Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2017

for

Kazakhmys Limited

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Kazakhmys Limited

Contents of the Financial Statements
for the Year Ended 31 December 2017

Kazakhmys Limited

Company Information
for the Year Ended 31 December 2017

DIRECTORS:	Roman Eliasov Helen Yakubovskaya
REGISTERED OFFICE:	7th Floor Cardinal Place 100 Victoria Street London SW1E 5JL
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 2017

The directors present their strategic report for the year ended 31 December 2017.

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.

ON BEHALF OF THE BOARD:

....
Roman Eliasov - Director

Date: 17 [illegible] 18

Kazakhmys Limited

Report of the Directors
for the Year Ended 31 December 2017

The directors present their report and financial statements for the period ended 31 December 2017.

DIVIDENDS
An interim dividend of $52,673,000 per share was paid on 3 July 2017. The directors recommend that no final dividend be paid.

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

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

Roman Eliasov
Helen Yakubovskaya

Other changes in directors holding office are as follows:
Oleg Shvander - resigned 7 February 2017

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:

....
Roman Eliasov - Director

Date: ......17.09.18......

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 2017 which comprise the Profit and Loss Account, the Balance Sheet, Cash Flow 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 2017 and of its profit 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.

Emphasis of matter

In forming our opinion on the financial statements, which were not modified, we would like to draw attention to the disclosure in note 7 of the financial statements concerning the dividends paid during the year.

Other information

The other information comprises the information included in the annual report, 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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, 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 LLP

Oscar Dodd BA FCA (Senior Statutory Auditor)

For and on behalf of Simmons Gainsford LLP

Chartered Accountants
7-10 Chandos Street
London
W1G 9DQ
Date: 17/09/2018

Kazakhmys Limited

Statement of Profit or Loss
for the Year Ended 31 December 2017

	Notes	31.12.17 $	31.12.16 $
CONTINUING OPERATIONS			
Revenue		10,000	-
Other operating income		6,928	7,496
Administrative expenses		(160,975)	(163,503)
OPERATING LOSS		**(144,047)**	**(156,007)**
Finance costs	4	(632,759)	(3,129,849)
Finance income	4	480,941	2,579,018
Investment income		52,673,000	
PROFIT/(LOSS) BEFORE INCOME TAX	**5**	**52,377,135**	**(706,838)**
Income tax	6	-	(2,530)
PROFIT/(LOSS) FOR THE YEAR		**52,377,135**	**(709,368)**

Kazakhmys Limited

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2017

	31.12.17 $	31.12.16 $
PROFIT/(LOSS) FOR THE YEAR	52,372,135	(709,368)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**52,372,135**	**(709,368)**

Kazakhmys Limited (Registered number: 09132358)

Statement of Financial Position
31 December 2017

	Notes	31.12.17 $	31.12.16 $
ASSETS			
NON-CURRENT ASSETS			
Investments	8	1,353	1,353
Loans and other financial assets	9	-	29,632,660
		1,353	**29,634,013**
CURRENT ASSETS			
Trade and other receivables	10	18,303	4,813
Cash and cash equivalents	11	10,466	61,063
Loans and other financial assets	9	6,988,201	-
		7,016,970	**65,876**
TOTAL ASSETS		**7,018,323**	**29,699,889**
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	171	171
Retained earnings	13	(1,015,356)	(719,491)
TOTAL EQUITY		**(1,015,185)**	**(719,320)**
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	15	-	30,362,865
CURRENT LIABILITIES			
Trade and other payables	14	34,369	56,344
Interest bearing loans and borrowings	15	7,999,139	
TOTAL LIABILITIES		**8,033,508**	**30,419,209**
TOTAL EQUITY AND LIABILITIES		**7,018,323**	**29,699,889**

The financial statements were approved by the Board of Directors on 17.09.18
and were signed on its behalf by:

....
Roman Eliasov - Director

Kazakhmys Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Called up share capital $	Retained earnings $	Total equity $
Balance at 1 January 2016	**171**	**(10,123)**	**(9,952)**
Changes in equity			
Total comprehensive income	-	(709,368)	(709,368)
Balance at 31 December 2016	**171**	**(719,491)**	**(719,320)**
Changes in equity			
Dividends	-	(52,673,000)	(52,673,000)
Total comprehensive income	-	52,377,135	52,377,135
Balance at 31 December 2017	**171**	**(1,015,356)**	**(1,015,185)**

Kazakhmys Limited

Statement of Cash Flows
for the Year Ended 31 December 2017

	Note	31.12.17	31.12.16
		$	$
Cash flows from Operating Activities			
Cash generated from operations	1	(179,512)	(186,465)
Interest paid			(1,218,423)
Net cash from Operating Activities		**(179,512)**	**(1,404,888)**
Cash flows from Investing Activities			
Dividends received		52,673,000	
Repayment of loans			34,114,117
Net cash from Investing Activities		**52,673,000**	**34,114,117**
Cash flows from Financing activities			
Dividends paid		(52,673,000)	
Repayment of bank loans		(22,360,000)	(32,640,000)
Repayment of Loan Receivable		23,125,400	(36,841)
Interest paid		(636,485)	
Net cash from financing activities		**(52,544,085)**	**(32,676,841)**
(Decrease)/increase in cash and cash equivalents		**(50,597)**	**32,388**
Cash and cash equivalents at beginning of year	2	**61,063**	**28,675**
Cash and cash equivalents at end of year	2	**10,466**	**61,063**

Kazakhmys Limited

Notes to the Statement of Cash Flows
for the Year Ended 31 December 2017

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

	31.12.17	31.12.16
	$	$
Profit/(loss) before income tax	52,377,135	(706,838)
Finance costs	632,759	3,129,849
Finance income	(53,153,941)	(2,579,018)
	(144,047)	(156,007)
Increase in trade and other receivables	(8,490)	(4,642)
Decrease in trade and other payables	(26,975)	(25,816)
Cash generated from operations	**(179,512)**	**(186,465)**

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:

Year ended 31 December 2017

	31.12.17	1.1.17
	$	$
Cash and cash equivalents	10,466	61,063

Year ended 31 December 2016

	31.12.16	1.1.16
	$	$
Cash and cash equivalents	61,063	28,675

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 period ended 31 December 2017.

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.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

Title	Effective for periods commencing on or after
IFRS 15 Revenue from Contracts with Customers	1 January 2018

The above standards and interpretations are expected to be adopted in accordance with their effective dates and have not been early adopted in these financial statements. The directors are currently assessing whether any of these standards and interpretations will have a material impact on the financial statements in the period of initial application.

2. ACCOUNTING POLICIES - continued

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.

2. ACCOUNTING POLICIES - continued

Significant accounting policies
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.

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 IAS 39, include cash and loans receivable. The company's most significant financial asset is the loan receivable from the 100% owned subsidiary. 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.

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 taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the profit or loss account. The losses arising from impairment are recognised in the profit and loss account in other operating expenses.

2. *ACCOUNTING POLICIES - continued*

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

	31.12.17	31.12.16
	$	$
Wages and salaries	63,391	63,327
Social security costs	2,820	2,686
	66,211	**66,013**

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

	31.12.17	31.12.16
Directors	2	2

	31.12.17	31.12.16
	$	$
Directors' remuneration	50,565	63,327

4. NET FINANCE INCOME

	31.12.17	31.12.16
	$	$
Finance income:		
Interest receivable from group undertakings	480,941	1,619,018
Arrangement fee gain	-	960,000
	480,491	**2,579,018**
Finance costs:		
Bank interest payable	632,759	1,053,209
Other interest payable	-	2,052
Arrangement fee loss	-	2,074,588
	632,759	**3,129,849**
Net finance income	**(152,268)**	**(550,831)**

5. PROFIT/(LOSS) BEFORE INCOME TAX

The profit before income tax (2016 - loss before income tax) is stated after charging/(crediting):

	31.12.17	31.12.16
	$	$
Other operating leases	(4,089)	25,568
Auditors' remuneration	8,449	6,166
Foreign exchange differences	2,193	(7,496)

6. INCOME TAX

(a) Tax on profit on ordinary activities

Income tax charged in the income statement:

	2017$	2016$
UK corporation tax on the profit for the period	-	-
Total current income tax	-	-
Deferred income tax:		
Origination and reversal of temporary differences	-	-
Total deferred income tax	-	-
Income tax credit in the income statement	-	-

(b) 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:

	2017$	2016$
Profit / (Loss) on ordinary activities before taxation	52,377,135	(706,838)
Exemption from income tax	(52,673,000)	-
Taxable profit / (loss)	(300,865)	-
Income tax charge	-	-
Income tax loss carried forward	(57,164)	-

(c) Factors that may affect future tax charges

The UK corporation tax rate reduced to 20% with effect from 1 April 2015. The UK corporation tax rate is now set to reduce to 19% with effect from 1 April 2018 and to 18% with effect from 1 April 2020 in accordance with legislation that was substantively enacted before 31 December 2015.

