SAT & Company JSC

International Financial Reporting Standards

Consolidated Financial Statements and Independent Auditor's Report

31 December 2017

Sat&Co
MANAGING COMPANY

Contents

Director
IAC Centeraudit-Kazakhstan LLP
(State audit license MFU No. 0000017
dated 27 December 1999)
_______________ V. Radostovets
18 April 2018

To Shareholders and Board of Directors of SAT&Company JSC

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying consolidated financial statements of SAT&Company JSC and its subsidiaries (hereinafter referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter the "IFRS").

Basis for Audit Opinion

We conducted our audit in accordance with the International Standards on Auditing (hereinafter the "ISA"). Our responsibilities in accordance with these standards are described further in "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (hereinafter the "IESBA's Code of Ethics") and we have fulfilled our other ethical obligations in accordance with the IESBA's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Material Uncertainty as to Going Concern

We draw attention to Note 4 in these consolidated financial statements which indicates that as at 31 December 2017 some of the Group's subsidiaries suspended exploration and evaluation activities, in 2017 the Group's significant assets were sold. The Group's uncovered loss for 2017 amounted to KZT 18,758,326 thousand (for 2016: KZT 19,891,952 thousand).

These conditions, along with other aspects as set forth in Note 4, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Note 4 to the consolidated financial statements provides an explanation as to how management made a judgment that the use of going concern principle is an acceptable basis for the preparation of the consolidated financial statements. Based on the analysis, the Group's management concluded that the range of possible consequences considered in forming such judgment does not give rise to a material uncertainty as to the Group's ability to continue as a going concern.

Given that this management's estimation is based on circumstances, some of which are not controlled by the Group, there is a risk that the judgment may not be justified.

During the audit procedures, special attention was paid to examining the validity of main assumptions regarding the Group's ability to continue as a going concern. Herewith, production indicators for previous periods, market data and other information from external sources were used. We reviewed the terms of the Group's credit lines focusing on the requirements that can make these credit lines inaccessible throughout the period until 31 December 2018.

In addition, and in order to ensure that this issue has been considered with due attention by management, we requested and received written assurances from management that the possibility of obtaining additional financing and / or, if necessary, restructuring of existing borrowings, is very likely.

We concluded that the Group's going concern assessment and applied underlying assumptions are reasonable. We determined that management's intentions, in case of additional financing and / or restructuring of existing borrowings, are attainable, and therefore the Group's judgment on the absence of material uncertainties to be disclosed is reasonable, and the disclosure in Note 4 to the financial statements is fair.

Emphasis of Matter

As indicated in Note 40 to the consolidated financial statements, in March 2018 the Group announced that the Board of Directors decided to sell Taraz Metallurgical Plant LLP, which is a subsidiary of the Group. As at 31 December 2017, Taraz Metallurgical Plant LLP was not classified as a disposal group held for sale and as a discontinued operation in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations. According to estimates of the Group's management, it is expected that the sale will be made within a period exceeding one year after the reporting date, the sales plan depends on the performance of financial and non-financial covenants under the Group's loan agreements. As of the date of issue of the financial statements, the Group is working to obtain waivers and expects that as soon as the waivers are received, the sales plan will be approved with a higher degree of probability. We do not assign the qualified opinion status to this matter.

Key Audit Matters

In addition to the matter as set forth in section "Material Uncertainty as to Going Concern", we identified the following matters as key audit matters, which should be disclosed in our report. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Conducting Related Party Transactions (Note 6)

Risk

The Group carries out a significant amount of related party transactions. The nature and conditions of related party transactions can have a significant effect on the consolidated financial statements.

Volume of audit procedures corresponding to the risk

We examined the list of the Group's related parties. Using the resources available, we checked this list for completeness of presentation. For each of the related parties known we thoroughly examined the nature of transactions and the terms of contracts under which such transactions were conducted. For each significant related party transaction, we verified the existence of written agreements and authorizations for such transactions.

We checked the reliability and consistency of application of the Group's accounting policies with regard to disclosure of related party transactions. We compared information disclosed in the consolidated financial statements regarding related parties to accounts for such transactions.

As a result of our work, we did not identify any deviations or misstatements relating to accuracy and timely recording of related party transactions and disclosures made with respect to such transactions.

2. Impairment of Non-Current Assets (Notes 7, 8)

Risk

The carrying amount of non-current assets, including property, plant and equipment and exploration and evaluation assets, is a significant item in relation to the consolidated financial statements and, taking into account the high level of subjectivity of the assumptions used in the impairment analysis and significant assumptions and estimates made by management, these judgments may have a significant effect on the consolidated financial statements.

In addition, the combination of changes in metal prices, devaluation of Tenge (KZT), increase in inflation and borrowing costs, as well as the uncertainty about future economic growth affects the prospects of the Group's activities and may potentially lead to additional impairment of the Group's assets.

Volume of audit procedures corresponding to the risk

We engaged our evaluation specialists to test the impairment analysis and calculate the recoverable amount prepared by management. We analyzed assumptions and estimates on which management's forecasts were based: discount rates, expected metals prices, forecast inflation and exchange rates, production and sales plans, future capital expenditures and inventories available for development and production. We compared the assumptions made with available market forecasts, common market indicators and other available information, tested the mathematical correctness of impairment models and conducted a sensitivity analysis.

As a result of our work, we concluded that reversal of impairment recognised in the consolidated financial statements objectively reflects the current position of the Group.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. We assume that the annual report will be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, during the annual report review, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with corporate governance.

Responsibilities of the Group's Management for the Consolidated Financial Statements

Management of the Group is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management of the Group determines necessary to enable the preparation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 the ISA 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 consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated 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 the 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 consolidated 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;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with corporate governance 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.

We also provide those charged with corporate governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with corporate governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

O. Shmidt
Auditor
(Auditor Qualifying Certificate No. 307 issued on 23 December 1996)

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Al-Farabi Ave., Almaty,
Republic of Kazakhstan

SAT & Company JSC
Consolidated Statement of Financial Position

In thousands of Kazakhstani Tenge	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	8,399,020	10,450,957
Exploration and evaluation assets	8	-	-
Investment property	9	1,281,941	1,281,941
Intangible assets	10	147	1,327,352
Investments in joint companies	11	-	-
Deferred income tax assets	33	527,405	1,267,040
Other non-current assets	13	562,586	840,133
Total non-current assets		**10,771,099**	**15,167,423**
Current assets			
Inventories	14	1,948,451	1,967,322
Receivables	15	48,814,130	47,760,289
Other current assets	16	683,570	484,527
Cash and cash equivalents	17	131,976	131,253
Total current assets		**51,578,127**	**50,343,391**
TOTAL ASSETS		**62,349,226**	**65,510,814**
EQUITY			
Authorised capital	19	27,867,529	27,867,529
Treasury shares	19	(618,111)	(618,111)
Foreign currency translation reserve		(1,102,600)	(1,510,779)
Other reserves		145,880	145,880
Additional shareholders' contributions	21	4,608,546	-
Uncovered loss		(18,758,326)	(19,891,952)
Equity attributable to the Group's shareholders		**12,142,918**	**5,992,567**
Non-controlling interest		(1,261,031)	(1,673,182)
TOTAL EQUITY		**10,881,887**	**4,319,385**
LIABILITIES			
Non-current liabilities			
Site restoration provision	20	102,158	1,974,066
Loans	21	26,970,351	35,157,856
Deferred income tax liabilities	33	128,389	139,076
Other non-current liabilities	22	5,394,209	5,692,322
Total non-current liabilities		**32,595,107**	**42,963,320**
Current liabilities			
Loans	21	6,189,771	11,251,199
Payables	23	12,682,461	6,976,910
Total current liabilities		**18,872,232**	**18,228,109**
TOTAL LIABILITES		**51,467,339**	**61,191,429**
TOTAL LIABILITIES AND EQUITY		**62,349,226**	**65,510,814**
Carrying amount of ordinary share, KZT	19	**1.95**	**(4.43)**
Carrying amount of preferred share, KZT	19	**31.53**	**31.53**

Signed on behalf of the management on 18 April 2018

Rumiya Sagitova
Deputy Chairman of the Board
for Finance and Investments

Nadezhda Sharabok
Chief Accountant

SAT & Company JSC
Consolidated Statement of Profit and Loss and Other Comprehensive Income

In thousands of Kazakhstani Tenge	Note	2017	2016*
Continuing operations			
Revenue	24	11,903,225	3,654,608
Cost of sales	25	(10,405,199)	(1,761,559)
Gross profit		**1,498,026**	**1,893,049**
Other operating income (net)	26	2,124,731	1,818,563
Reversal of impairment / (impairment) of exploration and evaluation assets, property, plant and equipment and investment property	27	3,378,623	1,991,059
General and administrative expenses	28	(2,174,288)	(1,609,767)
Selling expenses	29	(565,749)	-
Other operating expenses (net)	30	(61,327)	(174,240)
Losses from business combinations	18	(352,646)	-
Operating income		**3,847,370**	**3,918,664**
Finance income	31	22,277	479,685
Finance costs	32	(4,717,480)	(4,526,660)
Share of loss in associates	11	-	-
Profit (loss) before tax		**(847,833)**	**(128,311)**
Income tax savings (expenses)	33	(728,948)	835,711
Profit (loss) for the year from continuing operations		**(1,576,781)**	**707,400**
Discontinued operations			
Profit / (loss) for the year from discontinued operations	34	2,243,849	(403,908)
Profit (loss) for the year		**667,068**	**303,492**
Other comprehensive loss			
Exchange differences on translation to presentation currency		11,280	79,214
Total comprehensive income for the year		**678,348**	**382,706**
Profit (loss) attributable to:			
Shareholders of the Group		678,788	311,163
Non-controlling shareholders		(11,720)	(7,671)
Profit for the year		**667,068**	**303,492**
Total comprehensive income (loss) attributable to:			
Shareholders of the Group		690,068	390,377
Non-controlling shareholders		(11,720)	(7,671)
Total comprehensive income for the year		**678,348**	**382,706**
Profit / (loss) per share attributable to the shareholders of the Group, basic and diluted (in KZT per share)			
Ordinary shares		0.41	0.18
Preferred shares		0.41	0.18
Profit / (loss) from continuing operations			
	35	(0.97)	0.43
Ordinary shares	35	(0.97)	0.43
Profit / (loss) from discontinued operations			
Ordinary shares	35	1.38	(0.25)
Preferred shares	35	1.38	(0.25)

*Some of the information in this column is inconsistent with the consolidated financial statements for 2016 because it reflects adjustments due to discontinued operations as disclosed in Note 34 to the financial statements.

