1,376)	1,818
	(1,376)	**1,818**
Total income tax expense	**77,825**	**84,248**
Income tax expense disclosed in the statement of comprehensive income	77,825	84,248

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense was as follows for the years ended 31 December:

	Group	
	2019	2018
	$ 000	$ 000
Profit / (loss) before tax	379,711	(5,385)
At Singapore's statutory income tax of 17%	64,551	(915)
Effect of higher tax rates in Kazakhstan (20%)	11,391	(162)
Over provision in respect of prior years	–	(2,692)
Adjustment in respect of current income tax of previous years	3,184	–
Unrecognised tax losses (Note 10 (iii))	9,045	18,421
Movement in unrecognised deferred tax assets	(9,631)	42,652
Non-deductible expenses for tax purposes:		
Sponsorship	14,122	22,792
Non-taxable (income)/non-deductible expenses	(14,837)	(1,239)
Other non-deductible expenses	–	5,391
Total	**77,825**	**84,248**

Corporate income tax ('CIT') is calculated at 17% (2018: 17%) of the taxable profit for the year for the Group. Legal entities in Kazakhstan calculate CIT at 20% (2018: 20%).

10. Income tax (cont'd)

(i) Income tax expenses (cont'd)

Non-deductible expenses

Included within non-deductible expenses are impairment charges and provisions recognised against various assets, social sphere, penalties, fines and other on-going business expenses within the Group.

(ii) Recognised deferred tax assets and liabilities

The amounts of deferred tax assets/(liabilities) provided in the consolidated financial statements are as follows:

	2019 $ 000	2018 $ 000
Employee benefits	92,465	71,864
Discount on receivable from shareholder	20,906	25,322
Taxes, other than income tax	6,822	10,871
Provisions	12,328	9,814
Tax losses	9,351	8,027
Trade and other payables	3,787	2,394
Trade and other receivables	6,266	4,955
Fixed assets	(56,995)	(41,198)
Restricted cash	(90)	(86)
	94,840	**91,963**

Fixed assets include intangible assets; property, plant and equipment; and mining assets.

The movement in the net deferred tax assets/(liabilities) is as follows:

	2019 $ 000	2018 $ 000
At beginning of the year	91,963	106,451
Recognised in profit or loss	1,376	(1,818)
Recognised in other comprehensive income	–	–
Exchange adjustment	1,501	(12,670)
	94,840	**91,963**
Deferred tax assets	103,592	97,257
Deferred tax liabilities	(8,752)	(5,294)
	94,840	**91,963**

10. Income tax (cont'd)

(iii) Unrecognised deferred tax assets

Unrecognised deferred tax assets comprised the following:

	2019		2018	
	Temporary difference	Deferred Tax	Temporary difference	Deferred Tax
	$ 000	$ 000	$ 000	$ 000
Tax losses	336,420	67,284	291,195	58,239

11. Intangible assets

	Licenses	Other	Goodwill	Total
	$ 000	$ 000	$ 000	$ 000
Cost				
At 1 January 2018	**26,335**	**12,484**	–	**38,819**
Additions	–	3,705	–	3,705
Disposals	(41)	(308)	–	(349)
Exchange adjustment	(3,770)	(2,031)	–	(5,801)
At 31 December 2018	**22,524**	**13,850**	–	**36,374**
Additions	350	15,342	3,877	19,569
Disposals	(170)	(559)	–	(729)
Reclassification from property, plant and equipment	–	859	–	859
Acquisition through business combinations	–	21	–	21
Exchange adjustment	180	179	14	373
At 31 December 2019	**22,884**	**29,692**	**3,891**	**56,467**
Amortisation and impairment				
At 1 January 2018	**1,971**	**3,809**	–	**5,780**
Amortisation charge	–	1,842	–	1,842
Disposals	–	(165)	–	(165)
Impairment	2,363	1,407	–	3,770
Exchange adjustment	(641)	(831)	–	(1,472)
At 31 December 2018	**3,693**	**6,062**	–	**9,755**
Amortisation charge	240	1,766	–	2,006
(Reversal)/accrual of impairment	(259)	(629)	3,872	2,984
Disposals	376	(42)	–	334
Exchange adjustment	32	55	19	106
At 31 December 2019	**4,082**	**7,212**	**3,891**	**15,185**
Net book value				
At 31 December 2019	**18,802**	**22,480**	–	**41,282**
At 31 December 2018	**18,831**	**7,788**	–	**26,619**

12. Property, plant and equipment

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
	$ 000	$ 000	$ 000	$ 000	$ 000
Cost					
At 31 December 2017	**269,022**	**462,393**	**142,936**	**145,941**	**1,020,292**
Additions	–	6,176	621	281,669	288,466
Transfers	53,903	183,975	21,766	(259,644)	–
Change in estimates (Note 23)	20,667	–	–	–	20,667
Disposals	(24,003)	(17,670)	(3,615)	(2,379)	(47,667)
Reclassification	(15,149)	–	–	–	(15,149)
Exchange adjustment	(41,517)	(80,155)	(21,226)	(21,446)	(164,344)
At 31 December 2018	**262,923**	**554,719**	**140,482**	**144,141**	**1,102,265**
Additions	697	26,563	4,033	266,506	297,799
Transfers	31,261	216,692	22,397	(270,350)	–
Disposals	(14,031)	(34,476)	(12,639)	(11,440)	(72,586)
Reclassification	(1,147)	6,914	(6,924)	(7,090)	(8,247)
Acquisitions through business combinations	2,194	1,854	468	–	4,516
Additions from acquisition of Valion Investment Ltd.	–	–	31,859	–	31,859
Change in estimates	9,087	–	–	–	9,087
Exchange adjustment	2,237	5,416	1,417	1,088	10,158
At 31 December 2019	**293,221**	**777,682**	**181,093**	**122,855**	**1,374,851**
Depreciation and impairment					
At 31 December 2017	**59,080**	**131,568**	**39,953**	**20,122**	**250,723**
Depreciation charge	13,867	56,215	15,288	–	85,370
Impairment (Note 8)	59,041	103,188	25,978	21,800	210,007
Disposals	–	(17,682)	(1,250)	–	(18,932)
Reclassification	(3,350)	–	–	–	(3,350)
Net exchange adjustment	(13,630)	(32,329)	(9,506)	(3,860)	(59,325)
At 31 December 2018	**115,008**	**240,960**	**70,463**	**38,062**	**464,493**
Depreciation charge	15,478	91,794	15,739	–	123,011
Reversal of impairment (Note 8)	(14,007)	(47,306)	(9,745)	(3,377)	(74,435)
Disposals	(4,827)	(24,256)	(9,653)	–	(38,736)
Reclassification	319	(2,173)	(1,881)	–	(3,735)
Net exchange adjustment	900	12,026	584	(7,929)	5,581
At 31 December 2019	**112,871**	**271,045**	**65,507**	**26,756**	**476,179**
Net book value					
At 31 December 2019	**180,350**	**506,637**	**115,586**	**96,099**	**898,672**
At 31 December 2018	**147,915**	**313,759**	**70,019**	**106,079**	**637,772**

12. Property, plant and equipment (cont'd)

As of 30 December 2019, the Group acquired 100% of Valion Investment Ltd. as a result of which the balance of $31,859,000 was transferred to the Group's property, plant and equipment on the acquisition date (Note 4).

In December 2019, the Group acquired 100% of Ulytaunan LLP (Note 4), as the result of which, the acquisitions through business combinations equalled to $4,516,000, which was then impaired by 31 December 2019 for the amount of $4,494,672.

As of 31 December 2019, the Group's property, plant and equipment include machinery and equipment that contains right-of-use assets for the amount of $32,072,446 regarding historical cost and $7,559,062 related to accumulated depreciation.

Depreciation charge for property, plant and equipment is allocated as the following:

	2019 $ 000	2018 $ 000
Cost of sales	104,578	65,408
Administrative expenses	2,889	10,194
Other operating expenses	4,414	743
Selling and distribution expenses	1,374	1,291
Capitalized depreciation	9,756	7,734
	123,011	**85,370**

Write-off of previously impaired property, plant and equipment is not reflected in the statement of comprehensive income.

(a) *Investment property*

In 2018, the Group purchased a plot of land for $16,884,000. As at 31 December 2019, the Group's management has not determined the use of the property. The carrying amount of investment property includes a provision for impairment of $9,050,069 (2018: $2,817,000).