(d) Deferred income tax

The deferred income tax included in the balance sheet is as follows:

	2017$	2016$
Deferred tax asset		
Losses available for carry forward	57,164	-

7. DIVIDENDS

	31.12.17 $	31.12.16 $
Ordinary shares of $1 each		
Interim	52,673,000	
During the year, the company paid dividends in excess of its distributable reserves.		-

8. INVESTMENTS

	Shares in group undertakings $
COST	
At 1 January 2017 and 31 December 2017	1,353
NET BOOK VALUE	
At 31 December 2017	1,353
At 31 December 2016	1,353

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%
Kazakhmys Management B.V.	Investment holding	Netherlands	100.00%
KCC B.V.	Investment holding	Netherlands	100.00%
Kazakhmys Power Projects B.V.	Investment holding	Netherlands	100.00%
Kazakhmys Smelting B.V.	Investment holding	Netherlands	100.00%
Kazakhmys Maintenance Services B.V.	Investment holding	Netherlands	100.00%
Kazakhmys Construction B.V.	Investment holding	Netherlands	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	Copper processing	Kazakhstan	100.00%
Kazakhmys Corporation LLP	Production of copper	Kazakhstan	99.90%
Maker LLP	Construction and maintenance	Kazakhstan	99.90%
Kazakhmys Distribution LLP	Heat distribution	Kazakhstan	99.90%
Razrez Kuu-Chekinskiy LLP	Coal extraction and realization	Kazakhstan	99.90%
Razrez Molodezhny LLP	Coal extraction and realization	Kazakhstan	99.90%
Kazakhmys Drilling LLP	Geological works	Kazakhstan	100.00%
Kazakhmys Satpayev LLP	Geological works	Kazakhstan	100.00%
Kazakhmys Holding LLP	Management services	Kazakhstan	100.00%
Kazakhmys Energy LLP	Power generation	Kazakhstan	100.00%
Kazakhmys Maintenance Services LLP	Repair services	Kazakhstan	100.00%
Dank LLP	Extraction works	Kazakhstan	100.00%
Kazakhmys Cooper JSC	Financing activities	Kazakhstan	100.00%
Kazakhmys Maker LLP	Construction and maintenance	Kazakhstan	100.00%
FZE.KZ LLP	Financing activities	Kazakhstan	100 00%
Kazakhmys Building Project LLP	Construction	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 2017	**29,632,660**
Repayment in year	(23,125,400)
Interest accrued as at 31/12	480,941
At 31 December 2017	**6,988,201**

In September 2015 the company issued loan of $63,000,000 to its subsidiary undertaking Kazakhmys Holding Group BV. Interest accrued at 2% per annum on the loan to subsidiary undertaking and is repayable on 30 June 2018. During 2017 part of the loan of $23,125,400 was repaid. In September 2016 the interest rate was changed to 6.5%. As at 31 December 2017 the balance of the loan consists of $4,575,483 loan principal and $2,412,718 loan interest (as at 31 December 2016 $27,700,883 loan principal and $1,931,777 loan interest).

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 largely due to the short-term maturities of these instruments.

10. TRADE AND OTHER RECEIVABLES

	31.12.17 $	31.12.16 $
Current:		
Trade debtors	12,000	-
Other accounts receivable	827	-
VAT recoverable	5,346	4,642
Called up share capital not paid	130	171
	18,303	**4,813**

11. CASH AND CASH EQUIVALENTS

	31.12.17	31.12.16
	$	$
Cash at bank and in hand	10,466	61,063

12. CALLED UP SHARE CAPITAL

Allotted and issued:

Number:	Class:	Nominal value:	31.12.17 $	31.12.16 $
100	Ordinary shares	£1	171	171

13. RESERVES

	Retained earnings $
At 1 January 2017	**(719,491)**
Profit for the year	52,377,135
Dividends	(52,673,000)
At 31 December 2017	**(1,015,356)**

14. TRADE AND OTHER PAYABLES

	31.12.17	31.12.16
	$	$
Current:		
Trade creditors	25,132	-
Amounts due to related parties	1,182	1,052
Accrued expenses	8,055	55,292
	34,369	**56,344**

15. FINANCIAL LIABILITIES - BORROWINGS

	31.12.17	31.12.16
	$	$
Non-current:		
Bank loans	8,000,000	30,360,000
Interest payable on bank loan	(861)	2,865
	7,999,139	**30,362,865**

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

Terms and debt repayment schedule

	1-2 years
	$
Bank loans	8,000,000
Interest payable on bank loan	(861)
	7,999,139

Starting from 01 January 2016 effective interest rate was 1.0%, the repayment period is from December 2016 to March 2018. The 61,500,000 shares of Financial Services B.V. were pledged in favour of Bank Frick & Co. AG as collateral for the loan.

On 23 September 2016 the conditions of the bank loan were changed as follows: the interest rate increased to 6,00%; the pledge consisted of shares was removed from the loan agreement.

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 beneficiary is V Kim.

17. **RELATED PARTY DISCLOSURES**

Included within other receivables (Note 10) is an amount of $130 ($171 in 2016) due from parent company;
Included within other creditors (Note 14) is an amount of $4,781 ($ 1,052 in 2016) due to subsidiaries.
During the year, the company recharged management expenses of $12,000 (2016: NIL) to a subsidiary which was receivable at the year end.
Dividends received during the year from a related party, Kazakhmys Holding Group B.V, was an amount of $52,673,000.
Dividends paid during the year to the shareholders, East Copper Holdings Private Limited, was an amount of $52,673,000.

These are parent accounts for the year ended 31 December 2017 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 to 31 December 2017

No. 09132358

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East Copper Holdings Private Limited and its Subsidiaries

General Information

Directors

Helen Yaroslavna Yakubovskaya
Zheng Shushan
Yee Kai Cheong

Company Secretary

Toh Geok Hong

Registered Office

65 Chulia Street
#42-06
OCBC Centre
Singapore 049513

Auditor

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

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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 2017.

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 2017 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.

Helen Yaroslavna Yakubovskaya
Director

Zheng Shushan
Director

Singapore
20 August 2018

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

Report on the audit of the financial statements

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 2017, 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.

Opinion

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 2017 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 Company 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' statements 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.

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

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.

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 financial statements. We are responsible for the direction, supervision and performance of the 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.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

20 AUG 2018

East Copper Holdings Private Limited and its Subsidiaries

Consolidated Statement of Comprehensive Income
For the financial year ended 31 December 2017

	Note	2017	2016
Continuing operations		$ 000	$ 000
Revenue	6	1,922,202	1,549,691
Cost of sales	7 (i)	(1,062,601)	(744,718)
Gross profit		**859,601**	**804,973**
Selling and distribution expenses		(53,773)	(47,329)
Administrative expenses	7 (ii)	(460,942)	(448,323)
Other operating income	7 (iii)	48,896	48,034
Other operating expenses	7 (iv)	(40,067)	(27,402)
Impairment losses	8	(76,466)	(17,755)
Operating profit		**277,249**	**312,198**
Finance income	9	10,773	17,284
Finance costs	9	(116,405)	(37,067)
Share of loss of an associate	5	–	–
Profit before tax from continuing operations		**171,617**	**292,415**
Income tax expense	10	(71,110)	(88,680)
Profit for the year from continuing operations		**100,507**	**203,735**
Discontinued operations			
Loss after tax for the year from discontinued operation	27	(26,347)	–
Profit for the year		**74,160**	**203,735**
Net profit attributable to:			
Equity holders of the parent		73,289	203,381
Non-controlling interests		871	354
		74,160	203,735
Other comprehensive income:			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		5,366	16,914
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**5,366**	**16,914**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax			
Actuarial gains on employees benefits	22	4,712	8,275
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**4,712**	**8,275**
Other comprehensive income for the year, net of tax		**10,078**	**25,189**
Total comprehensive income for the year		**84,238**	**228,924**
Total comprehensive income attributable to:			
Equity holders of the parent		83,367	228,570
Non-controlling interests		871	354
		84,238	**228,924**

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 2017

	Note	Group 2017	Group 2016 (Restated)	Company 2017	Company 2016
		$ 000	$ 000	$ 000	$ 000
Assets					
Non-current assets					
Intangible assets	11	33,039	22,821	–	–
Property, plant and equipment	12	769,569	671,016	–	–
Mining assets	13	223,753	190,138	–	
Other non-current assets	14	49,830	41,642	–*	–*
Deferred tax assets	10	118,713	74,284	–	–
Non-current financial assets	15	185,623	10,171	–	–
		1,380,527	**1,010,072**	**–***	**–***
Current assets					
Prepayments and other current assets	17	133,177	154,325	–	3
Inventories	16	329,552	304,945	–	–
Income tax prepaid		3,460	3,060	–	–
Trade and other receivables	18	87,997	95,040	203	–*
Current financial assets	15	149,364	10,085	–	
Bank deposits	19	135	36,023	–	–
Cash and cash equivalents	20	123,239	22,074	6	27
		826,924	**625,552**	**209**	**30**
Assets of disposal group classified as held for sale	27	125,171	–	–	–
		952,095	**625,552**	**209**	**30**
Total assets		**2,332,622**	**1,635,624**	**209**	**30**

**Represents amounts less than $1,000*

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

Balance Sheet (cont'd)
As at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note		(Restated)		
		$ 000	$ 000	$ 000	$ 000
Equity and liabilities					
Equity					
Share capital	21	–*	–*	–*	–*
Translation reserve		(542,509)	(547,875)	(2)	(2)
Retained earnings/(accumulated losses)		1,208,212	1,343,956	(56)	(169)
Equity attributable to equity holders of the parent		**665,703**	**796,081**	**(58)**	(171)
Non-controlling interests		1,998	1,201	–	–
Total Equity		***667,701***	***797,282***	**(58)**	(171)
Non-current liabilities					
Loans and other financial liabilities	26	400,590	35,540	–	–
Employee benefits	22	346,364	303,378	–	–
Provisions	23	75,903	67,638	–	–
Deferred tax liabilities	10	12,262	9,115	–	–
		835,119	**415,671**	–	–
Current liabilities					
Provisions	23	47,284	34,102	–	–
Employee benefits	22	30,437	29,479	–	–
Income tax payable		56,558	52,531	–	–
Loans and other financial liabilities	26	220,317	43,821	–	–
Dividend payable		662	603	–	–
Trade and other payables	24	210,583	167,527	267	201
Other non-financial liabilities	25	112,948	94,608	–	–
		678,789	**422,671**	**267**	**201**
Liabilities directly associated with disposal group classified as held for sale	27	151,013	–	–	–
		829,802	**422,671**	**267**	**201**
Total liabilities		**1,664,921**	**838,342**	**267**	**201**
Total equity and liabilities		**2,332,622**	**1,635,624**	**209**	**30**