Signed on behalf of the management on 18 April 2018

Rumiya Sagitova
Deputy Chairman of the Board
for Finance and Investments

Nadezhda Sharabok
Chief Accountant

SAT & Company JSC
Consolidated Statement of Changes in Equity

In thousands of Kazakhstani Tenge	Note	Authorised capital	Treasury shares	Foreign currency translation reserve	Other reserves	Uncovered loss	Additional shareholders' contributions	Total	Non-controlling interest	Total
		Attributable to the shareholders of the Group								
Balance as at 1 January 2016		**27,867,529**	**(618,111)**	**(1,589,993)**	**(11,290,420)**	**(9,396,270)**	**-**	**4,972,735**	**(1,036,720)**	**3,936,015**
Profit for the year		-	-	-	-	311,163	-	311,163	(7,671)	303,492
Other comprehensive income		-	-	79,214	-	-	-	79,214	-	79,214
Total comprehensive income for the year		-	-	79,214	-	311,163	-	390,377	(7,671)	382,706
Change in interest		-	-	-	-	622,850	-	622,850	(622,850)	-
Other (acquisition/disposal of subsidiaries)	34	-	-	-	11,436,300	(11,429,695)	-	6,605	(5,941)	664
Balance as at 31 December 2016		**27,867,529**	**(618,111)**	**(1,510,779)**	**145,880**	**(19,891,952)**	**-**	**5,992,567**	**(1,673,182)**	**4,319,385**
Profit for the year		-	-	-	-	678,788	-	678,788	(11,720)	667,068
Other comprehensive income		-	-	11,280	-	-	-	11,280	-	11,280
Total comprehensive income for the year		-	-	11,280	-	678,788	-	690,068	(11,720)	678,348
Other shareholders' contributions	21	-	-		-	-	4,608,546	4,608,546	-	4,608,546
Other (acquisition/disposal of subsidiaries)	34	-	-	396,899	-	454,838	-	851,737	423,871	1,275,608
Balance as at 31 December 2017		**27,867,529**	**(618,111)**	**(1,102,600)**	**145,880**	**(18,758,326)**	**4,608,546**	**12,142,918**	**(1,261,031)**	**10,881,887**

Signed on behalf of the management on 18 April 2018

Rumiya Sagitova
Deputy Chairman of the Board
for Finance and Investments

Nadezhda Sharabok
Chief Accountant

In thousands of Kazakhstani Tenge	Note	2017	2016
Cash flows from operating activities			
Cash inflow:			
Sale of goods and rendering of services		26,665,733	14,460,006
Advances received from purchasers, customers		1,508,862	2,050,708
Other proceeds		1,685,813	62,015
Cash outflow:			
Payments to suppliers for goods and services		(9,338,123)	(11,411,729)
Return of advances received		(1,191,573)	-
Advances paid to suppliers of goods and services		(5,302,456)	(4,283,036)
Payments of salaries		(1,895,949)	(1,929,012)
Payment of interest on loans and bonds		(4,697,006)	(2,248,431)
Corporate income tax and other payments to the budget		(1,365,535)	(1,189,272)
Other disposals		(3,723,838)	(580,170)
Net cash from / (used in) operating activities - continuing operations		**575,081**	**(4,512,694)**
Net cash from / (used in) operating activities - discontinued operations		**1,770,847**	**(556,227)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(225,566)	(579,545)
Proceeds from sale of property, plant and equipment		6,506	1,802
Proceeds from sale of subsidiaries, net of cash disposed	34	4,963,711	(77,885)
Sale of investments		41	-
Acquisition of investments in subsidiaries from non-controlling shareholders		-	(53,840)
Proceeds from reorganization	18	229,840	-
Repayment of loans granted to other entities		5,187,506	3,851,766
Granting of loans		(2,559,437)	(1,639,479)
Transfer of funds from deposits		-	11,602
Transfer to restricted cash		(1,909)	(379)
Other disposals		(239,179)	29
Net cash from / (used in) investing activities - continuing operations		**7,784,027**	**1,502,657**
Net cash from / (used in) investing activities - discontinued operations		**(422,514)**	**11,414**
Cash flows from financing activities			
Proceeds from DAMU		-	28,311
Receipt of loans and borrowings		3,515,621	7,171,413
Repayment of loans and borrowings		(13,908,213)	(3,716,459)
Other proceeds		791,712	-
Other disposals		(115,058)	-
Net cash from / (used in) financing activities - continuing operations		**(8,293,943)**	**2,897,641**
Net cash from / (used in) financing activities - discontinued operations		**(1,421,995)**	**585,624**
Net increase (decrease) in cash - continuing operations		**65,165**	**(112,396)**
Net increase in cash - discontinued operations		**(73,662)**	**40,811**
Effect of exchange rates to Tenge		**9,220**	**(5,077)**
Cash and cash equivalents at the beginning of the year – continuing operations	17	131,253	153,030
Cash and cash equivalents at the beginning of the year – discontinued operations		-	54,885
Cash and cash equivalents at the year-end from continuing operations	**17**	**131,976**	**131,253**

Significant non-cash transactions are disclosed in Notes 15,21,23.

Signed on behalf of the management on 18 April 2018

Rumiya Sagitova
Deputy Chairman of the Board
for Finance and Investments

Nadezhda Sharabok
Chief Accountant

1 The Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter the "IFRS") for the year ended 31 December 2017 for SAT&Company JSC (hereinafter the "Company") and its subsidiaries (hereinafter jointly referred to as the "Group").

Corporate background

The Company was incorporated on 18 October 2001 as a limited liability partnership and on 15 August 2006 the Company was re-registered as a joint stock company in accordance with the legislation of the Republic of Kazakhstan.

The Company's ordinary and preferred shares and coupon bonds are placed at Kazakhstan Stock Exchange (hereinafter the "KASE"). As at 31 December 2017, the Company's ordinary and preferred shares are included in the "standard" category share list, coupon bonds are included in the list of debt securities of KASE "bonds" category.

Shareholders of the Company

As at 31 December 2017 and 2016, the Company's shareholders (holders of ordinary shares) were as follows:

	31 December 2017	31 December 2016
Mr. Kenges Rakishev	77.72%	77.72%
Single Pension Savings Fund	17.30%	17.30%
Other	4.98%	4.98%
Total	100.00%	100.00%

The Company's ultimate controlling party is Mr. Kenges Rakishev.

Main subsidiaries

The list below represents the Group's subsidiaries and the percentage of the ownership held directly or indirectly by the Company in these companies (the Company's ownership percentage as at 31 December 2017 is in brackets):

Shalkiya Zinc N.V. ("Shalkiya Zinc NV") (100%): an entity incorporated in the Netherlands, and representing a holding company. In 2017, the activity of Shalkiya Zinc NV was connected with the consideration of new investment projects. In 2015, the ownership interest was 98.13%; in 2016, the Group repurchased non-controlling shareholders' interest of 1.87%

Trade House SAT LLC ("TH SAT") (100%): an entity incorporated in the Russian Federation in 2011 whose main activity was the sale of products of metallurgical companies in the territory of the Russian Federation and neighboring countries. In 2013, the Group decided to cease the operations of TH SAT.

SAT&Co Holding A.Ş. ("SAT&Co Holding") (100%): an entity incorporated in Turkey, the main activity of which is exploration of chrome ores. SAT&Co Holding is a holding company which held 100% interests in SAT&Co Madencilik İşl. Tic. A.Ş. ("SAT&Co Madencilik"), a holder of chrome exploration licenses, as well as Denizli Madencilik İşl. Tic.A.Ş. ("Denizli Madencilik" or "Denizli") and Sivas Madencilik İşl. Tic. A.Ş. ("Sivas Madencilik" or "Sivas") which were the operators at these fields carrying out exploration and evaluation operations. In 2011, Denizli Madencilik and Sivas Madencilik merged with SAT&Co Madencilik. As at 31 December 2015, the Group's interest in SAT&Co Holding was 97.73%. In 2016, the Group acquired interest of non-controlling shareholders, increased the authorised capital of SAT&Co Holding and sold 100% ownership interest (Note 34).

1 Group and its Operations (continued)

Ferronickel Plant Ertis LLP ("FNP Ertis") (51%): an entity incorporated in the Republic of Kazakhstan and engaged in development of the project on processing of cobalt and nickel ores at Gornostayevskoye field. FNP Ertis owns 100% interest in the authorised capital of Kaznickel LLP.

Kaznickel LLP ("Kaznickel") (51%): an entity incorporated in the Republic of Kazakhstan and engaged in exploration of cobalt and nickel ores at Gornostayevskoye field located in the Eastern Kazakhstan oblast. In 2017, exploration period was extended for two years.

Central Asian Investing Consulting Company LLP ("CAICC") (99.91%): an entity incorporated in the Republic of Kazakhstan, and representing a holding company, which in turn owned:

Temirtau Electro-Metallurgy Plant JSC ("TEMP") (100%): an entity incorporated in the Republic of Kazakhstan. The main activity of TEMP is extraction of manganese ores at Bogach and Yesymzhal fields, extraction of limestone at the Southern-Topar field and production of calcium carbide and ferroalloy products for metallurgy industry on the basis of chemical-metallurgical plant located in Temirtau town in Karaganda oblast. In 2017, the Group sold 100% shares (Note 34).

Taraz Metallurgical Plant LLP ("TMP") (99.91%): an entity incorporated in the Republic of Kazakhstan. TMP's main activity is production of ferroalloy products for metallurgy industry on the basis of metallurgy plant located in Taraz, Zhambyl oblast.

On 08.12.2016, CAICC decided to reorganize TMP by merging with SAT Engineering LLP, a company under common control, as well as with KazFerro LLP and KazUglerod LLP acquired in 2017. The re-registration was carried out in February 2017 (Note 18).