(b) *Fully depreciated assets*

At 31 December 2019, the cost of fully depreciated property, plant and equipment in use was $152,733,000 (2018: $56,596,000).

13. Mining assets

	Mine development costs	Mine exploration costs	Mine stripping costs	Construction in progress	Total
	$ 000	$ 000	$ 000	$ 000	$ 000
Cost					
At 1 January 2018	**226,564**	**3,166**	**30,897**	**23,332**	**283,959**
Additions	2,095	5,384	17,632	45,195	70,306
Transfers	48,882	–	–	(48,882)	–
Change in estimates	21,717	–	4,258	–	25,975
Reclassification	–	–	528	–	528
Capitalized depreciation	–	–	6	1,230	1,236
Disposals	(46)	–	(4,923)	–	(4,969)
Exchange adjustment	(38,056)	(981)	(6,029)	(2,871)	(47,937)
At 31 December 2018	**261,156**	**7,569**	**42,369**	**18,004**	**329,098**
Additions	24,839	8,136	17,698	25,066	75,739
Transfers	9,152	1,465	(13,271)	2,654	–
Change in estimates	12,863	–	507	–	13,370
Reclassification from property, plant and equipment	7,365	(1,105)	–	(1,220)	5,040
Capitalized depreciation	24	110	(24)	–	110
Disposals	(19,333)	138	616	(3,395)	(21,974)
Exchange adjustment	2,224	102	360	244	2,930
At 31 December 2019	**298,290**	**16,415**	**48,255**	**41,353**	**404,313**
Depletion and impairment					
At 1 January 2018	**40,547**	**1,748**	**13,503**	**4,408**	**60,206**
Depletion	6,646	–	1,796	–	8,442
Impairment charge (Note 8)	36,213	(1,677)	7,555	3,423	45,514
Reclassification	(3)	–	–	–	(3)
Disposals	(23)	–	–	–	(23)
Exchange adjustment	(9,877)	689	(2,783)	(946)	(12,917)
At 31 December 2018	**73,503**	**760**	**20,071**	**6,885**	**101,219**
Depletion	6,877	–	5,250	–	12,127
Reversal of impairment (Note 8)	(17,779)	(324)	(4,213)	(1,731)	(24,047)
Reclassification	4,529	(10)	(8,556)	4,558	521
Disposals	(14,344)	945	3,009	(340)	(10,730)
Exchange adjustment	(223)	9	138	647	571
At 31 December 2019	**52,563**	**1,380**	**15,699**	**10,019**	**79,661**
Net book value					
At 31 December 2019	**245,727**	**15,035**	**32,556**	**31,334**	**324,652**
At 31 December 2018	**187,653**	**6,809**	**22,298**	**11,119**	**227,879**

14. Other non-current assets

	2019	2018
	$ 000	**$ 000**
Advances paid for property, plant and equipment	65,528	42,259
Other	10,472	1,624
	76,000	**43,883**
Provision for impairment of non-current assets	(23,335)	(19,211)
Total	**52,665**	**24,672**

Changes in provision for impairment of non-current assets are as follows:

	2019	2018
	$ 000	**$ 000**
Provision at the beginning of the reporting period	19,211	8,756
Reclassification	–	1,268
Charge for the year (Note 8)	3,973	11,703
Exchange adjustment	151	(2,516)
At 31 December	**23,335**	**19,211**

15. Other financial assets

	2019	2018
	$ 000	**$ 000**
Financial assets measured at fair value through other comprehensive income:		
– Non-listed equity investments (unquoted) (a)	3,002	1,871
	3,002	**1,871**
Financial assets measured at amortised cost:		
– Loans given to shareholder (b)	192,880	178,535
– Loans given to third parties (c)	26,303	32,712
– Long-term deposits (a)	10,061	8,602
– Others (d)	32,847	27,101
	262,091	**246,950**
Current	129,613	93,839
Non-current	135,480	154,982
Total	**265,093**	**248,821**

15. Other financial assets (cont'd)

Investments in equity instruments designated at fair value through other comprehensive income

The fair value of each of the investments in equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows:

	Share	2019	2018
		$ 000	$ 000
At fair value through other comprehensive income:			
– Non-listed equity investments (unquoted)			
Insurance Company Kazakhmys JSC	10%	1,115	1,409
Kazenergocabel JSC	8%	401	462
KM Life JSC	10%	1,486	–
		3,002	**1,871**

The Group has elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

(a) Non-listed equity investments and long-term deposits

	Non-listed equity investments	Long-term deposits	Total
	$ 000	$ 000	$ 000
Cost			
At 1 January 2018	**1,739**	**8,979**	**10,718**
Additions	–	4,668	4,668
Disposals	–	(4,163)	(4,163)
Exchange adjustment	132	(410)	(278)
At 31 December 2018	**1,871**	**9,074**	**10,945**
Provision for impairment of long-term deposits	–	(472)	(472)
At 1 January 2019	**1,871**	**8,602**	**10,473**
Additions	1,371	1,386	2,757
Exchange adjustment	(240)	493	253
At 31 December 2019	**3,002**	**10,481**	**13,483**
Provision for impairment of long-term deposits	–	(420)	(420)
	3,002	**10,061**	**13,063**

15. Other financial assets (cont'd)

(a) Non-listed equity investments and long-term deposits (cont'd)

Long-term deposits

In accordance with the site restoration obligations of the Group, the Group is obliged to make contributions to the special bank accounts with restricted cash classified as non-current deposits. Average interest rate on non-current deposits is 5% per annum. Interest income is recognised in the consolidated statement of comprehensive income.

(b) Loans given to shareholder

On 15 November 2017, the Group concluded agreement with ultimate controlling shareholder, Mr. Vladimir Kim, on the purchase of 100% ownership rights in the Group's subsidiary KCC Finance LLP for $490,798,000 (equivalent to KZT 160 billion) with a deferred payment according to the schedule till 31 December 2025. More details are presented in Note 27.

As at the date of the transaction, net assets of the subsidiaries were represented by cash and cash equivalents of $204,819,000 (equivalent to KZT 68 billion) and receivables of $282,209,000 (equivalent to KZT 92 billion).

The Group has presented this sale in accordance with its substance, as an interest-free loan given to the shareholder. Cash flows expected from the sale were discounted at the market rate of 16.1% and was recognised in equity.

No repayment of debt was received from the shareholder in 2019 (2018: an amount of $92,750,000, equivalent to KZT 32 billion, was repaid) and the Group accrued allowance for expected credit losses on this loan in the amount of $10,107,870 (2018: $12,114,000).

As a result of the delay in repaying overdue payments, a modification of the loan issued in the amount of $7,997,493 was recognised (2018: gain from modification for the amount of $4,426,910) in Note 9.

(c) Loans given to an associate and third parties

In 2018, loans given to third parties represented the loans given by Financial Services B.V. to MMC KazakhAltyn JSC, Sunailot Investments B.V., VNSV Finance Ltd., bear contractual interest of 1.00%-9.18% p.a. and had an average tenure of 1.1 years. Sunailot Investments B.V, fully repaid its loan by the end of 2018. VNSV Finance Ltd fully repaid its loan of $16,745,505 in 2019.

In 2019, loans given to third parties consisted of separate KZT and USD loans to MMC Kazakhaltyn JSC.

The KZT loan has a principal amount of $3,125,000 (2018:$3,125,000) and matures on 31 December 2021. As at 31 December 2019, accrued interest of $201,961 (2018: $212,720) was recorded.

15. Financial assets (cont'd)

(c) Loans given to third parties (cont'd)

The USD loan has a principal amount of $1,052,792 and interest receivable amount of $27,521,101, matures 1 January 2025 and bears interest at 5% p.a. starting from 14 February 2019. This loan was provided to convert the previous KZT loan which had a principal amount of $27,007,619 and matured on 14 February 2019 and bore interest at 9.18% p.a. The accrued interest on this loan amounted to $204,700 (2018: $1,197,707).

As a result of this agreement, a gain on modification (discount) of $7,441,692 was recognized, of which the unwinding of the discount amounting to $1,687,311 was recognized in the profit or loss the year 2019. The interest accrued under old and new agreements in 2019 was $289,462 (2018: $81,892).

During 2019, Management accrued additional allowance for expected credit losses of $335,000 on these loans (2018: $3,581,000).