**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 2017

	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 2016	**–***	**(564,789)**	**1,132,300**	**567,511**	**180**	**567,691**
Net profit	–	–	203,381	203,381	354	203,735
Other comprehensive income	–	16,914	8,275	25,189	–	25,189
Total comprehensive loss	–	**16,914**	**211,656**	**228,570**	**354**	**228,924**
Dividends	–	–	–	–	(67)	(67)
Contribution to Charter Capital	–	–	–	–	734	734
At 31 December 2016	*	**(547,875)**	**1,343,956**	**796,081**	**1,201**	**797,282**
Net profit	–	–	73,289	73,289	871	74,160
Other comprehensive Income	-	5,366	4,712	10,078	–	10,078
Total comprehensive Income	–	**5,366**	**78,001**	**83,367**	**871**	**84,238**
Dividends	–	–	(54,880)	(54,880)	(74)	(54,954)
Recognition of financial guarantee given to the entity under common control	–	–	(1,187)	(1,187)	–	(1,187)
Discount on long-term receivable from shareholder	–	–	(157,678)	(157,678)	–	(157,678)
At 31 December 2017	**–***	**(542,509)**	**1,208,212**	**665,703**	**1,998**	**667,701**

**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 2017

	Share capital	Translation reserve	Accumulated losses	Total deficit
	$ 000	$ 000	$ 000	$ 000
Company				
At 1 January 2016	**–***	**(2)**	**(29)**	**(31)**
Issuance of new shares	–*	–	–	–*
Loss, representing comprehensive loss, for the year	–	–	(140)	(140)
At 31 December 2016	**–***	**(2)**	**(169)**	**(171)**
Income, representing comprehensive loss, for the year	–	–	113	113
At 31 December 2017	–	(2)	(56)	(58)

**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 2017

	2017	2016
	$ 000	$ 000
Cash flows from operating activities		
Profit before tax	171,617	292,415
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation, depletion and amortisation	97,688	52,953
Impairment losses (Note 8)	76,466	17,755
Loss/(gain) on disposal of property, plant and equipment, net	2,203	(2,347)
Loss on disposal of mining assets	761	881
Finance income (Note 9)	(10,773)	(17,284)
Finance costs (Note 9)	107,988	35,695
Movements in provisions and employee benefits	36,656	1,220
Net foreign exchange differences	(1,632)	(738)
Working capital adjustments:		
Change in inventories	(42,272)	(115,667)
Change in prepayments and other current assets	4,207	(39,541)
Change in trade and other receivables	4,954	(44,928)
Change in trade and other payables	43,115	41,253
Change in other non-financial liabilities	18,340	61,450
Cash flows from operations before income taxes paid	509,318	283,117
Income taxes paid	(71,865)	(58,237)
Net cash flow from operating activities	**437,453**	**224,880**
Cash flows from investing activities		
Purchase of intangible assets	–	(5,000)
Purchase of property, plant and equipment	(251,789)	(183,840)
Purchase of mining assets	(61,887)	(46,821)
Proceeds from sale of intangible assets	949	635
Proceeds from sale of property, plant and equipment	14,021	12,447
Proceeds from sale of mining assets	–	301
Interest received	3,960	–
Purchase of loans given (Note 27)	(995,422)	–
Proceeds from sale of subsidiary, net of cash in subsidiary (Note 15, 27)	(188,301)	–
Acquisition of non-current investments	(929)	(1,539)
Purchase of financial assets	(3,244)	–
Payment for licenses	–	(3,437)
Withdrawal of short-term bank deposits, net (Note 19)	37,039	28,840
Net cash flows used in investing activities	**(1,445,603)**	**(198,414)**

Cash Flow Statement (continued)
For the financial year ended 31 December 2017

	2017	2016
	$ 000	$ 000
Cash flows from financing activities		
Dividends paid to equity holders of the parent	(54,880)	–
Dividends paid to non-controlling interests	(74)	(67)
Bonds issued (Note 27)	995,813	–
Proceeds from borrowings	607,841	11,123
Repayment of borrowings	(429,399)	(32,640)
Interest paid	(3,722)	(1,535)
Payment for licences	(4,805)	–
Payment of finance lease liabilities	(1,459)	–
Contributions from non-controlling interest	–	734
Net cash flows from/(used in) financing activities	**1,109,315**	**(22,385)**
Net increase in cash and cash equivalents	101,165	4,081
Cash and cash equivalents at the beginning of the year	22,074	17,993
Cash and cash equivalents at end of the year	***123,239***	***22,074***

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 Company 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 Financial Statements.

The financial statements are presented in the United States dollars ("USD" or "$") except when otherwise indicated.

2.2 Changes in accounting policies

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016): *Amendments to FRS 28 Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
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

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

2.3 Standards issued but not yet effective (cont'd)

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group plans to adopt the new standard on the required effective date using the modified retrospective application. The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis.

Provisionally priced sales
The Group's sales of cathode copper and other metals contain provisional pricing features which are currently considered to be embedded derivatives. Under FRS 18, revenue is recognised at the estimated fair value of the total consideration received or receivable when goods are delivered, which is usually when it passes the ship's rail. This 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 part of Revenues.

FRS 115 will not change the assessment of the impact of these provisional pricing features. FRS 115 states that if a contract is partially within scope of this standard and partially in the scope of another standard, an entity will first apply the separation and measurement requirements of the other standard(s). Therefore, to the extent that provisional pricing features are considered to be in the scope of another standard, they will be outside the scope of IFRS 115 and entities will be required to account for these in accordance with FRS 109.

Revenue in respect of the host contract will be recognised when control passes to the customer (which has been determined to be the same point in time, i.e., when the goods pass the ship's rail) and will be measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received during the QP. Consequently, at the time the goods pass the ship's rail, the Group will recognise a receivable because from that time it considers it has an unconditional right to consideration. This receivable will then be accounted for in accordance with FRS 119.

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

2.3 Standards issued but not yet effective (cont'd)

FRS 115 *Revenue from Contracts with Customers (cont'd)*

Provisionally priced sales (cont'd)
As explained above in the discussion on the potential impact of FRS 109, the embedded derivative will no longer be separated from the host contract. This is because the existence of the provisional pricing features will mean the receivable will fail to meet the requirements to be measured at amortised cost. Instead, the entire receivable will be measured at fair value, with subsequent movements being recognised in the profit or loss.

The requirement to measure the entire receivable at fair value is different from current practice in that the current embedded derivative represents changes in the commodity price, whereas the fair value of the receivable will include the impact of changes in the commodity price, interest rate risk and credit risk.

Given the nature of the Group's provisionally priced sales in that they are no more than two months long and are with customers who have a strong credit rating, the Group does not expect this change to have a material impact.

With respect to the presentation of amounts arising from such provisionally priced contracts, FRS 115 requires "revenue from contracts with customers" to be disclosed separately from other types of revenue. This means that revenue recognised from the initial sale must be separately disclosed in the financial statements from any revenue recognised from subsequent movements in the fair value of the related receivable.

Other presentation and disclosure requirements
In addition to the presentation and disclosure requirements for provisionally priced sales discussed above, FRS 115 contains other presentation and disclosure requirements which are more detailed than the current FRS. The presentation requirements represent a significant change from current practice and will increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in FRS 115 are new. The Group continues testing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

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

2.3 Standards issued but not yet effective (cont'd)

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the IFRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

Classification and measurement

FRS 109 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. FRS 109 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing FRS 39 categories of held to maturity, loans and receivables and available for sale. FRS 109 largely retains the existing requirements in FRS 39 for the classification of financial liabilities. Based on its assessment, the Group does not expect that the new classification requirements will have a significant impact.

Classification of Accounts Receivable

Accounts receivable is held within a business model whose objective is to hold assets to collect contractual cash flows. However, the pricing mechanism for copper and silver stipulated in certain contracts is based on average market price of these metals for a predefined time period, usually from one to two months. The Group believes that contractual terms of such receivables do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, the accounts receivable is measured at fair value through profit or loss in accordance with FRS 109. The accounts receivable that does not contain the provisional pricing mechanism will be further accounted at amortized cost.

Impairment – Financial Assets and Contract Assets

FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects that due to unsecured nature of its loans and receivables, the loss allowance would increase by USD 6,157,000.

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

2.3 Standards issued but not yet effective (cont'd)

FRS 109 *Financial Instruments*

Classification – Financial Liabilities

Disclosures

FRS 109 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

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 2017.

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 recognized 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 2017 at Kazakhstan Stock Exchange ("KASE") was 332.33 Tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in US dollars as of 31 December 2017 (2016: 333.29 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 2017 was 326.00 Tenge to 1 US dollar (2016: 342.16 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

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.

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

2.9 Leases (cont'd)

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 statement of profit or loss 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 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 a unit of production method.

The unit 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 a unit of production method.

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

2.10 Mining assets (cont'd)

(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.

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. Summary of significant accounting policies (cont'd)

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.

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. Summary of significant accounting policies (cont'd)

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 recognized 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.

2.14 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.

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

2.14 Provisions (cont'd)

(i) Site restoration costs (cont'd)

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.

(ii) 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

Revenue represents the value of goods and services supplied to customers during the year. Revenue is measured at the fair value of consideration received.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue associated with the sale of goods is recognised in the consolidated statement of comprehensive income when all significant risks and rewards of ownership are transferred to the customer, usually when title and any insurance risk has passed to the customer and the goods have been delivered as per the contractual delivery terms or when any services have been provided.