Sat Engineering LLP, formerly Taraz Electrode Plant LLP ("Sat Engineering") (100%): an entity incorporated in the Republic of Kazakhstan, the main activity of which is production and sale of electrode paste, repair and construction services, as well as metalworking services. Sat Engineering was established in October 2011 on the basis of electrode paste production workshop of TMP. As at 31 December 2017, *Sat Engineering* is joined to TMP.

Axem Investment LLP ("Axem Investment") (99%): an entity incorporated in the Republic of Kazakhstan. Axem Investment's main activity is production of mineral fertilizers on the basis of phosphorus-containing sludge of TMP. In November 2016, the Group sold 99% interest in this company (Note 34).

Arman 100 LLP ("Arman 100") (99.91%): an entity incorporated in the Republic of Kazakhstan and engaged in production of manganese ore at the Western Kamys field in Karaganda oblast. In 2016, Arman 100 applied for field conservation for a period of 2 years (2017 and 2018) with further renewal of the field development starting from 2019. In 2017, the Group sold 100% holding (Note 34).

Saryarka Mining LLP ("Saryarka Mining") (80%): an entity incorporated in the Republic of Kazakhstan and engaged in exploration and further production of ferromanganese ore at Tuyebay-Syurtysu field in Karaganda oblast. In 2012, management of the Group decided to cease the operations of Saryarka Mining for the nearest future; therefore, the exploration and evaluation activities were not conducted during the period from 2013 to 2017. In January 2018, the subsurface use contract was terminated upon the initiative of the Ministry for Investment and Development of the Republic of Kazakhstan (hereinafter the "MID").

KARUAN LLP ("KARUAN") (100%): a subsidiary incorporated in the Republic of Kazakhstan and engaged in exploration of manganese ores at Aitkokshe field in Mangistau oblast. In 2012, the Group decided to cease the operations of KARUAN. The Company's exploration and evaluation activities were completely stopped during 2012. In 2015, the ownership interest was 50%, but the Group controlled the activities of KARUAN, classified the company as a subsidiary and included it in its consolidated statements. In March 2016, the Group purchased the remaining interest and, at the reporting date, it owns 100% interest.

Other entities: various entities not involved in significant operations, and which are insignificant for the Group as a whole.

Unless stated otherwise, the Group held the same ownership interest in the aforementioned companies as at 31 December 2016.

1 The Group and its Operations (continued)

Subsurface use contracts

The Group operates in the Republic of Kazakhstan in accordance with the following subsurface use contracts (as at 31 December 2017):

Contractual area	Current stage	Mineral resource	Signing date	Expiration date	Entity	Interest
Gornostayevskoye [(1)]	Exploration	Nickel	26 February 2004	26 February 2026	Kaznickel	51.00%
Tuyebay-Syurtysu [(2)]	Exploration/ production	Ferro-manganese	8 May 2008	8 May 2037	Saryarka Mining	80.00%

[(1)] The exploration period at Gornostayevskoye field was expiring by 26 December 2017. The Group applied to MID for extension of the period for exploration and transition to evaluation stage for two years to evaluate the commercial discovery. MID decided to extend the period of exploration and evaluation of commercial discovery for two years from the date of signing of the respective Addendum No. 8 (Addendum No.8 to Contract No.1349 dated 07 November 2017).
[(2)] According to letter of MID No.27-10-3-232 dated 23.01.2018, the subsurface use contract for Tuyebay-Syurtysu area was terminated unilaterally by MID order No.301 dated 26.05.2017.

Registered address and place of business

The registered address of the Company's head office is as follows: 241, Mukanov Street, Almaty, Republic of Kazakhstan.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with IFRS in the edition approved by International Accounting Standards Board, under the historical cost convention, except financial instruments initial recognition of which is based on fair value. The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented herein, unless stated otherwise.

The preparation of the financial statements in accordance with IFRS requires the use of estimates and assumptions. It also requires the management to exercise its professional judgements in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. Actual results could differ from these estimates.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Going concern

Management prepared these consolidated financial statements on a going concern basis. Information on uncertainties associated with events and conditions that may cast a significant doubt upon the Group's ability to continue as a going concern is disclosed in Note 4.

Consolidated financial statements

(i) Subsidiaries

A Company is classified as a subsidiary of the Group, if the Group has control over it.

The Control is carried out in the event that the Group is entitled to a variable return on investment or exposed to the risk associated with its change, and this may affect the returns due to its powers in respect of an investee. In particular, the Group controls an investee only if the following conditions are fulfilled:

- the Group has powers in relation to an investee (i.e., existing rights, providing the current ability to manage the significant activity of an investee);
- the Group has a right to a variable return on investment or exposure to the risk associated with its change;
- the Group has the possibility of using its powers in respect of an investee in order to influence the variable return on investment.

When the Group has less than the majority of the voting rights or similar rights in respect of an investee, the Group shall take into account all relevant facts and circumstances when assessing the availability of authorities in respect of an investee:

- agreement with other persons having voting rights in the investee;
- rights arising from other agreements;
- voting rights and potential voting rights held by the Group.

The Group re-analyzes the availability of control over the investee, if facts and circumstances indicate a change in one or more of three components of control.

Change in interest in a subsidiary without loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it (the Group) shall:

- derecognise assets and liabilities of a subsidiary (including an associated goodwill);
- derecognise the carrying amount of non-controlling interest;
- derecognise accumulated exchange differences recorded in equity;
- recognise the fair value of consideration received;
- recognise the fair value of the remaining investment;
- recognise surplus or deficit formed as a result of transaction in profit or loss;
- reclassify the parent company's interest in components previously recognised in other comprehensive income to profit or loss or retained earnings in accordance with the specific requirements of IFRS, as if the Group had direct disposal of the related assets or liabilities.

Subsidiary is fully consolidated from the date of establishment (acquisition), being the date on which the Group obtains the control over a subsidiary, and continues to be consolidated until the date when such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company of the Group and non-controlling interests even if it results in a negative balance of non-controlling interests.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

The financial statements of subsidiaries have been prepared for the same reporting period as the financial statements of the parent company, on the basis of consistent use of accounting policies for all Group companies. All intra-group transactions, balances, cash flows, unrealised gains and losses resulting from intra-group transactions, and dividends are completely excluded from consolidation.

The purchase method of accounting is used by the Group to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents a current ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interest that is not a current ownership interest is measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration paid for the acquiree is measured at fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed

Non-controlling interest is that part of net results and equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

(ii) Purchases of subsidiaries from companies under common control

Purchases of subsidiaries from companies under common control are accounted for using the evaluation method of a predecessor company (transferring party). Under this method, the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. Assets and liabilities of the subsidiary transferred between companies under common control are carried at the carrying amount disclosed in the financial statements of the transferring party.

The predecessor company is considered to be the highest reporting entity upon which the subsidiary's IFRS financial information was consolidated. Goodwill arisen from initial acquisition of a company by the transferring party is also accounted for in these consolidated financial statements. Any difference between the carrying amount of net assets, including the transferring party's goodwill amount, and the consideration amount paid is accounted for in these consolidated financial statements as an adjustment to other provisions within equity.

(iii) Purchase and sale of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration paid for acquisition of non-controlling interest and its carrying amount is recorded as a capital transaction directly in equity. The Group recognises the difference between the consideration received for sale of non-controlling interest and its carrying amount as a capital transaction in the statement of changes in equity.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

(iv) Disposal of subsidiaries

When the Group loses control, any retained interest in the entity is re-measured at fair value, and changes in the carrying amount are recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest in an associate or financial asset. In addition, all amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly sold the related assets or liabilities. This may indicate that amounts previously recognised in other comprehensive income are transferred to profit or loss.

Foreign currency translation

(i) Functional and presentation currency

All quantitative data in these consolidated financial statements are stated in thousands of Tenge (KZT), unless stated otherwise.

The functional currency of each of the Group's consolidated companies is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries, except for SAT&Co Holding, Shalkiya Zinc N.V. and TH SAT, is Tenge (KZT). Functional currencies of SAT&Co Holding, Shalkiya Zinc N.V. and TH SAT are Turkish Lira, US Dollar and Russian Rouble, respectively.

Loans between the Group companies and related foreign exchange gains or losses are excluded from consolidation. However, where the loan is between the Group companies that have different functional currencies, the foreign exchange gain or loss cannot be completely excluded and is recognised in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of net investments in foreign operation. In such a case, the foreign exchange gain or loss is recognised in other comprehensive income.

The results and items of financial position of each company of the Group, the functional currency of which is not presentation currency of the financial statements, are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position are translated at the closing rate at the end of the respective reporting period;
- income and expenses are translated at the average exchange rate of the respective period (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on transaction dates; in this case income and expenses are translated at the transaction date);
- equity components are translated at the historic rate; and
- all resulting exchange differences are recognised in other comprehensive income.

When the control over a foreign entity is lost, the previously recognised exchange differences arisen from the translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the profit or loss from disposal. In case of partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are carried to assets and liabilities of the foreign entity and translated at the closing rate.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

(ii) Operations and balances in foreign currency

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate on the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. The effect of exchange rate fluctuations on change in fair value of non-monetary items is recognised in fair value gains or losses.

Official exchange rates used to translate foreign currency balances are presented below:

	2017	**2016**
US Dollar		
Year-end exchange rate	332.33	333.29
Average exchange rate for the year	326.08	341.76
Russian Rouble		
Year-end exchange rate	5.77	5.43
Average exchange rate for the year	5.59	5.12
Turkish Lira		
Year-end exchange rate	398.23	352.42
Average exchange rate for the year	368.32	378.63

Exchange restrictions and currency controls exist with regard to conversion of Tenge into other currencies. At present, Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Property, plant and equipment

(i) Recognition and subsequent evaluation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, where required. Acquisition cost consists of purchase price, including import duties and non-refundable purchase taxes, less trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and working condition necessary for its intended use. The acquisition cost of self-constructed items of property, plant and equipment includes the cost of materials used, performed production works and part of production overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit and loss for the reporting period as incurred.

Profit or loss from disposal of property, plant and equipment in the amount of the difference of received compensation and their carrying amount is recognised in profit and loss for the year within other operating income or expenses.