(d) Other financial assets

Other financial assets are mainly represented by long-term receivables. Cash flows were discounted at a market interest rate. The discount was recognised in profit and loss.

16. Inventories

	2019	2018
	$ 000	$ 000
Raw materials and consumables (at cost or NRV)	73,299	85,965
Work-in-progress (at cost or NRV)	249,648	186,458
Finished goods (at cost or NRV)	50,176	55,828
Inventory	373,123	328,251
Provision for obsolete inventories	(18,288)	(14,651)
	354,835	**313,600**

Change in work-in-progress and finished goods includes exchange adjustment in the amount of $27,643,000 (2018: $38,300,000).

Movement of inventory provision was as follows:

	2019	2018
	$ 000	$ 000
Provision at the beginning of the reporting period	14,651	26,281
Charge for the year (Note 8)	4,315	3,088
Write-off for the year	(810)	(12,096)
Exchange adjustment	132	(2,622)
	18,288	**14,651**

17. Prepayments and other current assets

	Group	
	2019	2018
	$ 000	$ 000
VAT reclaimable	72,339	68,596
Prepayments for goods and services	74,967	32,917
Prepayments to related parties	12,763	27,914
Other	47,208	33,970
Prepayments and other current assets	207,277	163,397
Provision for impairment	(4,181)	(13,543)
	203,096	**149,854**

Changes in provision for impairment of prepayments and other current assets are as follows:

	2019	2018
	$ 000	$ 000
Provision at the beginning of the reporting period	13,543	24,397
Reclassification	–	(1,266)
Reversal for the year (Note 8)	(7,864)	(2,312)
Write-off for the year	(1,562)	(4,846)
Exchange adjustment	64	(2,430)
Provision for impairment	**4,181**	**13,543**

18. Trade and other receivables

	Group	
	2019	2018
	$ 000	$ 000
Trade and other receivables at amortised cost:	**63,692**	**43,343**
Amounts due from third parties	36,169	34,221
Amounts due from related parties	27,523	9,122
Trade and other receivables at fair value:	**76,169**	**60,577**
Amounts due from third parties	76,169	60,577
Total trade receivables	**139,861**	**103,920**
Less: Provision for expected credit losses	(12,113)	(9,216)
	127,748	**94,704**

18. *Trade and other receivables (cont'd)*

Trade receivables are non–interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables based on lifetime ECL are as follows:

	2019 $ 000	2018 $ 000
Provision at the beginning of the reporting period	9,216	13,122
Re-measurement on initial adoption of FRS 109	–	3,082
Provision / (reversal) for the year	2,988	(1,041)
Write-off for the year	(66)	(4,769)
Exchange adjustment	(25)	(1,178)
Provision for expected credit losses at 31 December	**12,113**	**9,216**

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

	2019		2018	
	Gross value $ 000	Impairment $ 000	Gross value $ 000	Impairment $ 000
Not past due	4,476	(115)	10,627	(327)
Past due 0-90 days	30,117	(1,306)	13,920	(971)
Past due 91-180 days	17,989	(1,225)	10,033	(998)
Past due 181-270 days	2,636	(1,056)	676	(676)
Past due more than 270 days	8,474	(8,411)	8,087	(6,244)
	63,692	**(12,113)**	**43,343**	**(9,216)**

19. Bank deposits

Bank deposits are denominated in KZT and USD with initial terms of maturities more than three months that are invested with major Kazakhstan banks and local branches of international financial institutions. Bank deposits bear interest from 4.5% to 5.0% (2018: 4.5% to 5.0%) per annum.

20. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	$ 000	$ 000	$ 000	$ 000
Cash at bank	13,807	98,472	1	20
Petty cash	18	29	–	–
	13,825	**98,501**	**1**	**20**
Provision of cash and cash equivalents	(18)	(136)	–	–
	13,807	**98,365**	**1**	**20**

Cash at bank principally earns interest based on daily bank deposit rates. Provision of cash and cash equivalents includes expected credit losses recognised upon initial adoption of FRS 109 as at 1 January 2018. During 2019, $118,000 of provision was reversed through profit or loss.

21. Equity

(a) Share capital

	Group and Company			
	2019	2018	2019	2018
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares				
At 1 January	100	100	100	100
Issuance of new shares	–	–	–	–
At 31 December	**100**	**100**	**100**	**100**

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

21. Equity (cont'd)

(b) Non-controlling interests

Contribution to charter capital

During the financial year ended 31 December 2018, contribution of $949,000 from non-controlling interest mainly relates to a portion of additional cash contribution into subsidiaries Aidarly Project LLP ($801,000), Anisimov Kluch LLP ($147,000), Gemstone LLP ($1,000) by non-controlling shareholder, holding 34.9%, 49%, 0.1% interest respectively.

22. Employee benefits

The Group provides post-retirement benefits in Kazakhstan which are unfunded. These benefits include one-time retirement grants, financial aid, dental care, medical benefits, long-term disability allowances, sanatorium visits, annual financial support to pensioners, free tickets for city buses, privilege tickets for shuttle buses and funeral aid.

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2019	2018
	$ 000	**$ 000**
Employer's share of current service cost	951	885
Employer's share of past service cost	4,521	1,790
Net actuarial losses recognised	94,894	35,607
Interest cost on benefit obligation	26,179	27,922
	126,545	**66,204**

In accordance with Kazakhstan law, the Group obtained insurance cover for the disability payments to employees from February 2005. These disability payments that were covered by insurance contracts were accounted for under FRS 119 Employee benefits' as an insured benefit, with no asset or liability being recognised in the Group's consolidated financial statements.

The expense is recognised in the following line items of the statement of comprehensive income:

	2019	2018
	$ 000	**$ 000**
Administrative expenses	100,366	38,282
Finance costs (Note 9)	26,179	27,922
	126,545	**66,204**

22. Employee benefits (cont'd)

The movement in the defined benefit obligation is as follows:

	2019		2018	
	Post-employment	Other	Post-employment	Other
	$ 000	$ 000	$ 000	$ 000
Opening balance	21,892	338,429	15,611	362,770
Current service cost	898	53	667	218
Employer's share of current past cost	2,774	1,747	1,790	–
Net actuarial loss in profit or loss	–	95,150	6,768	28,891
Net actuarial loss/(gain) in other comprehensive income	4,032	–	2,622	–
Interest cost on benefit obligation	1,588	24,683	1,187	26,851
Benefits provided to employees	(3,338)	(27,597)	(3,684)	(28,520)
Exchange adjustment	200	3,101	(3,069)	(51,781)
	28,046	**435,566**	**21,892**	**338,429**

The movement in the plan asset is as follows:

	2019		2018	
	Post-employment	Other	Post-employment	Other
	$ 000	$ 000	$ 000	$ 000
Opening balance	614	678	872	708
Interest income	42	50	61	55
Contributions to plan assets	3,179	27,485	2,504	29,283
Benefits paid	(3,294)	(27,542)	(2,622)	(29,317)
Actuarial gain	76	180	–	52
Actuarial losses, recognised in other comprehensive income	–	–	(504)	–
Exchange adjustment	6	4	303	(103)
	623	**855**	**614**	**678**

22. Employee benefits (cont'd)

The expected settlement of the defined benefit obligation is as follows:

	2019	2018
	$ 000	$ 000
Defined benefit obligation	463,612	360,321
Less: fair value of plan assets	(1,478)	(1,292)
Net liability at 31 December	**462,134**	**359,029**
Current	30,692	28,295
Non-current	431,442	330,734
Net liability at 31 December	**462,134**	**359,029**

The principal actuarial assumptions used in determining the defined benefit obligation are as follows:

	2019	2018
Discount rate	5.74%	7.6%
Medical and other related cost increases	5.5%	5.4%
Possibility of dismissal	0.5-16.9%	0.5-18.7%
Future salary increase	5.5%	5.4%

In addition, mortality rates were determined with reference to the statistical mortality table of the population of Kazakhstan published by the Government as of 2016 with an adjustment of 93% (adjusted for disability for disabled people). Staff turnover was determined based on actual historical data taking into account age and gender.