Almost all sales agreements for copper cathodes, copper rods and copper and zinc concentrate are provisionally priced, (i.e. the selling price is subject to final adjustment at the end of a quotation period, typically the average price either for the month or the month following delivery to the customer), based on the London Market Exchange (LME) market price for the relevant quotation period stipulated in the contract. Such a provisional sale contains an embedded derivative which is required to be separated from the host contract. The host contract is the sale of commodity at the provisional invoice price, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. At each reporting date, revenue from provisionally priced metal sales is adjusted for market price using forward prices, with adjustments (both gains and losses) being recorded in revenue in the consolidated statement of comprehensive income and in trade receivables in the consolidated statement of financial position.

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, interest expense on loans and foreign exchange losses.

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

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.

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. Summary of significant accounting policies (cont'd)

2.19 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets within the scope of FRS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

When financial assets are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in the consolidated statement of comprehensive income.

The Group's financial assets include cash and cash equivalents, trade receivables and unquoted investments.

The Group's most significant financial assets, within the scope of FRS 39, are classified as receivables. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivable are created by the Group in providing money to a debtor.

Subsequent measurement

Subsequent to initial measurement, receivables are measured at amortised cost using the effective interest rate method (EIR). Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Amortisation of effective interest rate is recognised in the consolidated statement of comprehensive income within finance income. Allowance for impairment is estimated on a case-by-case basis.

De-recognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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)

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

Trade and other receivables
Trade and other receivables do not generally carry any interest and are normally stated at their nominal value less any impairment. Impairment losses on trade receivables are recognised within an allowance account unless the Group considers that no recovery of the amount is possible. In which case the carrying value of the asset is reduced directly.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, short-term deposits held on call or with maturities less than three months at inception, and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(b) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs. The Group's financial liabilities include trade payables, payment for licenses and interest-bearing loans.

Subsequent measurement

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method after initial recognition. Income and losses are recognised in the consolidated statement of comprehensive income when liabilities are derecognised as well as a result of amortization of the effective interest rate. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. EIR amortisation is recognised in the consolidated statement of comprehensive income in finance costs.

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

2.19 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement (cont'd)

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (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 fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans. For more information, refer to Note 26.

Payments for licenses
In accordance with the terms of subsoil use contracts, other financial liability is recognized for the future licence payments when the Group has a present obligation to repay the costs of geological information provided for licensed deposits. The amount payable is discounted to its present value

De-recognition

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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of comprehensive income.

(c) Derivative financial instruments

Where the Group enters into derivative contracts that are not hedging instruments in hedge relationships as defined by FRS 39, these are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the consolidated statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would have been expected.

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

2.19 Financial instruments (cont'd)

(d) 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.

(e) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded at an active market, the fair value is determined by using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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

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

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

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 39 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 its 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 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.

2.23 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)

2.24 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 Company; 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 Company.

Contingent liabilities and assets are not recognised on the balance sheet of the Company, 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 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 assets (cont'd)

The assessment of whether an indicator of impairment has arisen can require considerable judgment taking account of future operational and financial plans, commodity prices, sales demand and the competitive environment. Where such indicators exist, the carrying value of the assets of a cash generating unit ('CGU') is compared with the recoverable amount of those assets, that is, the higher of fair value less cost to sell and value in use, which is determined on the basis of discounted future cash flows. This involves management estimates of commodity prices, market demand and supply, the development of operating costs, economic and regulatory climates, long-term mine plans and other factors.

In making the assessment of the Group, the management made additional evaluation of certain new developed projects and operating efficiency of projects. The management expects that the Group, being a private entity, will be able to reach an agreement with the Government in various areas of mutual interests, including support from the Government for a long-term future development of Zhezkazgan, Balkhash, and Karaganda regions.

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.

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)

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

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.

4. Group information

As at 31 December 2017 and 2016, the following subsidiaries were included in the consolidated financial statements of the Group:

Name	Principal activities	Country of incorporation	Share 2017	Share 2016
Kazakhmys Limited (UK)	Investment holding	United Kingdom	100.00%	100.00%
Kazakhmys Holding Group B.V.	Investment holding	Netherlands	100.00%	100.00%
Kazakhmys Management B.V	Investment holding	Netherlands	100 00%	100.00%
KCC B.V.	Investment holding	Netherlands	100.00%	100.00%
Kazakhmys Power Projects B.V.	Investment holding	Netherlands	100.00%	100.00%
Kazakhmys Smelting B.V.	Investment holding	Netherlands	100 00%	100.00%
Kazakhmys Maintenance Services B V.	Investment holding	Netherlands	100.00%	100.00%
Kazakhmys Construction B.V.	Investment holding	Netherlands	100.00%	100.00%
Kazakhmys Exploration B.V.	Investment holding	Netherlands	100.00%	100.00%
Kazakhmys Satpayev B.V.	Investment holding	Netherlands	100.00%	100.00%
Kazakhmys Corporation Finance Ltd	Financing activities	United Kingdom	100.00%	100 00%
Kazakhmys Smelting Finance Ltd	Financing activities	United Kingdom	100.00%	100.00%
Kazakhmys Copper JSC	Investment holding	Kazakhstan	100.00%	100 00%
Kazakhmys Corporation LLP	Production of copper concentrate	Kazakhstan	99.90%	99.90%
Kazakhmys Smelting LLP	Copper smelting	Kazakhstan	100.00%	100.00%
Maker LLP	Construction and maintenance	Kazakhstan	99.90%	99.90%
Kazakhmys Maker LLP	Other services	Kazakhstan	99.90%	–
Kramz LLP	Other services	Kazakhstan	99.90%	–
Kazakhmys Distribution LLP	Heat distribution	Kazakhstan	99.90%	99.90%
Razrez Kuu-Chekinski LLP	Production of coal	Kazakhstan	99 90%	99.90%
Razrez Molodezhnyi LLP	Production of coal	Kazakhstan	99.90%	99.90%

4. Group information (cont'd)

Name	Principal activities	Country of incorporation	Share 2017	Share 2016
Kazakhmys Drilling LLP	Geological works	Kazakhstan	100.00%	100.00%
Kazakhmys Satpayev LLP	Geological works	Kazakhstan	100.00%	100.00%
Kazakhmys Holding LLP	Management services	Kazakhstan	100.00%	100.00%
Kazakhmys Energy LLP	Power generation	Kazakhstan	100.00%	100.00%
GRES Topar LLP	Power generation	Kazakhstan	100.00%	100.00%
Kazakhmys Maintenance Services LLP	Repair services	Kazakhstan	100.00%	100.00%
Kazakhmys Building Project LLP	Construction	Kazakhstan	100.00%	100 00%
Dank LLP	Sale of concentrate	Kazakhstan	100.00%	100.00%
Aidarly Project LLP	Exploration project	Kazakhstan	100.00%	100.00%
Anisimov Project LLP	Exploration project	Kazakhstan	100.00%	100.00%
Anisimov Kluch LLP	Exploration project	Kazakhstan	51.00%	–
Sayk-4 project LLP	Exploration project	Kazakhstan	100.00%	100 00%
Zhanashyr Project LLP	Exploration project	Kazakhstan	100.00%	100.00%
Zhezkazgan REK JSC	Electricity distribution	Kazakhstan	90.00%	90.00%
Zhezkazgan Air JSC	Airline	Kazakhstan	90.00%	90.00%
Medical Center Zhezkazgan LLP	Medical services	Kazakhstan	100.00%	100.00%
Polytechnic college of Kazakhmys	Education	Kazakhstan	100.00%	100 00%
Technological college of Kazakhmys	Education	Kazakhstan	100.00%	100.00%
SP Ulytau	Other services	Kazakhstan	100.00%	100.00%
SP KazBelaz LLP	Other services	Kazakhstan	51.00%	51.00%
Comlux Atlantic A.V.V	Airline	Aruba	100.00%	100.00%
Avariyno-spasatelnaya sluzhba Seriktes LLP	Security services	Kazakhstan	100.00%	100.00%
FZE.KZ LLP	Rental of property	Kazakhstan	100.00%	100.00%
Kazakhstanskaya Innovacionnaya Metallurgiya LLP	Other services	Kazakhstan	100.00%	100.00%
Kazakhmys Development LLP	Other services	Kazakhstan	100.00%	100.00%
GRP-Kazakhmys GmbH	Import & export of equipment	Germany	51.00%	51.00%
Kazakhmys Extraction LLP	Other services	Kazakhstan	100.00%	–
Special Financial Company DSFK LLP	Financial services	Kazakhstan	100.00%	
Allegro LLP	Construction	Kazakhstan	–	100.00%
Aviacentr JET LLP	Other jet services	Kazakhstan	–	100.00%
Abayskie teploseti LLP	Heating supply	Kazakhstan	–	100.00%
Charaltyn JSC	Production of gold	Kazakhstan	–	100 00%
Kazakhmys-SML construction LLP	Construction	Kazakhstan	–	50.00%

5. Investment in associate

On 4 June 2015, the Group acquired 61,500,000 shares in the share capital of Financial Services B.V. ("the Associate"), each a nominal value of one US dollar, which constitutes 25% of the issued capital of an associate. Financial Services B.V. is a private entity that is not listed on any public exchange and is involved in financial operations. The Group's interest in Financial Services B.V. 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 Financial Services B.V.:

	2017 *$000*	2016 *$000*
Current assets	55,195	57,904
Non-current assets	272,949	214,716
Current liabilities	(361,538)	(269,919)
Non-current liabilities	(101,066)	(64,250)
Equity	(134,460)	(61,549)
Group's carrying amount of the investment	–	–
Revenue	119,257	82,234
Cost of sales	(72,039)	(40,722)
Administrative expenses	(12,791)	(7,115)
Interest cost	(29,764)	(28,460)
Finance cost	–	341
Other expense	(2,079)	(6,604)
Impairment charge	(64,227)	(38,920)
Loss before tax	(61,643)	(39,246)
Income tax (expense)/credit	(1,578)	109
Loss for the year	(63,221)	(39,137)
Total comprehensive loss for the year	(63,221)	(39,137)
Theoretical Group's share of loss for the year	**(15,805)**	**(9,784)**
	–	
Investment in associate at 31 December	–	–
Recognized share of loss of an associate	–	–
Unrecognized share of loss	(15,805)	(9,784)
Cumulative recognized and unrecognized share of loss of the associate	**(55,781)**	**(39,976)**

On 23 March 2016, the Associate acquired 100% shares in MMC Kazakhaltyn JSC for converting some of the issued loans presented within non-current assets to Investments.