Mining assets are carried at cost less accumulated depreciation and, if required, accumulated impairment loss. Expenses, including evaluation costs, incurred to establish or expand productive capacity, as well as the costs to conduct mining-construction, mining-capital and mining preparation works during the period of reaching a projected production capacity or mine reconstruction phase, are capitalised to mining assets.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

(ii) Depreciation

Land is not depreciated. Mining assets are depreciated using unit of production method based on estimated economically viable recoverable reserves to which they relate. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values. Each item's estimated useful life depends both on its own useful life and the current assessment of economically viable recoverable deposit reserves in the territory of which the item of property, plant and equipment is located.

Estimated useful lives are presented in the table below:

	Useful life (years)
Buildings and structures	5-50
Machinery and equipment	4-25
Vehicles	5-10
Other	3-15

The residual value of an asset is the estimated amount that the Group would currently obtain from the sale of the asset less costs to sell, based on the assumption that age and condition of the asset already correspond to the expected ones at the end of its useful life. The residual value of the asset is equal to zero in case when the Group intends to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(iii) Impairment

At the end of each reporting period the management assesses whether there is any indication of impairment of property, plant and equipment. If such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The asset's carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit and loss for the year. Impairment loss recognised in prior reporting periods is reversed (if necessary), if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

(iv) Stripping costs

Costs for extraction and removal of waste incurred during mine development before production commences are capitalised as part of the cost of mine construction and subsequently amortised using unit of production method over the useful life of the ore body component the access to which was opened.

Stripping costs incurred during the production stage are capitalised if all of the following criteria are met:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Group;
- the Group can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably.

After initial recognition, capitalized stripping costs are carried at initial cost less depreciation and impairment losses, in the same way as the existing asset of which it is a part. Depreciation is accrued using unit of production method over the useful life of the ore body component the access to which was opened.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Exploration and evaluation assets

(i) Recognition and subsequent evaluation

Exploration and evaluation assets are measured at cost less accumulated impairment loss, if appropriate.

Exploration and evaluation assets include the cost of subsurface use (exploration) rights, capitalised expenditures on drilling of exploratory wells, cost of support equipment and facilities, geological and geophysical studies, stripping costs, as well as production and other general overhead costs that are directly attributable to the exploration and evaluation activities. Production and other general overhead costs capitalised within exploration and evaluation assets include salaries of personnel involved in the exploration and evaluation activities and other overhead costs directly related to exploration and evaluation activities.

Exploration and evaluation assets cease to be classified as such when the technical feasibility and commercial viability of extracting mineral resources is demonstrable. Once commercial reserves are found, exploration and evaluation assets are transferred to property, plant and equipment or intangible assets and amortised using unit of production method based on proved and probable mineral reserves.

(ii) Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested by the Group for impairment when such assets are transferred to tangible and intangible development assets or whenever facts and circumstances indicate the assets' impairment. Impairment loss is recognised for the amount by which exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

One or more of the following facts and circumstances indicate that the Group should test its exploration and evaluation assets for impairment (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration and evaluation of mineral reserves in the specific area is neither budgeted nor planned;
- exploration and evaluation of mineral reserves in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to cease such operations in the specific area;
- the Group has sufficient data indicating that, although development works in the specific area are likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full resulting from efficient development or by sale.

For the purpose of impairment assessment, the exploration and evaluation assets subject to impairment testing are grouped by projects.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Investment property

Investment property is property held by the Group which is intended to earn rental income or purchased for capital appreciation in the course of time, or both and which is not used by the Group.

Investment property is initially recognised at cost, including costs for acquisition, construction as well as other related costs.

Following initial recognition, investment property is stated at fair value. Profit or loss arising from the change in the fair value of investment property is included in profit or loss for the reporting year to which they relate.

Investment property is derecognised when either it has been disposed or when the investment property is withdrawn from use and no future economic benefit is expected from its disposal. Profit or loss from disposal or withdrawing from operation of investment property is recognised in profit and loss for the reporting year when such disposal or withdrawal from operation occurred.

Transfers to investment property are made if and only if there is a change in the pattern of real estate use. The change in the pattern of real estate use when transferring into investment property is confirmed by cessation of use by the owner, transfer to operational lease. Subsequent expenditures are capitalised in the asset's carrying amount only when it is probable that future economic benefits associated with expenditures will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When the assets previously related to investment property become owner-occupied, they are transferred to property, plant and equipment.

Earned rental income is recorded in profit or loss for the year within the revenue on the production area leased, and within other operating income - on other investment property.

Intangible assets

All the Group's intangible assets have definite useful lives and primarily include capitalised computer software and subsurface use rights (extraction of mineral resources). Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use and is amortised on a straight line basis over useful lives estimated by the management from 3 to 5 years. Subsurface use rights are amortised over the term of relevant subsurface use contracts.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Financial instruments

(i) Basic valuation conditions

Depending on their classification financial instruments are stated at fair value, cost or amortised cost. These valuation methods are described below.

Fair value is a price that would be received when selling an asset or paid when transferring a liability between willing parties in an arm's length transaction at the valuation date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring transactions on market conditions.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to determine the fair value of certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data.

Cost is the amount of cash or cash equivalents paid or the fair value of other resources given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to these equity instruments not quoted in the open market and shall be settled by delivery of such equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Incremental costs are costs that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, finance costs or internal administrative or holding costs.

Amortised cost is the original cost of an asset less any principal payments, plus accrued interest, and for financial assets less any write-down of incurred impairment losses. Accrued interests include amortisation of transaction costs deferred at initial recognition and of any premium or discount from repayment amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon income and amortised discount or premium (including commission deferred at original recognition, if any), are not presented separately and are included in the carrying amount of related items of assets and liabilities in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expenses over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount of an instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or proceeds (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate is used to discount cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all commissions paid or received by parties to the contract that are an integral part of the effective interest rate.

(ii) Classification of financial assets

Financial assets within the scope of IAS 39 are classified as follows:
a) financial assets carried at fair value with its changes recognised in profit or loss;
b) loans and receivables;
c) held-to-maturity investments;
d) available-for-sale financial assets.

Financial assets of the Group are classified as "loans and receivables".

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the nearest future. Loans and receivables are included in current assets, except for those loans and receivables with maturities greater than 12 months after the reporting period. They are classified as non-current assets.

(iii) Classification of financial liabilities

The Group classifies its financial liabilities within the scope of IAS 39 as follows:
a) financial liabilities carried at fair value through profit or loss;
b) loans and payables.

Financial liabilities of the Group are classified as “loans and payables” and after the initial recognition they are carried at amortised cost.

(iv) Initial recognition of financial instruments

Financial assets and liabilities are initially recorded at fair value less transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same financial instrument or by a valuation technique whose inputs include only actual market data.

Purchase and sale of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at the transaction date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

(v) Derecognition of financial assets

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferred substantially all the risks and rewards of ownership of the assets or (ii) neither transferred nor retained substantially all risks and rewards of ownership but not retained the control over these assets.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

(vi) Offsetting

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

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Loans and receivables

Loans and receivables, except for prepaid taxes and advances to suppliers, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment of such receivables.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and feasibility of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred yet) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurred after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset in full or partially have been completed and the final amount of loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Advances and prepayments

Advances to suppliers are carried at cost less provision for impairment. Advances are classified as non-current when the goods or services relating to the advances are expected to be obtained after one year, or when advances relate to assets which will be classified as non-current upon initial recognition. Amount of advances for acquisition of assets is included in the carrying amount of the assets once the Group has obtained control of the assets and it is probable that future economic benefits associated with the assets will flow to the Group. Other advances are written off when the goods or services relating to the prepayments are received. If there is an indication that assets, goods or services relating to advances will not be received, the carrying amount of advances is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Prepaid taxes are recorded at amounts actually paid less provision for impairment.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventories is determined on the weighted average basis at any issue of inventories to production or other disposal. The cost of finished goods and construction in progress comprises the cost of raw and other materials, direct labour, other direct costs and related production overheads (calculated on the basis of capacity utilization) but excludes borrowing costs. Cost of acquired assets includes the cost of their acquisition and all necessary expenses associated with their purchase, delivery to the place of destination and conditioning. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Value added tax

Value-added tax (“VAT”) related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases is stated in the statement of financial position on a net basis. Recoverable VAT is classified as a non-current asset if its settlement is not expected within one year after the reporting period. Non-current recoverable VAT is measured at discounted value. Discounted value is determined based on estimated dates and the amounts to be offset.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash on current bank accounts. Restricted balances are excluded from cash and cash equivalents for the purposes of preparation of the statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets; cash restricted for more than three months but less than twelve months after the reporting period are included in other current assets.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as “non-current assets and assets of disposal groups classified as held for sale” if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group’s management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price compared to their current fair value; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Non-current assets and disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or represented in the comparative statement of financial position to adjust with the classification at the end of the current reporting period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes a portion of cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or received within twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment and intangible assets are not depreciated or amortised.

Liabilities directly associated with the disposal group and transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows from discontinued operations, if any, are disclosed separately from continuing operations with comparatives being represented respectively.

Authorised capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recorded in equity as deductions from the proceeds, net of taxes.

Preferred shares which carry a mandatory coupon are classified as financial liabilities and are presented in borrowing funds. The dividends on these preferred shares are recognised as interest expenses on an amortised cost basis using the effective interest method.

Dividends

Dividends are recognised as liabilities and are deducted from equity at the end of the reporting period only if they are declared and approved before the end of the reporting period, inclusive. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the reporting period but before the financial statements are authorised for issue.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Site restoration provision

Site restoration provision includes the landfill site restoration and closure (dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas). Estimated site restoration provisions are formed and recorded in the cost of property, plant and equipment as expensed in the accounting period when the obligation arises from the corresponding land disturbance during excavation, based on the net present value of estimated future costs. Site restoration provisions do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure and restoration plan. The cost estimates are calculated annually during the life of the operation, taking into account known changes, e.g. updated cost estimates and revisions to the estimated lives of operations with official reviews on a regular basis.

Landfill site restoration and closure costs are a normal consequence of mining, and the majority of landfill site restoration and closure expenditures is incurred during the useful life of mines. Although the ultimate cost to be incurred is uncertain, the Group estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amount of amortisation or “unwinding” of the discount applied in establishing the net present value of provisions is charged to operating results for each accounting period. The discount amortisation is recognised in finance costs.

Other changes to the provisions for mining assets and waste polygons retirement obligations, resulting from new land disturbance as a result of mine development, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the useful lives of the assets to which they relate using the depreciation methods applied to those assets.