23. Provisions

	Site restoration	Other	Total
	$ 000	$ 000	$ 000
At 1 January 2018	**75,906**	**47,281**	**123,187**
Accrual / (reversal)	601	(12,183)	(11,582)
Unwinding of discount	4,380	–	4,380
Change in estimates	46,642	–	46,642
Exchange adjustment	(15,543)	(5,129)	(20,672)
At 31 December 2018	**111,986**	**29,969**	**141,955**
Reversal	–	(5,109)	(5,109)
Unwinding of discount	7,501	–	7,501
Change in estimates	23,042	–	23,042
Exchange adjustment	931	220	1,151
At 31 December 2019	**143,460**	**25,080**	**168,540**
Current	–	29,969	29,969
Non-current	111,986	–	111,986
At 31 December 2018	**111,986**	**29,969**	**141,955**
Current	–	25,075	25,075
Non-current	143,460	5	143,465
At 31 December 2019	**143,460**	**25,080**	**168,540**

(i) Site restoration

The costs of decommissioning and restoration are based on the requirements of the Group's contracts for subsoil use. The provision represents the discounted values of the estimated costs to decommission and reclaim the mines at the dates of depletion of each of the deposits. The present value has been calculated using a discount rate of 5.75-7.17% per annum (2018: 7.61-8.71%). The liability becomes payable at the end of the useful life of each mine, which ranges from 1 to 38 years. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, and the levels of discount and inflation rates.

(ii) Other

In 2018, the Group recognised a provision within the probable debt to the government outstanding at the time of issue of the financial statements for the year ended 2018 in the amount of $29,969,000 and reversed the previously accrued provision in the amount of $15,713,000 due to the completion of inspections by public authorities for prior periods. During 2019, the Group reversed $5,108,785 (KZT 1,956 million).

24. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	$ 000	$ 000	$ 000	$ 000
Trade payables	219,374	182,483	–	10
Salaries and related payables	47,878	38,873	–	–
Amounts payable to related parties	23,608	5,445	23	11
Other payables and accrued expenses	4,344	5,506	79	44
	295,204	**232,307**	**102**	**65**

Trade accounts payable are non–interest bearing and are normally settled on 30 to 40 days term after recognition, mainly nominated in Kazakhstani Tenge. Other taxes payable principally comprise payroll taxes and environmental fund payments remitted to the appropriate tax authority on a monthly basis. Other payables are non-interest bearing and have an average term of 30 days.

Trade payables include $22,000,000 from Kazakhmys Limited (UK) to Cerano Holding Ltd for the acquisition of Valion Investment Ltd (Note 4).

25. Other non-financial liabilities

	Group	
	2019	2018
	$ 000	$ 000
Contract liabilities due to third parties	104,166	6,314
Other taxes payable	27,680	37,759
Contract liabilities due to related parties	3,888	4,305
	135,734	**48,378**

Contract liabilities include advances received, which are recognised as revenue as goods are transferred to customers. The Group expects contract liabilities to be recognised as revenue over the next year.

Other taxes payable principally comprise payroll taxes and environmental fund payments remitted to the appropriate tax authority on a monthly basis and other.

26. Loans and other financial liabilities

	Group	
	2019	2018
	$ 000	$ 000
Payment for licenses and social liabilities (i)	17,750	23,488
Interest-bearing loans (ii)	534,296	601,091
Guaranties and other financial instruments (iii)	67,034	65,008
Lease liabilities / Finance leases (iv)	13,437	22,153
	632,517	**711,740**
Current	286,156	380,143
Non-current	346,361	331,597
	632,517	**711,740**

(i) Payments for licences and social liabilities

In accordance with contracts for subsoil use, the Group is liable to repay the costs of geological information provided by the Government of Kazakhstan for licensed deposits. The total amount payable by the Company is discounted to its present value using a discount rate of 5.8% - 11.4% per annum (2018: 5.8-9.5%). The maturity of liabilities is specified in the working programs of the appropriate subsoil use contracts and varies from 2019 to 2038.

(ii) Interest-bearing loans

	Interest rate	Maturity	2019	2018
			$000	$000
Current interest-bearing loans				
USD 36,000,000 Sberbank loan (a)	4%	July 2020	49,050	34,001
KZT 1,955,300,000 Nurbank loan (b)	6%	May 2023	1,114	1,106
USD 360,000,000 Halyk bank loan (c)	5.5%-6%	November 2020	13,687	176,174
USD 225,000,000 Halyk bank loan (c)	4%	December 2022	105,000	–
USD 85,000,000 RBK Bank Loan (e)	6%	December 2021	85,225	239
USD 63,000,000 Bank Frick & Co AG loan (f)	6%	December 2020	7,597	–
USD 138,000,000 Betefin Trust Reg (g)	4%	December 2021	–	149,355
USD 6,927,797 Institute Holding LTD (h)	3.62%	May 2022	–	7,340
USD 15,000 SB VTB Bank JSC (j)	5%	August 2020	15,000	–
KZT 2,527,508,000 Baiterek Venture fund loan (k)	8%	December 2029	791	–
Total current interest-bearing loans			**277,464**	**368,215**
Non-current interest-bearing loans				
KZT 1,955,300,000 Nurbank loan (b)	6%	May 2023	2,193	3,144
USD 360,000,000 Halyk bank loan (c)	5.5%-6%	November 2020	–	136,947
USD 225,000,000 Halyk bank loan (c)	4%	December 2022	104,437	–
KZT 2,337,000 Halyk bank loan (c)	14%	August 2024	5,921	–
USD 10,000,000 VNSV Finance Limited (d)	5%	November 2021	1,975	–
USD 85,000,000 RBK Bank Loan (e)	6%	December 2021	–	85,000
USD 63,000,000 Bank Frick & Co AG loan (f)	6%	December 2020	–	7,743
USD 138,000,000 Betefin Trust Reg (g)	4%	December 2021	130,479	–
USD 6,927,797 Institute Holding LTD (h)	3.62%	May 2022	6,983	–
USD 100,000 WIM BV (i)	3%	December 2021	120	42
KZT 2,527,508,000 Baiterek Venture fund loan (k)	8%	December 2029	4,724	–
Total non-current interest-bearing loans			**256,832**	**232,876**
Total interest-bearing loans			**534,296**	**601,091**

26. Loans and other financial liabilities (cont'd)

(ii) Interest-bearing loans (cont'd)

(a) Subsidiary bank "Sberbank of Russia" JSC

In 2016, the Group concluded credit line agreement for $36,000,000 for the purpose of short-term working capital replenishments.

In 2019, the Group entered into an additional agreement on increasing the revolving credit line from USD 36 million to the amount of $76,000,000.

During 2019, the Group paid accrued interest in the amount of $1,650,690 (2018: $1,296,742).

(b) Nurbank JSC

In 2016, the Group concluded credit line agreement for the total amount of KZT 1,955,300,000 with the purpose of capital expenditures on modernization of concentrators. As a result of discounting loan to its amortised cost at market rates of 9.7% to 12.6% per annum, the Group recognised discount for the total amount of $869,000. As at 31 December 2019 and 2018, credit line amount was fully utilised. Unwinding of discount for 2019 amounted to $135,816 (2018: $75,426).

In 2019, the Group fully paid the accrued interest in the amount of $258,570 (2018: $362,624).

(c) Halyk bank JSC (USD)

On 20 January 2017, the Group signed an agreement for provision of a renewable credit line for the amount of $60,000,000 with the Halyk Bank JSC (legal name is Halyk Savings Bank of Kazakhstan JSC) at rate of 6% per annum. The funds on current accounts and deposits in the bank are used as collateral.

On 13 October 2017, the Group signed an agreement on credit line for the amount of $300,000,000 with Halyk Bank JSC for replenishment of working capital at rate of 5.5% per annum with term of repayment up to 36 months till November 2020. The funds on current accounts and deposits in the bank used as collateral, as well as shares of the company Kaz Minerals PLC in the amount of 60 million shares owned by Cuprum Holding Limited. Fees for the organization of the credit line in the amount of $2,112,000 were calculated using the effective interest rate method. During 2019, the Group repaid $314,198,211.

On 9 December 2019, the Group entered into an agreement to obtain a credit line in the amount of $225,000,000 with Halyk Savings Bank of Kazakhstan JSC for working capital replenishment at 4% per annum with a maturity of up to 36 months. By the end of 2019, the Group utilized $210,000,000 under this agreement (Note 6).

During 2019, the Group fully paid the accrued interest in the amount of $7,260,950 (2018: $19,056,598).