The Associate requires the parent's consent to distribute its profits. The parent does not foresee giving such consent at the reporting date. The Associate had no contingent liabilities or capital commitments as at 31 December 2017 and 2016.

The Group did not have any immaterial associates or joint ventures.

6. Revenues

(i) Revenues by products

	2017	2016
	$ 000	$ 000
Copper cathodes	1,338,730	1,013,469
Gold	155,334	154,715
Silver	140,202	136,758
Other by-products	40,037	29,682
Copper rods	35,571	33,670
Electricity	17,503	13,232
Zinc metal in concentrate	3,074	–
Copper concentrate	138	2,648
Other revenue	191,613	165,517
Total revenues	**1,922,202**	**1,549,691**

(ii) Revenues by destination

	2017	2016
	$ 000	$ 000
China	788,776	483,828
Europe	624,320	566,354
Kazakhstan and Central Asia	509,106	489,338
Commonwealth of Independent States	–	10,171
Total revenues	**1,922,202**	**1,549,691**

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

	2017	2016
	$ 000	$ 000
Production overheads	325,321	271,360
Raw materials	288,834	211,319
Employee salaries and payroll taxes	232,706	198,418
Utilities	107,454	18,528
Depreciation, depletion and amortization	80,255	42,214
Mineral extraction tax	43,359	41,506
Other taxes	22,160	18,823
Change in work-in-progress and finished goods	(37,488)	(57,450)
Total cost of sales	**1,062,601**	**744,718**

(ii) Administrative expenses

	20176	2016
	$ 000	$ 000
Employee salaries and payroll taxes	154,261	134,762
Personal injury claims	61,074	23,798
Legal and professional	43,451	60,394
Gratuitous transfer of property	36,681	–
Social responsibility costs	34,172	137,849
Transportation	33,181	20,719
Levies and charges	19,285	20,043
Depreciation and amortization	16,387	7,213
Medical and social support	8,807	6,531
Utilities	5,245	3,362
Suppliers	5,095	4,135
Social contributions	4,659	3,066
Business travel	4,138	3,590
Bank fees	1,810	781
Communication service	1,095	1,636
Other	31,601	20,444
Total administrative expenses	**460,942**	**448,323**

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

(iii) Other operating income

	2017 $ 000	2016 $ 000
De-recognition of liabilities	11,933	1,358
Income from fines and penalty charges	9,595	1,718
Lease income	8,273	5,925
Railway services	4,675	2,195
Sanatorium, medical and canteen	1,408	1,194
Utilities	736	591
Gain on disposal fixed assets	156	3,263
Gain on acquisition of subsidiary	–	9,156
Other	12,120	22,634
Total other operating income	**48,896**	**48,034**

(iv) Other operating expenses

	2017 $ 000	2016 $ 000
Railway services	22,794	7,034
Utilities	2,475	2,268
Loss on disposal fixed assets	2,359	916
Depreciation of leased assets	1,046	3,745
Supplies	1,037	2,633
Sanatorium, medical and canteen	899	717
Loss on disposal of mining assets	761	881
Other	8,696	9,208
Total other operating expenses	**40,067**	**27,402**

8. Impairment losses

	Note	2017 $ 000	2016 $ 000
Impairment charge on property, plant, and equipment (Note a)	12	43,682	2,540
Impairment charge on prepayments and other current assets	17	16,911	4,386
Impairment charge on inventories	16	5,644	12,775
Impairment charge/(reversal) on mining assets (Note b)	13	5,098	(132)
Impairment charge/(reversal) on advances paid for non-current assets	14	3,126	(377)
Impairment charge/(reversal) on trade and other receivables	18	2,108	(1,589)
Impairment charge on intangible assets	11	–	152
Impairment reversal on non-current investments		(103)	–
Total impairment losses		**76,466**	**17,755**

(a) *Property, plant and equipment*

In 2017 and 2016 impairment losses recognised 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 during the last financial year based on the results of the Group's assets analysis.

(b) Mining assets

Provision for impairment relates to written-off assets of certain mines, as a result of suspended works since the further development based on management estimate is not viable due to the low ore content and other production factors.

9. Finance income and finance costs

	2017	2016
	$ 000	$ 000
Finance income		
Unwinding of discount on other financial assets	5,592	–
Interest income	3,960	2,944
Recognition of discount on borrowings	–	869
De-recognition of provision	374	13,442
Other	847	29
Total finance income	**10,773**	**17,284**

	2017	2016
	$ 000	$ 000
Finance costs		
Recognition of liability to DSFK bondholders (Note 26)	64,847	–
Interest on employee benefits (Note 22)	25,988	24,310
Net foreign exchange loss	8,417	1,372
Unwinding of discount on provisions	7,890	7,379
Interest on borrowings	3,451	1,946
Unwinding of discount on guarantee	405	–
Other	5,407	2,060
Total finance costs	**116,405**	**37,067**

10. Income tax

(i) Income tax expenses

Income tax expenses shown in the consolidated statement of comprehensive income for the years ended 31 December 2017 and 2016 are presented as follows:

	Group	
	2017	2016
	$ 000	$ 000
Current income tax		
Current income taxation	81,209	64,903
(Over)/underprovision in respect of prior years	(6,117)	1,963
	75,092	**66,866**
Deferred income tax		
Origination and reversal of temporary differences	(42,086)	23,180
Total income tax expense	**33,006**	**90,046**
Income tax expense recognized in profit or loss	71,110	88,680
Income tax (benefit)/expense recognized in equity	(38,104)	1,366
	33,006	**90,046**

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	
	2017	2016
	$ 000	$ 000
Profit before tax	171,617	292,415
At Singapore's statutory income tax of 17%	29,175	49,711
Effect of higher tax rates in Kazakhstan (20%)	5,148	8,772
(Over)/underprovision in respect of prior years	(6,117)	1,963
Unrecognized tax losses	3,009	–
Benefit from previously unrecognized tax losses	–	(8,764)
Unrecognized deferred tax assets	6,782	–
Non-deductible expenses for tax purposes:		
Sponsorship	5,123	21,820
Gratuitous transfer of property	8,218	–
Transfer pricing	439	7,649
Other non-deductible expenses	19,333	7,529
Total	**71,110**	**88,680**

10. Income tax (cont'd)

Corporate Income Tax

Corporate income tax ('CIT') is calculated at 17% (2016: 17%) of the taxable profit for the year for the Group. Legal entities in Kazakhstan calculate CIT at 20% (2016: 20%).

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.

(i) Recognized deferred tax assets and liabilities

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

	2017	2016
	$ 000	$ 000
Employee benefits	75,401	66,588
Discount on receivable from shareholder	37,661	–
Taxes, other than income tax	28,348	21,693
Provisions	9,175	8,179
Tax losses	3,000	3,040
Trade and other payables	2,314	2,808
Trade and other receivables	731	1,668
Fixed assets	(50,080)	(38,729)
Restricted cash	(99)	(78)
	106,451	**65,169**

10. Income tax (cont'd)

Non-deductible expenses (cont'd)

(i) Recognized deferred tax assets and liabilities (cont'd)

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

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

	2017 $ 000	2016 $ 000
At beginning of the year	65,169	87,495
Recognized in profit or loss	3,982	(21,814)
Recognized in equity	38,104	(1,366)
Exchange adjustment	(804)	854
	106,451	**65,169**
Deferred tax assets	118,713	74,284
Deferred tax liabilities	(12,262)	(9,115)
	106,451	**65,169**

(ii) *Unrecognised deferred tax assets*

Unrecognized deferred tax assets comprised the following:

	2017		2016	
	Temporary difference $ 000	Deferred Tax $ 000	Temporary difference $ 000	Deferred Tax $ 000
Tax losses	199,090	39,818	184,045	36,809

11. Intangible assets

	Licenses	Other	Total
	$ 000	$ 000	$ 000
Cost			
At 1 January 2016	**16,284**	**4,711**	**20,995**
Additions	1,135	4,372	5,507
Disposals	(1,071)	-	(1,071)
Exchange adjustment	304	197	501
At 31 December 2016	**16,652**	**9,280**	**25,932**
Additions	12,595	3,617	16,212
Disposals	(2,773)	(377)	(3,150)
Exchange adjustment	(139)	(36)	(175)
At 31 December 2017	**26,335**	**12,484**	**38,819**
Amortisation and impairment			
At 1 January 2016	**1,476**	**548**	**2,024**
Amortisation charge	354	954	1,308
Disposals	(421)	(15)	(436)
Impairment (Note 8)	152	–	152
Exchange adjustment	29	34	63
At 31 December 2016	**1,590**	**1,521**	**3,111**
Amortisation charge	383	2,335	2,718
Disposals	–	(6)	(6)
Exchange adjustment	(2)	(41)	(43)
At 31 December 2017	**1,971**	**3,809**	**5,780**
Net book value			
At 31 December 2017	**24,364**	**8,675**	**33,039**
At 31 December 2016	15,062	7,759	22,821

12. Property, plant and equipment

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
	$ 000	$ 000	$ 000	$ 000	$ 000
Cost					
At 1 January 2016	**206,490**	**187,053**	**84,137**	**92,963**	**570,643**
Additions	21,495	9,805	2,590	203,249	237,139
Transfers	21,486	125,697	49,125	(196,308)	–
Reclassification	(2,478)	(691)	(255)	3,424	–
Disposals	(7,450)	(5,203)	(2,824)	(14,402)	(29,879)
Exchange adjustment	4,668	6,763	2,800	1,620	15,851
At 31 December 2016	**244,211**	**323,424**	**135,573**	**90,546**	**793,754**
Additions	5,175	8,546	847	291,971	306,539
Transfers	29,457	146,804	20,282	(196,543)	–
Disposals	(9,488)	(14,617)	(13,920)	(39,236)	(77,261)
Exchange adjustment	(333)	(1,764)	154	(797)	(2,740)
At 31 December 2017	**269,022**	**462,393**	**142,936**	**145,941**	**1,020,292**

Additions to property, plant and equipment include transfer from inventories amounted to USD 20,838,000 (2016: USD 34,072,000).