Changes in the provisions for asset retirement obligations that relate to land disturbance caused by the production phase are charged to profit or loss for the year.

Where restoration and remediation works are conducted systematically over the life of the operation, rather than at the time of closure, provisions are made for the estimated outstanding continuous remediation work at each balance sheet date and costs are charged to the profit and loss for the year.

Obligation on payment of commercial discovery bonus and reimbursement of historical costs

The Group recognises the obligation on payment of commercial discovery bonus and reimbursement of historical costs on those contracts for which the commercial discovery is highly probable and commercial feasibility of capital investments and further development and production of mineral resources are proved. Management’s estimates of probability of commercial discovery are based on results of exploration, test production and evaluation of mineral resources reserves by independent engineers. Commercial discovery bonus and historical costs are initially recognised as part of subsurface use rights included in intangible assets or exploration and evaluation assets.

Financial guarantees

Financial guarantees are irrevocable contracts that require the Group to make specific payments to reimburse the holder of the guarantee for losses it incurs in case if any of the debtors fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. When the Group issues a premium-free guarantee or a guarantee at a premium different from market premium, fair value is determined using valuation techniques (e.g. market prices of similar instruments, interest rate differentials, etc.). This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) unamortised amount recognised at initial recognition and (ii) the best estimate of amount of expenses required to settle the obligation at the end of the reporting period.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets.

Government grants relating to costs are deferred and recognised in profit or loss for the year as other operating income over the period corresponding to the time of occurrence of costs which they are intended to compensate.

Government grants relating to costs or losses already incurred or for the purpose of immediate financial support to the entity without any future costs to be incurred, are recognised as income in the period when the compensation is to be received.

Loans

Loans are initially recognised at fair value less transaction costs. Loans are subsequently measured at amortised cost; the difference between the proceeds amount (less transaction costs) and the redemption amount is recognised in the profit or loss during the period of the borrowing using the effective interest rate.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

In accounting for loans under non-market terms, the Group recognises income from initial recognition in profit or loss for the year as income or, if loans are received from the parent company or companies under common control, directly in equity as a contribution to the Group’s equity. The method used reflects the transaction's economic substance. It is applied consistently to all similar transactions and disclosed in the consolidated financial statements.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are included in the cost of such asset.

The commencement date for capitalization is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalization of borrowing costs continues to dates when the assets are substantially ready for use or sale.

The Group capitalizes borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Capitalized borrowing costs are calculated on the basis of the Group’s average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs are capitalized, incurred on this borrowing less any investment income from temporary investment of those loans.

Payables

Payables are accrued when the counterparty performs its obligations under the contract. Payables, except for advances received, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. Advances received are stated at actual amounts received from the third parties.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Operating lease

Where the Group is a lessee under lease agreement which does not provide for the transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Employee benefits

(i) Long-term employee benefits

The Group provides to its employees long term benefits before, on and after retirement, in accordance with their collective employment agreements. The agreements, more specifically, provide to employees of the Group one-time retirement benefits, financial aid in case of employees' disability, anniversaries, birth of child and death. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected costs for payment of one-time benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans. The Group does not have any funded post-employment plans. Liability recognised at each reporting date represents the present value of pension liabilities. Actuarial gains and losses arising during the year are charged to other comprehensive income (loss). The revaluation result will not be reclassified to profit or loss in subsequent periods.

Other changes in the present value of pension liabilities are recognised in profit and loss, including current service costs.

The most significant assumptions used in accounting for pension obligations are the discount rate and assumption on turnover of employees. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to profit and loss as finance costs. Assumption on the turnover of employees is used to project the future flow of benefit payments, which is then discounted to arrive at the net present value of liabilities.

Benefits to employees are considered as other long-term employee benefits. These obligations are measured on an annual basis by independent qualified actuaries.

(ii) Payroll expenses and related contributions

Expenses for salaries, pension contributions, social tax, contributions to social insurance funds, contributions to the compulsory health insurance fund, paid annual leaves and sick leaves, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group. The aggregate amount of contributions to pension and social and health insurance funds is 12% of the taxable income of the Group's employees. Upon retirement of employees, the financial obligations of the Group cease and all subsequent payments to retired employees are administered by the state and private cumulative pension funds.

Revenue recognition

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Revenues are shown net of VAT and discounts. Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or services sold.

Proceeds from sales of minerals produced during the test production stage are not recognised in profit or loss for the year as revenues, but reduce capitalized costs of exploration and evaluation assets.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Income tax

Income taxes have been provided for in these consolidated financial statements in accordance with the legislation of the Republic of Kazakhstan enacted or substantively enacted by the end of the reporting period. Income tax expenses comprise current tax and deferred tax and are recognised in profit or loss for the year except if they are recognised in other comprehensive income or directly in equity because they relate to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the state budget in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their sale. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

In determining the tax bases of the restoration and closure costs, added to the cost of property plant and equipment, and site restoration provision, the Group allocates the future tax deductions to the liabilities. Under this approach the initial recognition exemption does not apply. Deferred tax liability is recognised in respect of the taxable temporary difference on the restoration and closure costs added to the cost of property plant and equipment and, subject to recognition criteria mentioned above, a deferred tax asset is recognised in respect of the deductible temporary difference on the site restoration provision.

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for tax positions that in management's opinion more likely can result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for fines, penalties, and taxes are recognised based on the management's best estimate of expenses required to settle the obligations at the end of the reporting period.

Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to the shareholders of the Company by the weighted average number of profit-sharing shares outstanding during the reporting year.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, profit and assets comprise 10% or more of all the segments are reported separately.

3 New Accounting Pronouncements

Application of new and revised standards
Adopted new standards and IFRIC interpretations obligatory to be applied for annual reporting periods beginning on or after 1 January 2017 did not have a significant effect on the Group's annual financial statements. The nature and effect of each new standard or amendment is described below:

- Amendments to IAS 12, Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendment does not have an effect on the financial position and performance results of the Group, as the Group does not have deductible temporary differences or assets that fall within the scope of the amendments.

- Amendments to IAS 7, Statement of Cash Flows - Disclosure Initiative.

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group provided information for the current period in Note 21.

- Amendments to IFRS 12, Disclosure of Interests in Other Entities - Clarification of the Scope of the Disclosure Requirements in IFRS 12, document “2014-2016 Annual IFRS Improvements”.

The amendments clarify that the disclosure requirements in IFRS 12 apply to an entity’s portion of interest in a subsidiary, a joint venture or an associate that is classified as held for sale. The amendment does not have an effect on the Group.

New IFRS, amendments to IFRS and interpretations not effective for annual reporting period beginning on or after 1 January 2017

- IFRS 9, Financial Instruments (issued in 2014, effective for annual reporting periods beginning on or after 1 January 2018);
- IFRS 15, Revenue from Contracts with Customers (effective for annual reporting periods beginning on or after 1 January 2018);
- Clarifications to IFRS 15, Revenue from Contracts with Customers (effective for annual reporting periods beginning on or after 1 January 2018);
- IFRS 16, Leases (effective for annual reporting periods beginning on or after 1 January 2019);
- Amendments to IFRS 2, Classification and Measurement of Share-based Payments (effective prospectively
- for annual reporting periods beginning on or after 1 January 2018);
- Amendments to IFRS 4, Applying IFRS 9, Financial Instruments, with IFRS, 4 Insurance Contracts (effective depending on the overlay approach selected by an entity);
- IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective for annual reporting periods beginning on or after 1 January 2018);
- Amendments to IAS 40, Transfers of Investment Property (effective for annual reporting periods beginning on or after 1 January 2018);
- Annual Improvements 2014-2016 Cycle with respect to applying IFRS 1 and IAS 28 – on or after 1 January 2018). Amendments were introduced to the following documents:
  - IFRS 1, First-time Adoption of International Financial Reporting Standards (amendments are effective for annual periods beginning on or after 1 January 2018);
  - IFRS 12, Disclosure of Interests in Other Entities. The amendment retrospectively applies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after 1 January 2017;
  - IAS 28, Investments in Associates and Joint Ventures. The amendment retrospectively applies in accordance with IAS 8 for annual periods beginning on or after 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.
- Annual Improvements 2015-2017 Cycle (effective on or after 1 January 2019, with earlier application permitted). The improvements apply to the following standards:
  - IFRS 3, Business Combinations. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business;
  - IFRS 11, Joint Arrangements. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business;
  - IAS 12, Income Taxes. All income tax consequences of dividends should be recognised equally by an entity;
  - IAS 23, Borrowing Costs. Any borrowings which an entity initially attracts for asset development are accounted for as part of the total borrowings, after the asset is ready for its intended use or sale;
  - Amendments to IAS 19, Remeasurement at a Plan Amendment, Curtailment or Settlement (effective on or after 1 January 2019);
  - Amendments to IFRS 10 / IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date of this amendment is postponed indefinitely pending the outcome of its research project on the equity method of accounting).

3 New Accounting Pronouncements (continued)

The Group did not early apply standards, interpretations and amendments that were issued but not yet effective as at 1 January 2017. The Group plans to apply these standards when they become effective. The Group is currently assessing the effect of these standards, amendments and interpretations on its financial position and financial statements.

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies

The Group uses estimates and makes assumptions that affect the reported amounts of assets and liabilities within the next reporting year. Estimates and judgments are continually reviewed and are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also uses certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on indicators recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include the following:

Going Concern

In 2012 and 2014, management of the Group decided to suspend or cease operations of certain subsidiaries (Note 1) due to lower prices on global metal markets, the need for significant financial resources for field development and ore processing setup process.

Net loss of the Group from going concern for the year ended 31 December 2017 comprised KZT 1,576,781 thousand, in 2017, significant assets if the Group – TEMP and Arman 100 were disposed. Uncovered loss of the Group for 2017 comprised KZT 18,758,326 thousand (as at 31 December 2016: KZT 19,891,952 thousand). These factors indicate the existence of uncertainty which may cast doubt on the Group's ability to continue as a going concern, and accordingly, its ability to realise its assets and settle its liabilities in the normal course of business.