26. Loans and other financial liabilities (cont'd)

(ii) Interest-bearing loans (cont'd)

(d) Halyk Bank JSC (KZT)

On 22 August 2019, the Group obtained a revolving credit line in the amount of KZT 2,500 million, equivalently $6,500,000, from Halyk Savings Bank of Kazakhstan JSC at 14% per annum. The funds that are on the guarantee deposit in the bank of Halyk Savings Bank of Kazakhstan JSC act as collateral. On 28 August 2019, the Group entered into an agreement on a bank loan, to the abovementioned agreement on a renewable credit line, in the amount of $6,033,548 (KZT 2,338 million) for a period of 60 months, at 14% per annum.

(e) VNSV Finance Limited

On 5 November 2019, the Group entered into a facility agreement with VNSV Finance Limited for general corporate purposes. The loan bears an interest of 5% per annum and the principal and associated interests are repayable in 2 years for the amount of $2,004,495.

(f) RBK Bank

On 9 November 2018, the Group signed a credit line for the amount of $85,000,000 with RBK Bank at the rate of 6% per annum, repayable in December 2021. The purpose of the loan is working capital replenishments. As of 31 December 2018, the Group used the entire credit line. Fixed assets in amount of $41,791,000 were pledged as collateral.

As at 31 December 2019, the Group utilised the entire credit line.

During 2019, the Group paid accrued interest in the amount of $4,978,191 (2018: nil).

(g) Bank Frick & Co AG

$63,000,000 bank loan was obtained from Bank Frick & Co AG (Liechtenstein) with a purpose to finance acquisition of shares of Financial Services BV. The loan bears interest of 6% per annum. The remaining amount is $8,000,000 as at 31 December 2019.

26. Loans and other financial liabilities (cont'd)

(ii) Interest-bearing loans (cont'd)

(h) Beteifin Trust Reg.

On 12 August 2014, Financial Services B.V. signed an agreement with Beteifin Trust reg, as Lender, for dollar term facility in the amount of $138,000,000 needed for debt refinancing purposes.

On 1 August 2019, the Group signed an addendum on prolongation of the payment of abovementioned agreement till 12 August 2021. The change in fair value was recognised as gain on modification through profit or loss in the amount of $8,553,029 and the amortisation of the discount amounted to $3,907,093 (2018: $2,789,000). Also, during 2019, the Group made principal repayments for the amount of $30,111,705.

As of 31 December 2019, the outstanding amount of principle is $106,163,295 (2018: $125,297,000) and amount of accrued interest at 4.00% is $31,430,172 (2018: $26,847,000).

The finance cost charged to profit or loss during 2019 was in the amount of $4,596,776 (2018: $3,641,848).

During 2019, the Group made principal repayments for the amount of $18,750,000 (2018: $11,361,705).

(i) Institute Holding Ltd.

On 23 May 2016, Financial Services B.V. signed an agreement with Institute Project B.V., as Lender, for loan facility in the amount of $7,591,000 needed for general corporate purposes. On 1 January 2017, the loan and accrued interest was novated to shareholder of the Lender – Institute Holding Ltd.

On 23 May 2019, the Group signed an addendum on prolongation of the payment of this agreement till 23 May 2022. The change in fair value was posted through profit or loss in the amount of $743,365 and the amortisation of the discount amounted to $185,797 (2018: $139,165).

During 2019, the Group made principal repayments for the amount of $97,400 and the accrued interest was $241,019 (2018: $167,754).

As of 31 December 2019, the outstanding amount of principle is $6,592,000 (2018: $6,622,000) and accumulated amount of accrued interest at 3.62% is $957,000 (2018: $718,000). Also, the remaining discount balance as of 31 December 2019 is $566,000 (2018: nil).

(j) WIM BV.

On 28 February 2018, Financial Services B.V. signed an agreement with Whitecliff Investment Management B.V., as Lender, for dollar term facility in the amount of $100,000 needed for general corporate purposes.

As of 31 December 2019, the outstanding amount of principle is $125,538 (2018: $42,000) and amount of accrued interest at 2.50% is $2,648 (2018: $1,000).

26. Loans and other financial liabilities (cont'd)

(ii) Interest-bearing loans (cont'd)

(k) SB VTB Bank JSC

On 14 August 2019, the Group entered into a general agreement on the provision of a credit line in the amount of $15,000,000 with VTB Bank SB at a rate of 5.0% per annum, with an availability period of 36 months. The purpose of the loan is to finance working capital. As at 31 December 2019, the Group has fully utilized the credit line.

During 2019, the Group paid accrued interest in the amount of $190,665 (2018: nil).

(l) Baiterek Venture fund loan

On 30 September 2019, Kaz Green Energy LLP signed a KZT loan agreement with Baiterek Venture Fund JSC for the amount of $6,520,414, equivalently in KZT 2,527,508,000 at 8% per annum with maturity on 1 March 2029. The aim of the loan was to finance the capital expenditures of equipment and construction works.

Covenants

The Group breached covenants on loans received, namely, indicators on capital expenditures and investments from RBK Bank JSC and SB VTB Bank JSC under credit line agreements No.27-01-01-03/13 and No.2_1, respectively. The carrying amount of loans for these credit lines is classified in the short term, so the breach of covenants did not affect the classification in the consolidated statement of financial position.

As part of the loan agreement received from Bank RBK Bank JSC, the debt servicing covenant (DSCR) was violated, as a result of which the Group reclassified this loan to the short-term portion.

In December 2019, the Group opened a credit line with Halyk Bank JSC without receiving written consent from SB Sberbank of Russia JSC, which was a prerequisite according to the loan agreement. Written consent from the Bank was received on 10 January 2020. This breach of non-financial covenant did not affect the classification in the consolidated statement of financial position, since the amount due is shown in the current portion of loan.

26. Loans and other financial liabilities (cont'd)

(iii) Guaranties and other financial instruments

The Group has provided finance guarantees to the bondholders of the subsidiary "Special Finance Company DSFK" and to SB Sberbank of Russia JSC.

Bondholders of DSFK

The Group provided a put option to the bondholders on the DSFK's collateralized debt obligations ("CDO") for a total amount of 50 billion Tenge (in case return on CDO is lower than 72 billion Tenge), according to the frame agreement (Note 27). Pursuant to the frame agreement, bondholders may exercise their right for the partial repurchase in 5 years from the CDO origination date. Bondholders are mainly National Bank of the Republic of Kazakhstan and other Governmental companies. Obligations of the Group were discounted at the market rate of 15.3%. During 2018, the Group disposed of DSFK. More details are presented in Note 27.

At the time of initial recognition, upon disposal of the subsidiary, the Group recognised the financial guarantee at fair value. At the subsequent reporting dates, this financial guarantee was measured at the amount of expected credit losses, as they were greater than the initial fair value less possible amortisation in accordance with the principles of FRS 115 "Revenue from contracts with customers".

In 2018, the Group recognised an increase in the carrying amount of the guarantee obligation within finance costs for the amount of $9,355,690. During 2019, DSFK partially repurchased bonds, as a result of which the Group reduced its guarantee liability by $5,656,358. This decrease was reflected as finance income.

SB Sberbank of Russia JSC

In 2016, related parties under the common control GMK Kazakhaltyn JSC concluded a credit line agreement with SB Sberbank of Russia JSC for $39,000,000 and $11,000,000. The Group has provided a finance guarantee. GMK Kazakhaltyn obtained loan at 6%. In 2017, the Group calculated fair value of the guarantee as the difference between nominal amount of the loan and discounted cash flows, using the rate counterparty could receive loan otherwise, on a market terms.

The financial guarantee agreement was terminated in January 2019.

26. Loans and other financial liabilities (cont'd)

(iv) Lease liabilities / Finance leases

	2019		2018	
	Future lease payments	Lease *Liabilities*	Minimum payments	Present value of payments
	$ 000	$ 000	$ 000	$ 000
Within one year	5,808	5,294	10,056	9,260
After one year but not more than five years	8,558	8,143	13,840	12,893
More than five years	–	–	–	–
Total minimum lease payments	**14,366**	**13,437**	**23,896**	**22,153**
Less amounts representing finance charges	(929)	–	(1,743)	–
Present value of minimum lease payments	**13,437**	**13,437**	**22,153**	**22,153**

As at 31 December 2019, the Group had liabilities under land leases in the amount of $5,594,588. Out of these liabilities, $1,238,000 is related to variable payments recognised as an expense when incurred, and short-term obligations under low-value asset leases in the amount of $2,358,503 relating to low-value asset leases that are equally recognised as expenses in profit or loss.