12. Property and equipment (cont'd)

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
	$ 000	$ 000	$ 000	$ 000	$ 000
Depreciation and impairment					
At 1 January 2016	**16,078**	**25,522**	**17,521**	**21,177**	**80,298**
Depreciation charge	11,151	30,443	10,785	–	52,379
Impairment/(reversal) (Note 8)	3,868	1,560	(249)	(2,639)	2,540
Reclassification	322	(342)	20	–	–
Disposals	293	(3,520)	(1,639)	(10,118)	(14,984)
Exchange adjustment	695	1,187	554	69	2,505
At 31 December 2016	**32,407**	**54,850**	**26,992**	**8,489**	**122,738**
Depreciation charge	20,972	61,669	15,049	–	97,690
Impairment (Note 8)	7,985	22,712	1,175	11,810	43,682
Disposals	(1,862)	(6,334)	(3,089)	–	(11,285)
Exchange adjustment	(422)	(1,329)	(174)	(177)	(2,102)
At 31 December 2017	**59,080**	**131,568**	**39,953**	**20,122**	**250,723**
Net book value					
At 31 December 2017	**209,942**	**330,825**	**102,983**	**125,819**	**769,569**
At 31 December 2016	211,804	268,574	108,581	82,057	671,016

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

	2017	2016
	$ 000	$ 000
Cost of sales	72,853	32,578
Administrative expenses	14,576	5,905
Other operating expenses	1,046	3,745
Selling and distribution expenses	1,366	347
Capitalized depreciation	8,957	9,804
	98,798	52,379

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

Fully depreciated assets

At 31 December 2017, the cost of fully depreciated property, plant and equipment in use was USD 48,390,000 (2016: USD 27,241,000).

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 2016	**147,742**	**3,005**	**16,222**	**9,517**	**176,486**
Additions	1,121	76	2,329	46,820	50,346
Transfers	43,276	–	–	(43,276)	–
Change in estimates	12,845	–	3	–	12,848
Capitalized depreciation	–	–	3	181	184
Reclassification	989	(161)	(778)	(50)	–
Disposals	(5,369)	(132)	(149)	(51)	(5,701)
Exchange adjustment	4,080	50	336	271	4,737
At 31 December 2016	**204,684**	**2,838**	**17,966**	**13,412**	**238,900**
Additions	–	325	14,512	42,353	57,190
Transfers	33,669	–	–	(33,669)	–
Change in estimates	(10,095)	–	–	–	(10,095)
Capitalized depreciation	–	–	–	1,390	1,390
Disposals	(1,874)	–	(1,383)	–	(3,257)
Exchange adjustment	180	3	(198)	(154)	(169)
At 31 December 2017	**226,564**	**3,166**	**30,897**	**23,332**	**283,959**
Depletion and impairment					
At 1 January 2016	**29,475**	**893**	**6,389**	**4,065**	**40,822**
Depletion	5,870	670	3,096	–	9,636
Impairment charge/(reversal) (Note 8)	184	(50)	(266)	–	(132)
Reclassification	(257)	126	131	–	–
Disposals	(2,297)	–	(199)	–	(2,496)
Exchange adjustment	603	35	219	75	932
At 31 December 2016	**33,578**	**1,674**	**9,370**	**4,140**	**48,762**
Depletion	7,503	–	80	–	7,583
Impairment charge (Note 8)	632	71	4,135	260	5,098
Disposals	(1,163)	–	–	–	(1,163)
Exchange adjustment	(3)	3	(82)	8	(74)
At 31 December 2017	**40,547**	**1,748**	**13,503**	**4,408**	**60,206**
Net book value					
At 31 December 2017	**186,017**	**1,418**	**17,394**	**18,924**	**223,753**
At 31 December 2016	171,106	1,164	8,596	9,272	190,138

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

14. Other non-current assets

	2017	2016 (Restated)
	$ 000	$ 000
Advances paid for property, plant and equipment	54,801	45,357
Other	3,785	1,959
	58,586	**47,316**
Provision for impairment of non-current assets	(8,756)	(5,674)
Total	**49,830**	**41,642**

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

	2017	2016
	$ 000	$ 000
Provision at the beginning of the reporting period	5,674	5,950
Charge/(reversal) for the year (Note 8)	3,126	(377)
Exchange adjustment	(44)	101
At 31 December	**8,756**	**5,674**

15. Other financial assets

	2017	2016
	$ 000	$ 000
Non-listed investments (i)	1,740	1,914
Long-term deposits (i)	8,979	8,257
Loans given to shareholder (ii)	273,237	–
Bonds (iii)	2,467	–
Other	48,564	10,085
	334,987	**20,256**
Current	149,364	10,085
Non-current	185,623	10,171
Total	**334,987**	**20,256**

15. Other financial assets (cont'd)

(i) Non-listed investments and long-term deposits

	Non-listed investments	Long-term deposits	Total
	$ 000	$ 000	$ 000
Cost			
At 1 January 2016	**819**	**7,753**	**8,572**
Additions	1,053	486	1,539
Disposals	–	(12)	(12)
Exchange adjustment	42	30	72
At 31 December 2016	**1,914**	**8,257**	**10,171**
Additions	–	929	929
Disposals	(180)	(199)	(379)
Exchange adjustment	6	(8)	(2)
At 31 December 2017	**1,740**	**8,979**	**10,719**

(a) Investments

The following are the jointly controlled entities and associates classified as investments available for sale as at 31 December:

	Share	Carrying amount 2017	Carrying amount 2016
		$ 000	$ 000
Insurance Company Kazakhmys JSC	10.00%	1,280	1,275
Kazenergocabel JSC	8.00%	460	459
Kazakhmys Samsung International JV	50.00%	–	180
Financial Services BV	25.00%	–	–
		1,740	**1,914**

(b) 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 recognized in the consolidated *statement of comprehensive income.*

15. Other financial assets (cont'd)

(ii) 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 USD 490,798,000 (equivalent to KZT 160 billion) with a deferred payment according to the schedule till 31 December 2025. More details is presented in Note 27.

As at the date of the transaction, net assets of the subsidiaries were represented by cash and cash equivalents of USD 204,819,000 (equivalent to KZT 68 billion) and receivables of USD 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 recognized in equity.

(iii) Bonds

On 9 November 2017, the Group purchased bonds of "Eximbank" JSC from "Insurance Company Kazakhmys" JSC for USD 3,244,000 with a maturity till 29 May 2025, classified as financial assets available for sale.

Other financial assets

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

16. Inventories

	2017	2016
	$ 000	$ 000
Raw materials and consumables	95,503	100,742
Work-in-progress	181,407	163,014
Finished goods	78,923	63,596
Inventory	355,833	327,352
Provision for obsolete inventories	(26,281)	(22,407)
	329,552	**304,945**

Change in work-in-progress and finished goods includes exchange adjustment in the amount of USD 3,768,000 (2016: USD 4,512,000).

Movement of inventory provision was as follows:

	2017	2016
	$ 000	$ 000
Provision at the beginning of the reporting period	22,407	8,958
Charge for the year (Note 8)	5,644	12,775
Write-off for the year	(1,777)	178
Exchange adjustment	7	496
	26,281	**22,407**

17. Prepayments and other current assets

	Group	
	2017	2016
	$ 000	$ 000
VAT reclaimable	67,553	65,427
Prepayments for goods and services	42,425	37,892
Prepayments to related parties	6,831	24,867
Other	40,765	34,537
Prepayments and other current assets	157,574	162,723
Provision for impairment	(24,397)	(8,398)
	133,177	**154,325**

Changes in provision for impairment of advances paid are as follows:

	2017	2016
	$ 000	$ 000
Provision at the beginning of the reporting period	8,398	4,914
Charge for the year (Note 8)	16,911	4,386
Write-off for the year	(626)	(1,077)
Exchange adjustment	(286)	175
Provision for impairment	**24,397**	**8,398**

18. Trade and other receivables

	Group		Group	
	2017	2016	2017	2016
	$ 000	$ 000	$ 000	$ 000
Amounts due from third parties	86,104	96,505	–	–
Amounts due from related parties	15,015	10,855	203	–
Trade and other receivables	**101,119**	**107,360**	**203**	–
Provision for impairment of receivables	(13,122)	(12,320)	–	–
	87,997	**95,040**	**203**	–

Changes in provision for impairment of receivables are as follows:

	2017	2016
	$ 000	$ 000
Provision at the beginning of the reporting period	12,320	14,655
Charge/(reversal) for the year (Note 8)	2,108	(1,589)
Write-off for the year	(1,325)	(954)
Exchange adjustment	19	208
Provision for impairment of receivables	**13,122**	**12,320**

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

	2017	2017	2016	2015
	Gross value $ 000	Impairment $ 000	Gross value $ 000	Impairment $ 000
Not past due	75,785	(39)	84,283	(2,347)
Past due 0-90 days	3,157	(117)	4,177	(75)
Past due 91-180 days	6,524	(659)	6,055	(885)
Past due 181-270 days	7,450	(4,411)	4,408	(2,412)
Past due more than 270 days	8,203	(7,896)	8,437	(6,601)
	101,119	**(13,122)**	**107,360**	**(12,320)**

19. Bank deposits

	$ 000
Cost	
At 1 January 2016	**66,999**
Additions	26,571
Withdrawal	(55,411)
Exchange adjustment	(2,136)
At 31 December 2016	**36,023**
Additions	210,163
Withdrawal	(247,202)
Exchange adjustment	1,151
At 31 December 2017	**135**

Bank deposits are 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. Majority of the outstanding deposits as at 31 December 2016 matured in 2017 and bear interest from 4.5% p.a. to 5.0% p.a. (2015: from 4.5% p.a. to 5.0% p.a.).