Management assessed the possible effect of cessation of operations of subsidiaries KARUAN, Saryarka Mining, and possible suspension of operations of Ertis and Kaznickel on the financial position of the Group as at 31 December 2017 and 2016. In particular, assets of these subsidiaries were tested for impairment and the obligations were assessed for potential unrecorded liabilities including assessing contractual commitments that will become onerous upon liquidation.

Except for the effect of suspension of operations of subsidiaries these consolidated financial statements are free from adjustments of carrying amounts of assets and liabilities, presented amounts of revenue and expenses, as well as used classifications in the consolidated statement of financial position, which can arise due to this uncertainty, and these adjustments can be significant enough.

Management assumed that the Group will continue as a going concern, and in making such judgment management considered current plans, financial position and access to financial resources of the Group. In particular, the following factors were considered in the assessment of the Groups' ability to continue as a going concern:

- Previously, the Group's shareholders identified metallurgy and mining as priority areas of the Group's operations. In this regard, since 2009, the Group has consistently implemented a number of strategic acquisitions and sales in the metallurgical and mining sectors. In 2017, the Group revised its development strategy, sold TEMP and Arman 100, ceased operations of its subsidiaries SatFerro BV, SatFerro Limited, Sat&Co Netherlands. Income from discontinued operations amounted to KZT 2,243,849 thousand.

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

- The Group is considering to sale TMP, which generates material negative flows due to significant borrowings and high financial expenses.
- Management of the Group considers new investment projects and areas of activity.

Management believes that the Group will obtain sufficient financing, and therefore can continue its operations as a going concern in the foreseeable future within at least next twelve months.

Impairment of non-financial assets

At the end of each reporting period management assesses whether there is any indication of impairment of non-financial assets: property, plant and equipment, exploration and evaluation assets, investment property and intangible assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The calculation of value in use requires the application of management's estimates and professional judgments which are deemed appropriate under the current circumstances.

In accordance with the accounting policy for the purposes of impairment testing, assets are grouped at the lowest levels at which they generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets ("cash generating units"). In order to assess the presence of impairment indicators and, if necessary, an impairment test management identified the following main cash-generating units ("CGUs"):

Cash generating unit	Entity	Description	Type of non-financial assets	Carrying amount as at 31 December 2017 (before impairment)
TMP	TMP (ferroalloys)	Production of ferroalloys	Property, plant and equipment	9,558,390
Gornostayevskoye	Kaznickel / FNP Ertis (nickel)	Exploration of cobalt-nickel ore at Gornostayevskoye field	Property, plant and equipment and exploration and evaluation assets	711,041

TMP
In connection with the general decline in prices for manganese products in the global market in 2012 and poor quantity of manganese contained concentrate needed to ensure economically viable sustainable production of ferroalloys, two of four furnaces (No. 5 and No. 6) as at 31 December 2012 were put in dead storage. During 2013-2017, these furnaces remained in dead storage.

In 2015, management analyzed indicators of impairment of property, plant and equipment and concluded that there are impairment indicators and, accordingly, it is necessary to conduct an impairment test. As a test result, management came to conclusion on impairment of TMP's non-financial assets as at 31 December 2015 in the amount of KZT 6,230,863 thousand, in 2016, part of impairment losses in the amount of KZT 1,991,059 thousand was reversed.

The recoverable amount of non-financial assets of TMP's cash generating unit was determined based on fair value less costs to sell. The fair value of this CGU was determined using the amount of discounted future cash flows. In this calculation management used cash flow projections based on the strategic planning models of the Group and operating budgets, modified as appropriate to meet the requirements of IAS 36, and approved by management.

In 2017, considering positive dynamics of TMP's activities (increase in revenue, increase in production profitability, change in sales markets), management concluded that part of the impairment should be reversed because the recoverable amount as at 31 December 2017 is higher than the recoverable amount determined as at 31 December 2016.

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

Principal assumptions having a significant effect on projected future cash flows are as follows:

- Production volume. Annual production capacity of each of working furnaces No. 3 and No. 4, and taking into account the reconstruction of furnaces No. 5 and No. 6 in a preservation status, the total production capacity of the plant will be 51,000 tons of ferrosilicon manganese per year. The estimated amount of investments for the reconstruction of furnaces No. 5 and No. 6 approximates KZT 5,475 million.
- Sales volume. Management determined that the forecasted demand for products which was based on the expected market development would enable TMP to use the full production capacity of the plant.
- Forecast prices of ferrosilicon manganese sales. Ferrosilicon manganese sales prices were forecasted with the use of corresponding growth indices to prices under existing contracts. The projected sales price for 2018 comprised USD 1,300 per tonne of ferrosilicon manganese.
- Cost of manganese concentrate was projected on the basis of average prices from publicly available price forecasts for 2018 using the growth index of production prices. The forecasted cost of manganese concentrate for 2018 comprised at average KZT 1,515 per tonne of manganese.
- Other production costs were projected by management based on historical data and existing contracts.

Cash flows were discounted by using pre-tax discount rate of 18.6% per annum based on the weighted average cost of TMP's capital adjusted for risks adherent to TMP.

As a result of impairment test, management of the Group concluded that as at 31 December 2017 there was no impairment of non-financial assets of TMP, and in this connection the previously recognized impairment loss was fully recovered.

Presented below is the sensitivity analysis, which demonstrates amounts of possible impairment at different levels of selling price of ferrosilicon manganese, forecasted production volume and forecasted demand and cost of manganese concentrate (with all other variables held constant):

In thousands of Kazakhstani Tenge	**Impairment loss**
Selling price of ferrosilicon manganese (-2%)	no impairment
Selling price of ferrosilicon manganese (-5%)	983,438
Production and sales volume of ferrosilicon manganese (-3%)	no impairment
Production and sales volume of ferrosilicon manganese (-7%)	3,363,196
Cost of manganese concentrate (+5%)	no impairment
Cost of manganese concentrate (+7%)	no impairment

Gornostayevskoye

As at 31 December 2014, this CGU was at the exploration stage. Accordingly, management assessed the existence of indicators of impairment of exploration and evaluation assets of this CGU in accordance with the requirements of IFRS 6 "Exploration for and Evaluation of Mineral Resources", and concluded that it is necessary to reflect the impairment of this generating unit due to a material uncertainty regarding fund raising and commencement of commercial production at the Gornostaevskoye deposit. As at 31 December 2017, this CGU's assets were impaired down to zero.

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

Tuyebay-Syurtysu and Aitkokshe

As disclosed in Note 1, management of the Group decided to cease exploration and evaluation activities at Tuyebay-Syurtysu area and Aitkokshe field, and, accordingly, cease the operations of subsidiaries Saryarka Mining and KARUAN. As at 31 December 2016 and 2017, the assets of these CGUs were impaired down to zero. Due to termination of the subsoil use contract, as disclosed in Note 1, in 2017 exploration and evaluation assets of Tuyebay-Syurtysu deposit were written off against the provision for impairment.

Financial guarantees

As at 31 December 2017, the Group is a guarantor or co-borrower with respect to the liabilities of the Group's controlling shareholder Mr. Kenges Rakishev, in the aggregate amount of KZT 7,616,762 thousand (Note 36). As at 31 December 2016, the Group was a guarantor or co-borrower with respect to the liabilities of the Group's controlling shareholder Mr. Kenges Rakishev, in the aggregate amount of KZT 10,116,974 thousand. The Group concluded that at the date of these consolidated financial statements there are no indicators that persons with respect to whom the guarantees were issued would not be able to perform their obligations, which may otherwise require the Group to repay, fully or partially, the outstanding amount of these persons.

Obligation on payment of commercial discovery bonus and reimbursement of historical costs

In accordance with the terms of subsurface use contracts, the Group's subsidiaries, being subsurface users (Note 1), are required:

- to pay the commercial discovery bonus at the rate of 0.1% of recoverable mineral reserves, provided that commercial discovery is confirmed by an authorised state body;
- to reimburse historical costs related to geological information and other costs incurred by the Republic of Kazakhstan for exploration of the contractual territories before the transfer of subsurface use rights to the Group. Historical costs are reimbursed upon commencement of the commercial production.

The Group recognises obligations on payment of commercial discovery bonus and reimbursement of historical costs for those contracts where commercial discovery is assessed as highly probable. In assessment of probability of commercial discovery management considers the results of exploration works, test production and estimates of mineral reserves by independent engineers. As at the balance sheet date, taking into account the suspension (termination) of exploration and evaluation works, the Group had no contracts in respect of which there is a high probability of commercial discovery, and therefore did not recognise the obligation to pay commercial discovery bonus and historical costs.

Social projects and training obligations

In accordance with the terms of subsurface use contracts, the Group is obliged to finance certain social infrastructure and training projects on annual basis. The fulfilment of these obligations can be done in the form of cash payments or contributions of an equal value. The obligations are the greater of a fixed amount or a defined percentage of the capital expenditures for the year. These projects are aimed at satisfying local community's needs living in the area of exploration and production activities.

Management of the Group believes that even though the subsurface use contracts specify a minimal amount that has to be spent for social obligations, the funding of these projects is not substantially different than the funding of other costs of the exploration and production and should therefore be recorded when incurred. Management believes that social obligations are directly related to the exploration and production activities and are not substantially different than the obligations for the minimum exploration or the annual work program. This view is supported by terms of subsurface use contracts which do not obligate the Group to fund any social obligations after the cancellation or expiration of the contract. Therefore, no liabilities for social and training obligations for future years were recognised in these consolidated financial statements as at 31 December 2017 and 31 December 2016.

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

Provision for obligations on assets liquidation and recovery

In accordance with the terms of subsurface use contracts and environmental legislation, the Group has a legal obligation to decommission its mining and other production assets, and restore a landfill site after its closure. Provision for mining assets recovery and waste polygons restoration is recognised for the future liquidation and recovery of production assets at the end of their economic lives. The provision is made based on net present value of costs for restoration of sites and production facilities, as well as land restoration as soon as the obligation arises from past activities.

The provision for mining assets liquidation and waste polygons restoration is based on the Group's interpretation of the current environmental legislation in the Republic of Kazakhstan supported by the feasibility study and engineering researches in accordance with current restoration and liquidation standards and techniques.

The provision is estimated on the basis of current legal and constructive requirements, technology and price levels. Since actual costs for liquidation and restoration can differ from estimates due to changes in environmental regulatory requirements and interpretation of the legislation, technology, prices and other conditions, and such costs can be incurred in the distant future, the carrying amount of the provision is regularly reviewed and adjusted for any changes.