Reconciliation of liabilities arising from the Group's financing activities at 31 December 2019:

$ 000	**2018**	**Cash flows**	**Foreign exchange movement**	**Other**	**2019**
Borrowings - short term	368,215	(308,012)	3,270	213,991	277,464
Borrowings - long term	232,876	229,439	(3,674)	(201,809)	256,832
Lease liabilities - short term	8,800	(7,988)	–	4,208	5,020
Lease liabilities - long term	13,353	(402)	–	(4,534)	8,417
Licenses - short term	2,499	(2,068)	6	1,483	1,920
Licenses - long term	20,989	–	(421)	(4,738)	15,830
Dividends	709	–	–	(87)	622
Total	**647,441**	**(89,031)**	**(819)**	**8,514**	**566,105**

26. Loans and other financial liabilities (cont'd)

Reconciliation of liabilities arising from the Group's financing activities at 31 December 2018:

$ 000	2017	Cash flows	Foreign exchange movement	Other	2018
Borrowings - short term	199,066	(209,801)	35,121	343,829	368,215
Borrowings - long term	298,214	106,303	52,614	(224,255)	232,876
Finance leases - short term	9,412	(9,536)	–	8,924	8,800
Finance leases - long term	24,789	–	–	(11,436)	13,353
Licenses - short term	3,755	(3,520)	325	1,939	2,499
Licenses - long term	20,811	–	1,799	(1,621)	20,989
Bonds	(2,467)	–	–	2,467	–
Dividends	662	(65,998)	–	66,045	709
Total	**554,242**	**(182,552)**	**89,859**	**185,892**	**647,441**

27. Discontinued operation and disposal group classified as held for sale

On 7 November 2017, National Bank of the Republic of Kazakhstan, Government of RK, Samruk–Kazyna JSC, Baiterek JSC, KazAgro JSC, Bank RBK JSC have entered into the framework agreement with the Group represented by its ultimate controlling shareholder Mr. Vladimir Kim.

Special Financial Company DSFK LLP

Under the provisions of the framework agreement, the Group formed a special financial organization for the issuance of secured debts – collateralized debt obligations ("CDO"). On 21 November 2017, the Group formed Special Financial Company DSFK LLP ("DSFK") by registration a legal entity at the Ministry of Justice of the RK.

On 1 December 2017, DSFK issued CDOs in the amount of 335 million items, with a nominal value of 1 Tenge for the total amount of $1,027,607,000 (335 billion Tenge). Maturity of CDOs is 15 years, at the interest rate of fixed 0.01% per annum. These bonds were purchased mainly by the National Bank of the Republic of Kazakhstan and by the national companies of Samruk–Kazyna JSC group. At the date of initial recognition, fair value of CDOs constituted $126,975,000, the amount was determined by discounting the expected cash flows from the sale of assets (collaterals), at the market interest rate of 12%. The difference between the fair value of the CDOs and the cash consideration received in the amount of $868,837,000 was recognised as government grant in accordance with FRS 20.

The Group provided a guarantee (put option) to bondholders to buy back the CDOs for a total maximum amount of $153,374,000 (50 billion Tenge) proportional to their percentage of ownership of the total amount of debt securities (Note 26).

27. Discontinued operation and disposal group classified as held for sale (cont'd)

Special Financial Company DSFK LLP (cont'd)

On 14 December 2017, DSFK in turn entered into an agreement with Bank RBK JSC to purchase distressed assets of Bank RBK JSC for the amount of $1,027,607,000 (335 billion Tenge). According to the independent evaluation, the fair value of the assets is equal to $127,212,000. The difference between the fair value of assets and the cash consideration given was recognised as part of the loss in the amount of $895,767,000.

Cash flows from the realization of assets will subsequently be directed to the repayment of the CDOs.

As at 31 December 2017, the assets and liabilities related to DSFK LLP have been presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale", and its results are presented separately on profit or loss as "Loss from discontinued operation, net of tax". The disposal of DSFK LLP was completed on 6 June 2018.

The results of DSFK for the year ended from 1 January 2018 till 6 of June 2018 is the following:

	For the period of from 1 January 2018 to 6 June 2018
	$000
Revenue	–
Expenses	–
Loss from operations	–
Administrative expense	(264)
Other operating expense	(4,705)
Finance income	–
Finance costs	(38)
Income recognised from government grant	29,990
Loss recognised on fair value of assets	–
Profit after tax for the year from discontinued operation	**24,983**

27. Discontinued operation and disposal group classified as held for sale (cont'd)

Special Financial Company DSFK LLP (cont'd)

The major classes of assets and liabilities of DSFK LLP classified as held for sale at as 6 June 2018 are presented as follows:

	$ 000
Assets	
Financial assets	104,479
Prepayments and other current assets	427
Cash and cash equivalents	107
Assets of disposal group classified as held for sale	**105,013**
Liabilities	
Financial liabilities	(104,859)
Trade and other receivables	(10)
Other short-term payables	(86)
Liabilities directly associated with disposal group classified as held for sale	**(104,955)**
Net assets directly associated with disposal group classified *as held for sale*	**58**

The cash flows attributable to DSFK LLP are presented as follows:

	For the period of from 1 January 2018 to 6 June 2018 $000
Operating activities	(637)
Investing activities	(26,100)
Financing activities	26,491
Net cash outflows	**(246)**

28. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are foreign currency risk, commodity price risk, credit risk and liquidity risk. These risks arise from exposures that occur in the normal course of business and are managed by the Treasury department.

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables, trade payables, interest–bearing loans and other financial liabilities and assets which arise directly from its operations. The Group's accounting policies with regard to financial instruments are detailed in Note 2.

28. Financial risk management objectives and policies (cont'd)

(a) Derivatives and financial instruments and risk management

The Group periodically uses derivative financial instruments to manage certain exposures to fluctuations in commodity prices. The Group's philosophy is generally not to hedge its core revenue streams. In periods of significant market volatility or uncertainty, the Group may use derivative instruments as means of reducing volatility and any negative impact on its operating cash flows. Strict limits on the size and type of any derivative hedge transaction are laid down by the management and subject to strict internal controls. The Group does not hold any speculative financial instruments.

(b) Categories of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities by categories are as follows:

	Note	2019 $ 000	2018 $ 000
Financial assets			
Financial assets measured at fair value through OCI			
Non-listed equity investments	15	3,002	1,871
Financial assets measured at fair value through profit or loss			
Trade and other receivables	18	76,169	60,577
Financial assets measured at amortised cost			
Trade and other receivables	18	51,579	34,127
Bank deposits	19	12,629	328
Cash and cash equivalents	20	13,807	98,365
Long-term deposits	15	10,061	8,602
Loans given to shareholder	15	192,880	178,535
Loans given to third parties	15	26,303	32,712
Others	15	32,847	27,101
Financial liabilities			
Financial liabilities at amortised cost			
Interest-bearing loans	26 (ii)	534,296	601,091
Trade and other payables	24	295,204	232,307
Payment for licenses	26 (i)	17,750	23,488
Dividends payable		622	619
Lease liabilities / Finance leases			
Lease liabilities / Finance leases	26 (iv)	13,437	22,153
Financial guarantee agreements			
Guaranties and other financial instruments	26 (iii)	67,034	65,008

28. Financial risk management objectives and policies (cont'd)

(c) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Group's functional currency. The functional currency of the Group is Tenge. The currency giving rise to the majority of the foreign currency risk is the US dollar. Accounts impacted by US dollar include revenues, bank deposits, trade receivables, loans and certain trade payables. The Group generally does not enter into hedging operations in respect of its exposure to foreign currency risk.

In accordance with FRS 107, the impact of foreign currencies has been determined based on the balances of financial assets and liabilities at 31 December 2019 and 2018.

The Group's exposure to a foreign currency risk based on the gross amounts is shown in the following table:

	Changes in USD rates	Effect on profit before tax
		$ 000
2019	12,00%	(52,272)
	-9,00%	39,204
2018	14,00%	(57,800)
	-10,00%	41,285

The Group is exposed to the effect of fluctuations in the price of copper, which is quoted in US dollars on the international markets. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of copper prices in the future. The Group is also exposed, to a lesser degree, to the prices of other metals, including gold and silver, which are also products produced by the Group as by-products of the copper production process.