20. Cash and cash equivalents

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$ 000	**$ 000**	**$ 000**	**$ 000**
Cash at bank	123,206	21,984	6	27
Petty cash	33	90	–	–
	123,239	**22,074**	**6**	**27**

Cash at bank principally earns interest based on daily bank deposit rates.

21. Equity

(a) Share capital

	Group and Company			
	2017 No. of shares	2017 $	2016 No. of shares	2016 $
Issued and fully paid ordinary shares				
At 1 January	100	100	10	10
Issuance of new shares	–	–	90	90
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.

(b) Non-controlling interests

Contribution to charter capital

During 2016, contribution of USD 734,000 to non-controlling interest mainly relates to a portion of additional contribution into subsidiary KazBelaz LLP, by non-controlling shareholder, holding 49% interest.

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:

	2017 $ 000	2016 $ 000
Employer's share of current service cost	764	1,258
Employer's share of current past cost	(25)	–
Net actuarial losses recognised	54,994	17,504
Interest cost on benefit obligation	25,988	24,310
	81,721	**43,072**

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 19 Employee benefits' as an insured benefit, with no asset or liability being recognised in the Group's consolidated financial statements.

22. Employee benefits (cont'd)

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

	2017	2016
	$ 000	$ 000
Administrative expenses	55,733	18,762
Finance costs (Note 9)	25,988	24,310
	81,721	**43,072**

The movement in the defined benefit obligation is as follows:

	2017		2016	
	Post-employment	Other	Post-employment	Other
	$ 000	$ 000	$ 000	$ 000
Opening balance	21,915	312,258	32,177	297,834
Current service cost	580	184	1,135	123
Employer's share of current past cost	(21)	(3)	–	–
Net actuarial loss/(gain) in comprehensive income	–	55,313	(1,729)	12,269
Net actuarial (gain)/loss in other comprehensive income	(6,825)	–	(9,653)	–
Interest cost on benefit obligation	1,641	24,452	2,238	22,696
Benefits provided to employees	(1,865)	(29,380)	(2,578)	(26,408)
Exchange adjustment	186	(54)	325	5,744
	15,611	**362,770**	**21,915**	**312,258**

The movement in the plan asset is as follows:

	2017		2016	
	Post-employment	Other	Post-employment	Other
	$ 000	$ 000	$ 000	$ 000
Opening balance	913	403	179	7,819
Interest income	71	34	12	612
Contributions to plan assets	1,715	29,221	2,505	26,010
Benefits paid	(1,819)	(29,264)	(2,540)	(26,282)
Actuarial gain/(loss)	–	319	749	(7,713)
Actuarial losses, recognized in other comprehensive income	(12)	–	(12)	–
Exchange adjustment	4	(5)	20	(43)
	872	**708**	**913**	**403**

22. Employee benefits (cont'd)

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

	2017	2016
	$ 000	$ 000
Defined benefit obligation	378,381	334,173
Less fair value of plan assets	(1,580)	(1,316)
Net liability at 31 December	376,801	332,857
Current	30,437	29,479
Non-current	346,364	303,378
Net liability at 31 December	**376,801**	**332,857**

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

	2017	2016
Discount rate	8.0%	8.0%
Medical and other related cost increases	5.6%	6.0%
Future salary increase	5.6%	2017 - 2019: 9% 2020 - 2030: 4% after 2032: 2%

In addition, mortality rates were determined with reference to the mortality table of Kazakhstan as published by the Government.

23. Provisions

	Site restoration	Other	Total
	$ 000	**$ 000**	**$ 000**
At 1 January 2016	62,070	24,715	86,785
Reversal/accrual	(310)	6,577	6,267
Unwinding of discount	4,374	–	4,374
Change in estimates	2,376	–	2,376
Exchange adjustment	1,312	626	1,938
At 31 December 2016	**69,822**	**31,918**	**101,740**
Accrual	411	15,758	16,169
Unwinding of discount	5,083	–	5,083
Change in estimates	506	–	506
Exchange adjustment	84	(395)	(311)
At 31 December 2017	**75,906**	**47,281**	**123,187**
Current	3	47,281	47,284
Non-current	75,903	–	75,903
At 31 December 2017	**75,906**	**47,281**	**123,187**
Current	2,184	31,918	34,102
Non-current	67,638	–	67,638
At 31 December 2016	**69,822**	**31,918**	**101,740**

(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 of the provision has been calculated using a discount rate equal to yield of government bonds of the Republic of Kazakhstan, ranging from 8% to 9% (2016: 8% to 9%) per annum. The liability becomes payable at the end of the useful life of each mine, which ranges from 1 to 52 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

The Group recognized a provision as part of a probable payable to the government, which is unsettled as of 31 December 2017 in the amount of USD 47,281,000 at the time of the issue of the consolidated financial statements (2016: USD 31,918,000).

24. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	$ 000	$ 000	$ 000	$ 000
Trade payables	154,706	107,903	-	–
Salaries and related payables	38,817	38,447	–	–
Amounts payable to related parties	11,112	12,038	194	139
Other payables and accrued expenses	5,948	9,139	73	62
	210,583	**167,527**	**267**	**201**

Trade accounts payable are non-interest bearing and are normally settled on 30-40 day terms 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.

25. Other non-financial liabilities

	Group	
	2017	2016
	$ 000	$ 000
Other taxes payable	104,742	84,701
Payments received in advance from related parties	1,273	282
Payments received in advance	6,933	9,625
	112,948	**94,608**

26. Loans and other financial liabilities

	Group 2017	Group 2016
	$ 000	$ 000
Payment for licenses (i)	24,566	28,909
Interest-bearing loans (ii)	497,280	41,021
Guaranties and other financial instruments (iii)	64,860	–
Finance lease (iv)	34,201	9,431
	620,907	**79,361**
Current	220,317	43,821
Non-current	400,590	35,540
	620,907	**79,361**

(i) Payments for licences

In accordance with its 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 Group is discounted to its present value using a discount rate in the range of 5.8%-9.5% per annum (2016: 5.8% - 9.5% per annum). The amounts are agreed separately per each subsoil use contract, with the latest payable prior to 31 December 2037.

(ii) Interest bearing loans

	Interest rate	Maturity	2017	2016
			$000	$000
Current interest bearing loans				
USD 63,000,000 Bank Frick & Co AG loan (a)	6%	2018	8,000	30,472
USD 36,000,000 Sberbank loan (b)	6%	2018	30,354	4,788
KZT 1,955,300 thousands Nurbank loan (c)	6%	May 2023	841	190
USD 360,000,000 Halyk bank loan (d)	6%	December 2020	62,554	–
KZT 91,999,000 thousands KCC Finance loan (e)	2%	January 2018	105,317	–
Total current interest-bearing loans			**207,066**	**35,450**
Non-current interest bearing loans				
KZT 1,955,300 thousands Nurbank loan (c)	6%	May 2023	4,931	5,571
USD 360,000,000 Halyk bank loan (d)	6%	December 2020	285,283	–
Total non-current interest-bearing loans			290,214	5,571
Total interest bearing loans			**497,280**	**41,021**

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

(ii) Interest bearing loans (cont'd)

(a) Bank Frick & Co AG

USD 63 million bank loan was obtained from Bank Frick & Co AG (Liechtenstein) with a purpose to finance acquisition of shares of Financial Services BV. The Group has paid loan origination fee in amount of USD 1,185,000 to Whitecliff Management Corporation for the consulting services connected with the loan arrangement. On 24 November 2016, the Group has renegotiated terms, by removing pledge (shares of Financial Services BV) from the loan agreement. Thus, interest rate increased from 1% to 6% per annum.

(b) Subsidiary bank "Sberbank of Russia" JSC

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

(c) Nurbank JSC

In 2016, the Group concluded credit line agreement for the total amount of KZT 1,955,300 thousands with the purpose of capital expenditures on modernization of concentrators. As a result of discounting loan to its amortized cost at market rates of 9.7% to 12.6% per annum, the Group recognized discount for the total amount of USD 869,000. As of 31 December 2016 and 2017, credit line amount was fully withdrawn.

(d) Halyk bank JSC

On 20 January 2017, the Group signed an agreement for provision of a renewable credit line for the amount of USD 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. As of 31 December 2017, the Group used the entire credit line.

On 13 October 2017, the Group signed an agreement on credit line for the amount of USD 300 million 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 USD 2,112,000 were calculated using the effective interest rate method. As of 31 December 2017, the Group used the entire credit line.

(e) KCC Finance LLP

On 14 November 2017, the Group signed a Loan Agreement for the amount of KZT 92 billion with KCC Finance LLP at rate of 1.5% per annum until full repayment. During 2017, the Group paid USD 174,847,000 (equivalent to KZT 57 billion). More details presented in Note 27.

26. Interest-bearing 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%. More details are presented in Note 27.

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 USD 39,000,000 and USD 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.

Other financial guarantees

The Group has also provided a financial guarantee to Halyk Bank JSC for the liabilities of the GMK Kazakhaltyn JSC loan for the 30 billion Tenge. Management believes, that fair value of these liabilities is not significant.