Significant judgments used in such estimations include the estimate of discount rate and timing of cash flows. Discount rate is applied to nominal value of works which the management expects to spend on liquidation and restoration of mining assets and waste polygons in the future. Accordingly, the management's accounting estimates based on current prices are inflated using the expected long-term inflation rate depending on the date of liquidation and restoration of mining assets and waste polygons, and subsequently discounted using the discount rate. The discount rate reflects current market estimates of the time value of money and risks specific to liabilities not reflected in the best estimates of costs.

Useful lives of other property, plant and equipment

Most of other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Useful lives of property, plant and equipment were estimated using a professional judgment based on the experience with similar assets. Future economic benefits associated with these assets will be obtained principally through their use. However, other factors, such as technical or commercial obsolescence and depreciation, often result in the decrease of economic benefits associated with these assets.

Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical depreciation, which depends on operational factors and maintenance program; and (c) technical or commercial obsolescence arising from changes in market conditions.

Impairment of receivables

Formation of individual provisions for impairment of receivables is based on the regular management's assessment of their collections, overdue status and past experience. Management believes that provision for impairment of receivables generated as at 31 December 2017 and 31 December 2016 are sufficient and represent the management's best estimate of receivables that will not be collected (Notes 13 and 15).

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

Provision for impairment of inventories

Inventories are recorded at the lower of cost and net realisable value. The Group generates provisions for impairment of inventories on the basis of regular stock count results and analysis of slow-moving, obsolete and other inventories where the net realisable value falls below their cost. The provision is recorded in profit or loss for the year. Management believes that impairment provisions generated as at 31 December 2017 and 31 December 2016 are sufficient and represent the management's best estimate of impaired inventories (Note 14).

Deferred income tax asset recognition

The recognised deferred tax asset is the amount of income tax that can be offset against future income tax payments and it is recorded in the consolidated statement of financial position. Deferred income tax asset is recognised only when the use of appropriate tax deduction is probable. The determination of future taxable profit and amounts of tax deductions that are likely to be offset in the future is based on the medium term business plan prepared by management and extrapolated results thereafter. Business plan is based on management expectations that are believed to be reasonable under the circumstances.

Initial recognition of related party transactions

In the normal course of business the Group conducts transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Professional judgments are applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party transactions are disclosed in Note 6.

5 Segment Reporting

Operating segments represent separate components engaged in business activities that may generate revenues or be associated with expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which separate financial information is available. The CODM is a person or group of persons who allocate resources and assess the performance of the company. The functions of CODM are performed by the Management Board of the Company.

Until 2017, the Group operated within the following main operating segments:

- Head office: the segment is represented by the operations of the head office of the Group, including purchases and sales of investment assets and securities;
- Manganese: the segment is represented by Arman 100, Saryarka Mining, and KARUAN (Note 1) involved in the exploration of manganese ore deposits, extraction of manganese ores and production of manganese concentrate. In 2017, Arman 100 was sold, the subsoil use contract of Saryarka Mining was terminated;
- TMP: the segment is represented by TMP (processing of manganese and ferromanganese ores and production of ferroalloys);
- Sat Engineering: the segment is represented by Sat Engineering (production and sale of electrode and repair paste, metal working services, repair and construction services). In 2017, Sat Engineering was reorganized by joining TMP;
- TEMP: (extraction and production of manganese and limestone ores, production of ferrosilicon manganese and calcium carbide). In 2017, TEMP was sold;
- Nickel: the segment is represented by FNP Ertis and Kaznickel (Note 1) engaged in exploration of cobalt and nickel ores at Gornostayevskoye field and processing project development;
- Other segments: other companies not engaged in significant operations and being insignificant for the Group as a whole.

5 Segment Reporting (continued)

In 2017, the information of the consolidated statement of profit and loss and other comprehensive income for 2016 was reclassified to discontinued operations due to the disposal of TEMP and Arman 100 from the Group (Note 34). The Group continued its operations only in the processing of manganese and iron-manganese ores, and in the production of ferroalloys. In view of the activities in one segment (TMP), the Group revised segment information for 2016 and did not provide segment information for the reporting period.

6 Balances and Transactions with Related Parties

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

The nature of relations with related parties with whom the Group entered into significant transactions or had significant account balances as at 31 December 2017 and 31 December 2016 is presented below.

The following companies were included in other related parties:

- companies under significant influence of the shareholder;
- companies under control or significant influence of close family members of the shareholder;
- other.

As at 31 December 2017, the outstanding balances on related party transactions were as follows:

In thousands of Kazakhstani Tenge	**Note**	**Shareholder**	**Companies under common control**	**Other related parties**
Advances and other receivables	15	-	-	31,325
Receivables	15	4,377,805	-	44,865,470
Less: provision for impairment	15	-	-	(4,790,856)
Debt component of preferred shares		1,226,972	-	-
Dividends on preferred shares payable	23	64,787	-	-
Loans	21	-	-	25,000

As at 31 December 2016, the outstanding balances on related party transactions were as follows:

In thousands of Kazakhstani Tenge	**Note**	**Shareholder**	**Companies under common control**	**Other related parties**
Cash and cash equivalents	17		53,764	
Other current assets	16		8,866	
Receivables	15	6,369,683	-	39,433,891
Less: provision for impairment		-	-	(5,136,759)
Loans	21	145,079	5,037,846	-
Debt component of preferred shares	23	1,226,972	-	-
Dividends on preferred shares payable	23	64,787	-	-
Payables	23	-	-	509,323
Advances received	23	-	-	910,320

6 Balances and Transactions with Related Parties (continued)

Gross amount of debt from related parties included in other non-current assets, includes the following:

In thousands of Kazakhstani Tenge	2017	2016
Road Construction Technics LLP	-	219,803
Total gross long-term debt from related parties	**-**	**219,803**

Long-term debt from Road Construction Technics LLP ("Road Construction Technics") and Road Construction LLP ("Road Construction") includes:

In thousands of Kazakhstani Tenge	2017	2016
Advances for construction of processing plant and works on shift of the road at Western Kamys field	-	219,803
Total long-term debt from Road Construction and Road Construction Technics	**-**	**219,803**

Gross receivables from related parties include the following:

In thousands of Kazakhstani Tenge	2017	2016
VINTEGRA LLP	-	34,847,449
SMART GROUP INVESTMENT LLP	43,064,588	-
Mr. Kenges Rakishev	4,377,805	6,369,683
Kaz Ferro LLP	-	3,705,466
KazUglerod LLP	-	410,800
Dan Construction LLP	286,975	286,975
Central Asian Institute of Environmental Studies LLP	929,000	-
Almatykonstruktivstroy LLP	402,384	-
Telli Kazakhstan LLP	92,600	92,600
Simex LLP	2,678	-
Rakhat Towers Multifunctional Complex LLP	87,245	87,245
Milestone Group LLP	-	3,356
Total gross receivables from related parties	**49,243,275**	**45,803,574**

VINTEGRA LLP

As at 31 December 2016, receivables from VINTEGRA LLP ("VINTEGRA") represent the temporary interest-free financial aid provided in 2013 with an indefinite period of maturity (on demand). As at 31 December 2017, the debt from VINTEGRA was transferred to SMART GROUP INVESTMENT LLP in the amount of KZT 34,147,241 thousand, KZT 143,560 thousand was repaid. In 2017, the Group received the right of claim to SMART GROUP INVESTMENT LLP for the amount KZT 9,060,907 thousand from Logo TranscomServiceIndustry LLP. As at 31 December 2017 and 2016, the debt was partially impaired in the amount of KZT 4,324,036 thousand.

Mr. Kenges Rakishev

Receivables from Mr. Kenges Rakishev represent the assigned debt from Flegont LLP and SDB Group LLP to the Group in the amount of KZT 6,369,683 thousand as at 31 December 2016. In the current period KZT 1,991,878 thousand was repaid. As at 31 December 2017, the debt is KZT 4,377,805 thousand. Management believes that the Group will fully collect the amount of receivables within agreed terms, and accordingly no provision for impairment was accrued on the debt of Mr. Kenges Rakishev.

As at 31 December 2017, the Group is the guarantor or co-borrower with respect to liabilities of Mr. Kenges Rakishev, the controlling shareholder of the Group, in the aggregate amount of KZT 7,616,762 thousand (Note 36).

6 Balances and Transactions with Related Parties (continued)

Items of financial statements on related party transactions for the year ended 31 December 2017 are presented below:

In thousands of Kazakhstani Tenge	Note	Shareholder	Companies under common control	Other related parties
General and administrative expenses	28	-	-	(468,683)
Finance costs	32	129,575	-	-
Loss from discontinued operations	34	-	-	(1,309,304)
Purchase of materials		-	-	33,406

Cost of sales, general and administrative expenses and selling expenses represent acquisition of goods and services. Finance costs comprise dividends on preferred shares.

Items of financial statements on related party transactions for the year ended 31 December 2016 are presented below:

In thousands of Kazakhstani Tenge	Note	Shareholder	Companies under common control	Other related parties
Revenue	24	-	-	3,082,872
Cost of sales	25	-	-	1,891,149
General and administrative expenses	28	-	-	(451,728)
Other operating expenses	30	-	-	545
Finance costs	32	194,362	213,737	-
Loss from discontinued operations	34	-	-	846,552
Purchase of property, plant and equipment		-	-	27
Purchase of materials		-	-	3,271

Cost of sales, general and administrative expenses and selling expenses represent acquisition of goods and services. General and administrative expenses also include impairment / reversal of impairment of receivables.

In 2017, key management personnel compensation including salaries, bonuses and other short-term employee benefits comprises KZT 91,659 thousand (2016: KZT 103,017 thousand). As at 31 December 2017, key management personnel include 8 persons (2016: 6 persons).

As at 31 December 2017, the Group is a guarantor or co-borrower with respect to liabilities of the Group's related parties in the aggregate amount of KZT 7,616,762 thousand (2016: KZT 10,116,974 thousand) (Note 36).