The Group's exposure to changes in the fair value of receivables as a result of changes in copper prices is shown in the following table:

	Copper price changes	Effect on profit before tax
2019	14.00%	6,640
	-20.00%	(9,486)
2018	10.00%	6,830
	-10.00%	(6,830)

28. Financial risk management objectives and policies (cont'd)

(d) Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to all financial assets. Creditworthiness of counterparties is assessed prior to, during, and after the conclusion of transactions to ensure exposure to a credit risk is limited to an acceptable level. The maximum exposure to a credit risk is represented by the carrying amount of each financial asset as at the reporting date.

As at 31 December 2019, 5 top customers accounted for 83% (2018: 82%) of the trade and other receivables of the Group.

Exposure to credit risk

The table below shows the balances of bank accounts and deposits at the reporting date using the credit ratings:

	2019		2018	
	Current accounts	Deposits	Current accounts	Deposits
	$ 000	$ 000	$ 000	$ 000
Halyk Bank JSC – BB/stable (S&P)	7,802	13	18,573	5
SB Sberbank of Russia JSC – Ba1/ stable (Moody's)	27	10	2,163	10
ForteBank JSC	2,196	–	–	–
Bank CenterCredit JSC – B/stable (S&P)	771	3,341	399	2,338
Bank RBK JSC – B– /stable (S&P)	2,500	19,322	74,484	6,629
Citibank Kazakhstan JSC – A+/stable (S&P)	2	–	995	–
GazPromBank BB+/stable (S&P)	57	–	1,466	–
Bank Frick & Co AG (Liechtenstein)	–	–	17	–
Other	452	424	375	420
	13,807	**23,110**	**98,472**	**9,402**

No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to derivative financial instruments.

28. Financial risk management objectives and policies (cont'd)

(e) Liquidity risk

The Group maintains a balance between availability of funding and maximising investment return on its liquid resources through the use of liquid cash investments of varying maturities, credit facilities and long-term debt instruments. Management regularly reviews the funding requirements of the Group in selecting appropriate maturities for its liquid cash investments.

The Group's policy is to centralise debt and surplus cash balances to the maximum extent possible.

Maturity of financial liabilities

The table below analyses the Group's financial liabilities which will be settled on a gross basis into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows.

2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Payment for licenses	–	22	1,907	12,117	13,803	27,849
Lease liabilities	–	1,900	4,262	8,204	–	14,366
Interest-bearing loans	159,526	6,243	62,237	333,946	1,785	563,737
Trade and other payable	–	295,204	–	–	–	295,204
Dividend payable	–	622	–	–	–	622
Total	**159,526**	**303,991**	**68,406**	**354,267**	**15,588**	**901,778**

2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Payment for licenses	–	12	2,140	14,090	21,335	37,577
Finance lease	–	2,535	7,521	13,840	–	23,896
Interest-bearing loans	–	84,191	282,318	240,985	–	607,494
Trade and other payable	–	232,307	–	–	–	232,307
Dividend payable	–	619	–	–	–	619
Total	**–**	**319,664**	**291,979**	**268,915**	**21,335**	**901,893**

28. Financial risk management objectives and policies (cont'd)

(f) Fair value of financial assets and liabilities

Fair value of financial assets and liabilities is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. Carrying amounts stated in financial statements are reasonable approximations of the fair values.
Below is a comparison of the carrying value and fair value of financial instruments of the Group, presented in the financial statements, by category, with the exception of those financial instruments, the carrying value of which approximates their fair value.

	2019		2018	
	Carrying amount	Fair value	Carrying value	Fair value
Financial assets				
Loans given to third parties	26,303	27,520	32,712	33,313
Trade and other receivables	127,748	127,748	94,704	94,704
Cash and cash equivalents	13,807	13,807	98,365	98,365
Loans given to shareholder	192,880	202,017	178,535	230,390
Non-listed equity investments	3,002	3,002	1,871	1,871
Long-term deposits	10,061	10,061	8,602	8,602
Others	32,847	32,847	27,101	27,101
Financial liabilities				
Payments for licences	17,750	17,632	23,488	24,411
Trade and other payables	295,204	295,204	232,307	232,307
Interest-bearing loans	534,296	543,777	601,091	574,464
Lease liabilities / Finance leases	13,437	13,437	22,153	22,153
Dividend payable	622	622	619	619
Guaranties and other financial instruments	67,034	67,034	65,008	65,008

(g) Fair value measurement hierarchy

As at 31 December 2019 and 2018 the Group did not have any financial instruments classified as financial instruments of 1 or 2 levels. For the years ended 31 December 2019 and 2018 there were no transfers between Levels 1, 2 and 3 of the financial instruments' fair value.

28. Financial risk management objectives and policies (cont'd)

(g) Fair value measurement hierarchy (cont'd)

The table below discloses the measurement hierarchy for assets and liabilities of the Group at the fair value.

	Date of measurement	Total	Fair value measurement with the use of: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
Available for sale financial assets					
Non-listed equity investments	31-Dec-19	3,002	–	–	3,002
	31-Dec-18	1,871	–	–	1,871
Trade and other accounts receivable	31-Dec-19	76,169	–	76,169	–
	31-Dec-18	60,577	–	60,577	–
Financial assets whose fair value is disclosed					
Loans given to third parties	31-Dec-19	26,303	–	–	26,303
	31-Dec-18	32,712	–	–	32,712
Loans given to shareholder	31-Dec-19	192,880	–	–	192,880
	31-Dec-18	178,535	–	–	178,535
Long-term deposits	31-Dec-19	10,061	–	–	10,061
	31-Dec-18	8,602	–	–	8,602
Others	31-Dec-19	32,847	–	–	32,847
	31-Dec-18	27,101	–	–	27,101
Financial liabilities whose fair value is disclosed					
Payments for licences	31-Dec-19	17,750	–	–	17,750
	31-Dec-18	23,488	–	–	23,488
Interest-bearing loans	31-Dec-19	534,296	–	534,296	–
	31-Dec-18	601,091	–	601,091	–
Lease liabilities	31-Dec-19	13,437	–	–	13,437
	31-Dec-18	22,153	–	–	22,153
Dividend payable	31-Dec-19	622	–	–	622
	31-Dec-18	619	–	–	619
Guaranties and other financial instruments	31-Dec-19	67,034	–	–	67,034
	31-Dec-18	65,008	–	–	65,008

28. Financial risk management objectives and policies (cont'd)

(h) Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. The Group monitors capital using a gearing ratio, which is net debt divided by the aggregate of equity.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its interest-bearing loans and borrowings that form part of its capital structure requirements. Breaches in the financial covenants would permit the bank to immediately call interest-bearing loans and borrowings.

29. Commitments and contingencies

Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. The management believes that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial position or results of operations of the Group. As of 31 December 2019 and 2018, the Group was not involved in any significant legal proceedings, including arbitration, other than those involving the taxation matters set out below.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to FRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. 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 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes.

The Group believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Group has accrued tax liabilities based on management's best estimate. The Group's policy is to accrue contingencies in the accounting period in which a loss is deemed probable and the amount is reasonably determinable. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2019.

29. Commitments and contingencies (cont'd)

Taxation (cont'd)

The resulting effect of this matter is that additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for the management to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Group may be liable.

The tax code of the Republic of Kazakhstan requires to assess capital gain, if there is any, determined as the difference between initial cost and selling price. According to the article 228, point 7 of the tax code, in case of reorganization the cost of initial investment is determined based on the act of transfer or separation balance. There is a possibility that the government tax authorities may not accept the deed of demerger as equivalent to the act of transfer or separation balance as required by the tax code. In this case there might be additional tax accruals including fines and penalties.

Transfer pricing control

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

The law on transfer pricing came into effect in Kazakhstan from 1 January 2009. The law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development.

The legislation clarified certain areas of interpretation, including the use of LME and LBMA prices as the basis of market prices, quotation periods to be used for the sale and purchase of traded commodities and the acceptability of discounts with reference to LME/LBMA prices when transacting in traded commodities.

There are different interpretations of transfer pricing law and some of its provisions shall exclusively prevail. Moreover, the law is not supported by detailed guidance. As a result, there is no clear regulation for transfer pricing control for different types of transactions.