(iv) Finance lease

	2017		2016	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	$ 000	$ 000	$ 000	$ 000
Within one year	11,303	9,949	3,531	3,351
After one year but not more than five years	24,361	24,252	6,234	6,080
Total minimum lease payments	**35,664**	**34,201**	**9,765**	**9,431**
Less amounts representing finance charges	(1,463)	-	(334)	–
Present value of minimum lease payments	**34,201**	**34,201**	**9,431**	**9,431**

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.

KCC Finance LLP

Under the framework agreement, the Group committed to perform additional capitalization of Bank RBK JSC for the amount of USD 490,798,000 (160 billion Tenge) till 19 January 2018. Thus, the Group acquired 100% of the participation interests in the authorized capital of KIX.kz LLP, renamed to KCC Finance LLP, and declared to increase charter capital to USD 490,798,000 (160 billion Tenge) of which USD 208,589,000 (68 billion Tenge) were contributed in cash.

On 14 November 2017, the Group committed to contribute the remaining USD 282,209,000 (92 billion Tenge) before in January 2018, which caused the liability to the counterparty. More details of which are presented in the Note 26 (ii) (e).

On 15 November 2017, 100% of participation in the subsidiary were sold to Mr. Vladimir Kim for USD 490,798,000 with a deferred payment till 31 December 2025. More details are presented in the Note 15 (ii).

This organization was acquired for the purposes of further sale to the structures belonging to Mr. Vladimir Kim. The only operation, for the period from 6 November 2017 (date of acquisition) to 15 November 2017 (date of sale), was the contribution to the charter capital of the subsidiary.

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 USD 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 USD 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 USD 868,837,000 was recognized as government grant in accordance with IAS 20.

The Group provided a guarantee (put option) to bondholders to buy back the CDOs for a total maximum amount of USD 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 USD 1,027,607,000 (335 billion Tenge). According to the independent evaluation, the fair value of the assets is equal to USD 127,212,000. The difference between the fair value of assets and the cash consideration given was recognized as part of the loss in the amount of USD 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 22 May 2018.

The results of DSFK for the year ended 31 December 2017 is the following:

	For the period of from 21 November 2017 (date of incorporation) to 31 of December 2017
	$000
Revenue	–
Expenses	(13)
Loss from operations	(13)
Finance income	844
Finance costs	(248)
Income recognized from government grant	868,837
Loss recognized on fair value of assets	(895,767)
Loss after tax for the year from discontinued operation	**(26,347)**

The major classes of assets and liabilities of DSFK LLP classified as held for sale at as 31 December 2017 are presented as follows:

	$000
Assets	
Financial assets	124,789
Cash and cash equivalents	382
Assets of disposal group classified as held for sale	**125,171**
Liabilities	
Financial liabilities	(151,013)
Other short-term payables	–
Liabilities directly associated with disposal group classified as held for sale	**(151,013)**
Net assets directly associated with disposal group classified as held for sale	**(25,842)**

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

Special Financial Company DSFK LLP (cont'd)

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

	For the period from 21 November 2017 (date of incorporation) to 31 December 2017
	$000
Operating activities	(9)
Investing activities	(995,422)
Financing activities	995,813
Net cash (outflows)/inflows	382

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 which arise directly from its operations. The Group's accounting policies with regard to financial instruments are detailed in Note 2.

(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.

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

(b) Categories of financial assets and financial liabilities

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

	Note	2017	2016
		$ 000	**$ 000**
Financial assets			
Long-term deposits	15 (i)	8,979	8,257
Investments, available for sale	15 (i)	1,740	1,914
Trade and other receivables	18	87,997	95,040
Bank deposits	19	135	36,023
Cash and cash equivalents	20	123,239	22,074
Financial liabilities			
Payment for licenses	26 (i)	24,566	28,909
Interest-bearing loans	26 (ii)	497,280	41,021
Finance lease	26 (iv)	34,201	9,431
Trade and other payables	24	210,583	167,527
Dividends payable		662	603

Receivables comprise other non-current investments (long-term deposits), trade and other receivables, current investments and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise payments for licences, trade and other payables, interest-bearing loans and dividends payable. Minimum lease payments are disclosed in Note 26 (iv).

(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 and certain trade payables. The Group generally does not enter into hedging positions 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 2017.

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

(c) Foreign currency risk (cont'd)

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
2017	10.00%	(29,279)
	-10.00%	29,279
2016	13.00%	10,829
	-13.00%	(10,829)

(d) Commodity price risk

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

(e) 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 2017, 5 top customers accounted for 59% (2016: 55%) of the trade and other receivables of the Group.

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

(e) Credit risk (cont'd)

Exposure to credit risk

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

	2017		2016	
	Current accounts	Deposits	Current accounts	Deposits
	$ 000	$ 000	$ 000	$ 000
Halyk Bank JSC - BB/stable/B (S&P)	116,544	5	6,616	6
SB Sberbank of Russia JSC - BB+/ negative (Fitch Ratings)	2,863	9	270	2,499
KazKommertsBank JSC - B/stable/BB (S&P)	2,179	329	1,323	1,767
Bank CenterCredit JSC - B/stable/B (S&P)	946	1,892	2,736	24
Bank RBK JSC - B-/stable/C (S&P)	235	6,395	1,761	39,593
ING bank (A/Stable/A-1)	233	–	756	–
Citibank Kazakhstan JSC - A/stable/A3 (S&P)	30	–	18	–
Bank Frick & Co AG (Liechtenstein)	18	–	7,929	–
Other	158	484	575	391
	123,206	**9,114**	**21,984**	**44,280**

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

(f) 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 longer 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.

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

(f) Liquidity risk (cont'd)

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.

2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Payment for licenses	–	437	3,475	13,662	27,073	44,647
Finance lease	–	2,474	7,440	23,027	–	32,941
Interest-bearing loans	–	127,028	91,482	317,455	349	536,314
Trade and other payable	–	210,583	–	–	–	210,583
Dividend payable	662	–	–	–	–	662
Total	**662**	**340,522**	**102,397**	**354,144**	**27,422**	**825,147**

2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Payment for Licenses	–	2,909	5,757	15,597	17,864	42,127
Finance lease	–	731	3,323	12,922	2,532	19,508
Interest-bearing loans	–	27,675	3,562	5,750	1,707	38,694
Trade and other payable	–	167,527	–	–	–	167,527
Dividend payable	603	–	–	–	–	603
Total	**603**	**198,842**	**12,642**	**34,269**	**22,103**	**268,459**

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

(g) 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.

Fair value measurement hierarchy

As at 31 December 2017 and 2016 the Group did not have any financial instruments classified as financial instruments of 1 or 2 levels. For the years ended 31 December 2017 and 2016 there were no transfers between Levels 1, 2 and 3 of the financial instruments' fair value.

(h) Capital management

The overriding objectives of the Group's capital management policy are to safeguard and support the business as a going concern through the commodity cycle and to maintain an optimal capital structure with a view to maximising returns to partners and other stakeholders by reducing the Group's cost of capital. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

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 2017 and 2016, 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 IFRS 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 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes.

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 2017.

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.

In 2016, the Group has filed additional corporate income tax returns related to prior periods, in connection to change in estimate of deductible expenses, related to idle production costs and deduction of exploration costs. Changed approach is based on depletion of exploration costs by declining balance method and results in increase of deductible expenses for contractual activity. These changes were not yet confirmed by government tax authorities in 2017. In case tax authorities would not accept this change in estimates, it could affect the amount of tax accrual and fines.

In 2017, in connection with the DSFK transaction (described in Note 27), the Group faced possible risk in case government tax authorities would disagree with management that issue of bonds and purchase of impaired assets is a securitization transaction as prescribed in the Tax Code and the Law of project finance and securitization.

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 2017.

The management of the Group believes that as at 31 December 2017, its interpretation of the relevant legislation is appropriate and that the Group's positions with respect to transfer pricing will be sustained.

29. Commitments and contingencies (cont'd)

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 for Investments and Development (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.

Other contractual commitments

The table below sets out the Group's expenditure commitments for property, plant and equipment as at 31 December 2017 and 2016:

	2017	2016
	$ 000	$ 000
PPE purchase commitments	172,184	193,428

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.

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:

	2017 $ 000	2016 $ 000
Sales to related parties	89,622	98,914
Purchases from related parties	(150,677)	(166,136)
Prepayments to related parties	6,831	24,867
Amounts due from related parties	15,015	10,855
Receivable from shareholder	273,237	–
Bad debt reserve	(9,313)	(1,903)
Long-term deposits	6,395	6,121
Current investments	–	33,472
Cash and cash equivalents	235	1,761
Loans received	(105,317)	–
Payments received in advance	(1,273)	(282)
Amounts payable to related parties	(11,112)	(12,038)

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

30. Related party transactions (cont'd)

(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 2017, there were 7 and 2 members in the Board of Directors of the Group and the Management Board, respectively, with the total compensation of USD 7,227,000 (2016: 7 and 2 members, respectively, with the total compensation of USD 6,131,000).

31. Prior year reclassification

Several balance sheet line items related to 2016 were reclassified according to presentation format used in 2017, in order to present separately financial and non-financial assets and liabilities.

	As per previously classified	Adjustment	Reclassified
	$ 000	$ 000	$ 000
Balance sheet			
Non-current assets			
Other non-current assets	42,576	(934)	41,642
Current assets			
Prepayments and other current assets	163,476	(9,151)	154,325
Current financial assets	–	10,085	10,085

32. Events after the reporting period

In January 2018, the Group has fully repaid loans from KCC Finance LLP in the amount of USD 107,362,000 (35 billion Tenge).

On 6 June 2018, the Group concluded an agreement with ultimate controlling shareholder, Mr. Vladimir Kim for the sale of DSFK for USD 613.

33. Authorisation of financial statement for issue

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with the resolution of the directors on 20 August 2018.