Due to uncertainties associated with transfer pricing legislation of the Republic of Kazakhstan there is a risk that tax authorities may take a position different from the position of the Group, which may result in additional taxes, penalties and interest as at 31 December 2019.

<u>Group reorganization in 2018-2019</u>

As at the date of signing of these consolidated financial statements, there is uncertainty as to whether additional issuance of shares is regulated by the transfer pricing law. In order to set off the debt before KCC B.V. for the purchase of 99.9% share in Kazakhmys Corporation (described above), Kazakhmys Copper JSC issued 34,722 million ordinary share each valued at KZT 5 per share to its sole shareholder KCC B.V. As at 31 December 2018, the amount of consolidated net assets of Kazakhmys Copper JSC exceeded the number of additional shares issued. Since this transaction was conducted with foreign entity, who is also a related party, management of the Group believes that this transaction might be subject to regulation by the transfer pricing law. Although, the transfer pricing law is not detailed as to how the fair value of shares should be calculated and there is no history of additional tax accruals in similar cases.

29. Commitments and contingencies (cont'd)

Transfer pricing control (cont'd)

Group reorganization in 2018-2019 (cont'd)

Possibly with further development of the transfer pricing law the above mentioned transaction might be argued against by the government tax authorities. This effect of this cannot be reliably measured but may be significant.

The management of the Group believes that as at 31 December 2019, its interpretation of the relevant legislation is appropriate and that the Group's positions with respect to transfer pricing will be sustained.

Period for additional tax assessments

The tax authorities in Kazakhstan are able to raise additional tax assessments for five years after the end of the relevant tax period in respect of all taxes, except for excess profits tax. In respect of excess profits tax, they are able to raise additional tax assessments for five years after the expiration of the terms of the relevant subsoil contract

Environmental liabilities

The Group also may suffer potential losses as a result of claims by regional environmental authorities, which may arise in respect of previous periods of fields development, which are currently mined by the Group. As Kazakhstan's laws and regulations evolve concerning environmental assessments and site restoration, the Group may incur future costs, the amount of which is currently indeterminable due to such factors as the ultimate determination of responsible parties associated with these costs and the Government's assessment of the respective parties' ability to pay for the costs related to environmental reclamation. However, depending on any unfavourable claims or penalties assessed by the Kazakh regulatory agencies, it is possible that the Group's future results of operations or cash flow could be materially affected in a particular period. The management believes it is unlikely that such costs will have a material effect on the financial position of the Group and accordingly no additional provisions for possible environmental claims or penalties are included in the accompanying consolidated financial statements.

The management believes that there are no significant liabilities under the current legislation, which are not accrued in the Group's consolidated financial statements. The provisions that have been made for costs associated with restoration and abandonment of mine sites upon depletion of deposits (see Note 23), are based upon the estimation of the Group's specialists. Where events occur that change the level of estimated future costs for these activities, the provisions will be adjusted accordingly.

Use of subsoil and exploration rights

In Kazakhstan, all subsoil reserves belong to the State, with the Ministry of Industry and New Technologies (the "Ministry") granting exploration and production rights to third parties. Subsoil and exploration rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. These rights may be terminated by the Ministry if the Group does not satisfy its contractual obligations. The current subsoil rights will expire at varying dates up to 2044.

29. Commitments and contingencies (cont'd)

Other contractual commitments

The table below sets out the Group's expenditure commitments for property, plant and equipment as at 31 December 2019 and 2018:

	2019	2018
	$ 000	$ 000
PPE purchase commitments	73,595	168,230

Operating lease commitments – as lessee

	2018
	$ 000
Within one year	3,904
After one year but not more than five years	14,394
More than five years	35,819
	54,117

As disclosed in Note 2.2, the Company has adopted FRS 116 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 December 2019, except for land leases, short-term and low-value leases.

30. Related party transactions

(a) Related party transactions

In accordance with FRS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related parties include key management personnel of the Group, entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel or shareholders of the Group.

Transactions with related parties are made at terms agreed between the parties that could differ from market conditions. Outstanding balances at the year–end are unsecured, non-interest bearing and settlement occurs in cash. No guarantees were provided with respect to accounts receivable and payable of related parties. A need for provisioning for receivables from related parties is assessed each financial year through examining the financial position of the related party and the market in which the related party operates.

30. Related party transactions (cont'd)

(a) Related party transactions (cont'd)

Details of transactions between the Group and its related parties are disclosed below. The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial period:

	2019	2018
	$ 000	$ 000
Sales to related parties	144,128	102,145
Purchases from related parties	162,318	147,057
Receivable from shareholder	213,987	189,403
Amounts due from related parties	27,523	9,122
Loans given	57,623	42,838
Prepayments to related parties	24,907	27,914
Long–term deposits	19,322	6,160
Cash and cash equivalents	2,500	72,684
Allowance for doubtful receivables	(1,304)	(1,583)
Provision on loans given	(5,520)	(15,510)
Provision on prepayment to related parties	(3,830)	–
Payments received in advance	(3,888)	(4,305)
Provision on receivables from shareholder	(21,107)	(10,868)
Amounts payable to related parties	(23,608)	(5,445)
Loans received	(85,225)	(85,239)

The Group also issued finance guarantees to the related parties. Please refer to Note 26 for more details.

(b) Compensation of the members of the Board of Directors and the Management Board

The Board of Directors of the Group consists of directors who actively participate in management of the Group. The management of the Group's operating activities is carried out by the Management Board. As of 31 December 2019, there were 7 and 2 members in the Board of Directors of the Group and the Management Board, respectively, with the total compensation of $7,684,473 (2018: 7 and 2 members, respectively, with the total compensation of $6,040,000).

31. Events after the reporting period

Pandemic COVID-19

In relation to the recent transient development of the coronavirus pandemic (COVID-19) quarantine measures were introduced by many countries, including the Republic of Kazakhstan, which had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to minimize its consequences can affect the activities of companies from various industries. The company assesses this pandemic as a non-adjusting event after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient level of confidence.

Since March 2020, significant volatility has been observed in the stock, currency and commodity markets, including a drop in oil prices and a depreciation of Tenge against US dollar and Euro. Currently, the Group's management is analyzing the possible impact of changing micro and macroeconomic economic conditions on the financial position and results of the Group.

Such an economic environment has a significant impact on the operations and financial position of the Group. Management takes all necessary measures to ensure the sustainability of the Group. However, the future consequences of the current economic situation are difficult to predict, and current management expectations and estimates may differ from actual results.

In addition, the mining sector in the Republic of Kazakhstan remains subject to political, legislative, tax and regulatory changes in the Republic of Kazakhstan. The prospects for the economic stability of the Republic of Kazakhstan depend to a large extent on the effectiveness of economic measures undertaken by the Government, as well as on the development of legal, control and political systems, which are outside the Group's control.

Management is unable to foresee the extent or duration of changes in the Kazakhstani economy or assess their possible impact on the Group's financial position in the future. Management is confident that it is taking all necessary measures to maintain the sustainability and growth of the Group in the current circumstances.

Termination of the agreement between the Group, Advaita Trade DMCC and Credit Suisse AG

On 28 January 2020, a trilateral agreement with Advaita Trade DMCC, Credit Suisse AG and the Group was terminated without significant fines or sanctions. In the contract for termination of the agreement, the date of termination indicates the time of repayment of the entire loan from the buyer - Advaita Trade DMCC, to the agent - Credit Suisse AG on 13 December 2019 (Note 6).

Loans

On 6 January 2020, the Group entered into a bank loan agreement under a credit line with SB Sberbank JSC (Note 26) in the amount of $15,000,000 (equivalent to KZT 5,732 million) at 3.7% per annum for a period till 6 January 2021.

On 11 March 2020, the Group entered into a bank loan agreement under a credit line with SB Sberbank JSC (Note 26) in the amount of $21,700,000 (equivalent to KZT 8,541 million) at 3.7% per annum for a period till February 2021.

On 13 April 2020, the Group entered into a bank loan agreement under a credit line with SB Sberbank JSC (Note 26) in the amount of $12,300,000 (equivalent to KZT 5,302 million) at 3.7% per annum for a period till 26 February 2021.

32. Authorisation of financial statement for issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with the resolution of the directors on 30 June 2020.