7 Property, Plant and Equipment

Changes in the carrying amount of property, plant and equipment are as follows:

In thousands of Kazakhstani Tenge	Mining assets	Land owned	Buildings and structures	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost as at 1 January 2016	906,981	3,059,748	7,678,973	8,713,391	1,569,770	278,055	4,262,632	26,469,550
Accumulated depreciation and impairment	(906,981)	(631,486)	(6,330,588)	(6,119,457)	(931,113)	(260,721)	(3,055,179)	(18,235,525)
Carrying amount as at 1 January 2016	**-**	**2,428,262**	**1,348,385**	**2,593,934**	**638,657**	**17,334**	**1,207,453**	**8,234,025**
Proceeds	-	-	16,095	134,365	230,302	6,835	180,307	567,904
Reclassified from non-current assets held for sale	-	-	703,948	-	-	-	-	703,948
Transfers	-	-	122,932	382,401	29,860	-	(535,193)	-
Depreciation	-	-	(395,870)	(746,131)	(201,104)	(12,208)	-	(1,355,313)
Impairment / reversal of impairment	-	172,311	699,936	1,013,255	466	4,954	100,137	1,991,059
Disposal	-	(32,240)	(30,526)	(9,523)	(29,980)	(5,153)	(722)	(108,144)
Transferred from investment property	-	213,667	47,620	156,104	-	87	-	417,478
Cost as at 31 December 2016	906,981	3,241,175	8,539,043	9,376,738	1,799,952	279,823	3,907,024	28,050,736
Accumulated depreciation and impairment	(906,981)	(459,175)	(6,026,523)	(5,852,333)	(1,131,751)	(267,974)	(2,955,042)	(17,599,779)
Carrying amount as at 31 December 2016	**-**	**2,782,000**	**2,512,520**	**3,524,405**	**668,201**	**11,849**	**951,982**	**10,450,957**
Proceeds	-	-	1,989	230,726	4,134	21,684	342,671	601,204
Acquisition at business combinations	-	-	-	1,638	-	5,161	-	6,799
Transfers	-	-	21,842	310,155	8,208	642	(340,847)	-
Depreciation	-	-	(136,862)	(514,854)	(120,173)	3,102	-	(768,787)
Impairment / reversal of impairment	-	459,175	1,089,81	1,332,539	-	1,110	495,988	3,378,623
Disposal	-	-	(10,495)	(21,193)	(17,652)	(13,860)	-	(63,200)
Disposal of subsidiaries	(906,981)	5,934	(4,840,539)	(5,545,955)	(1,710,272)	(160,630)	(3,492,587)	(16,651,030)
Disposal of depreciation and impairment on disposed subsidiaries	906,981	-	4,250,32	2,500,738	1,170,269	157,086	2,459,054	(11,444,454)
Cost as at 31 December 2017	-	3,247,109	3,711,840	4,352,109	84,370	132,821	416,261	11,944,510
Accumulated depreciation and impairment	-	-	(823,248)	(2,533,910)	(81,655)	(106,677)	-	(3,545,490)
Carrying amount as at 31 December 2017	**-**	**3,247,109**	**2,888,592**	**1,818,199**	**2,715**	**26,144**	**416,261**	**8,399,020**

Reversal of impairment / (impairment) of property, plant and equipment is attributable to the cash-generating unit of TMP (Note 4): 2017: KZT 3,378,623 thousand, 2016: KZT 1,991,059 thousand.

As at 31 December 2017, certain property, plant and equipment with a carrying amount of KZT 7,757,106 thousand were pledged as collateral for loans (2016: KZT 7,532,489 thousand) (Note 21).

8 Exploration and Evaluation Assets

Exploration and evaluation assets include the following capitalised costs:

In thousands of Kazakhstani Tenge	2017	2016
Subsurface use rights (exploration and evaluation)		
- Gornostayevskoye	435,417	435,417
- Tuyebay-Syurtysu [1)]	-	22,362
Total subsurface use rights	*435,417*	*457,779*
Geological and geophysical works	56,362	958,432
Exploratory drilling	406,224	550,470
Salary and related expenses	101,639	521,219
Depreciation	-	241,241
Laboratory works	50,264	55,556
Other	96,552	307,107
Impairment	(1,146,458)	(3,091,804)
Total exploration and evaluation assets	**-**	**-**

(1) In the current period exploration and evaluation assets including capitalized costs for Tuyebay-Syurtysu field were written off against the provision for impairment due to termination of the subsoil use contract (Note 1).

9 Investment Property

In thousands of Kazakhstani Tenge	Note	2017	2016
Carrying amount as at 1 January		1,281,941	1,699,419
Transferred to property, plant and equipment		-	(417,478)
Carrying amount as at 31 December		**1,281,941**	**1,281,941**

In 2014, the Group acquired commercial areas of Almaty Towers Multifunctional Complex which are rented out as of the reporting date. The fair value of investment property at the reporting date was measured by an independent professional appraiser of ARR-Consulting Group LLP using income (direct capitalization method) and comparative approach (comparable sales method).

During 2017, the Group received income from operating lease of commercial (Note 26) areas totaling KZT 114,142 thousand (2016: totaling KZT 129,850 thousand).

10 Intangible Assets

In thousands of Kazakhstani Tenge	Subsurface use rights	Other	Total
Cost as at 1 January 2016	2,270,465	71,041	2,341,506
Accumulated depreciation and impairment	(777,171)	(56,736)	(833,907)
Carrying amount as at 1 January 2016	**1,493,294**	**14,305**	**1,507,599**
Proceeds	-	4,387	4,387
Depreciation	(175,375)	(9,259)	(184,634)
Cost as at 31 December 2016	2,270,465	75,428	2,345,893
Accumulated depreciation and impairment	(952,546)	(65,995)	(1,018,541)
Carrying amount as at 31 December 2016	**1,317,919**	**9,433**	**1,327,352**
Depreciation	(3,230)	(19)	(3,249)
Disposal of subsidiaries	(2,270,465)	(28,176)	(2,298,641)
Depreciation of disposed assets	955,776	18,909	974,685
Cost as at 31 December 2017	-	47,252	47,252
Accumulated depreciation and impairment	-	(47,105)	(47,105)
Carrying amount as at 31 December 2017	**-**	**147**	**147**

11 Investments in Joint Ventures

Sat Logistics

In 2015, the Group acquired 50% interest in Sat Logistics for KZT 1 thousand. Sat Logistics incurred loss for 2015 and, accordingly, investment was impaired to zero.

Presented below is the summarized financial information of Sat Logistics as at 31 December 2017 and 2016 and for the periods then ended:

In thousands of Kazakhstani Tenge	Total assets	Total liabilities	Revenue	Profit / (loss) for the year	Share of the Group in profit/(loss) for the year	Share of the Group in profit/(loss) for the holding period
2016						
Sat Logistics	92,000	(114,160)	127,650	10,931	5,466	(11,098)
2017						
Sat Logistics	12,511	(22,163)	62,508	603	302	(10,796)

12 Partly Owned Significant Subsidiaries

Below is the information on subsidiaries with substantial non-controlling interests therein:

Share in capital held by non-controlling interests:

	Country of incorporation and business	2017	2016
FNP Ertis	Republic of Kazakhstan	49%	49%
Kaznickel	Republic of Kazakhstan	49%	49%
Saryarka Mining	Republic of Kazakhstan	20%	20%

Accumulated balances on substantial non-controlling interest:

In thousands of Kazakhstani Tenge	2017	2016
Accumulated non-controlling interests:		
Kaznickel	(479,064)	(470,074)
FNP Ertis	(648,864)	(650,219)
Saryarka Mining	(121,383)	(121,475)
Loss charged to substantial non-controlling interest:		
Kaznickel	(12,045)	(8,990)
FNP Ertis	(94)	1,355
Saryarka Mining	419	92

Below is the summarized financial information on these subsidiaries. This information is based on the amounts before exclusion of intercompany transactions of the Group.

Summarized statement of profit and loss:

	2017			2016		
In thousands of Kazakhstani Tenge	**Kaznickel**	**FNP Ertis**	**Saryarka Mining**	**Kaznickel**	**FNP Ertis**	**Saryarka Mining**
Other operating income	2,664	-	2,687	2,203	5,814	3,650
General and administrative expenses	(17,841)	(192)	(591)	(15,306)	(1,333)	(568)
Other operating expenses	-	-	-	(4,061)	(1,716)	(2,623)
Finance costs	(1,498)	-	-	(1,183)	-	-
Income tax expenses	(7,906)	-	-	-	-	-
Income (loss) before tax	**(24,581)**	**(192)**	**2,096**	**(18,347)**	**2,765**	**459**
Total comprehensive income	**(24,581)**	**(192)**	**2,096**	**(18,347)**	**2,765**	**459**
Attributable to non-controlling interests	(12,045)	(94)	419	(8,990)	1,355	**92**

12 Partly Owned Significant Subsidiaries (continued)

Summarized statement of financial position as at 31 December:

In thousands of Kazakhstani Tenge	2017			2016		
	Kaznickel	**FNP Ertis**	**Saryarka Mining**	**Kaznickel**	**FNP Ertis**	**Saryarka Mining**
Property, plant and equipment	172	-	-	277	-	40
Other non-current assets	4,134	298	-	9,658	316	-
Receivables	661	1,274,641	-	1,105	1,273,529	-
Cash and cash equivalents	466	4	-	1,384	3	10
Other current assets	348	5	2,613	331	-	2,659
Non-current liabilities	(22,431)	-	-	(24,843)	-	-
Payables	(1,445,991)	(2,599,233)	(240,062)	(1,425,972)	(2,597,941)	(242,254)
Total equity	**(1,462,641)**	**(1,324,285)**	**(237,449)**	**(1,438,060)**	**(1,324,093)**	**(239,545)**
Attributable to						
Shareholders of the Group	(971,532)	(675,327)	(116,485)	(958,996)	(675,229)	(118,162)
Non-controlling shareholders	(491,109)	(648,958)	(120,964)	(479,064)	(648,864)	(121,383)

13 Other Non-Current Assets

In thousands of Kazakhstani Tenge	**Note**	**2017**	**2016**
Restricted cash		4,478	7,995
Non-current debt from related parties	6	-	219,803
Other non-current receivables		-	132,884
Less: provision for impairment	28	-	(226,077)
Total non-current financial assets		*4,478*	*134,605*
Prepayments for property, plant and equipment		225,076	162,272
Non-current VAT recoverable		333,032	597,999
Other		-	(54,743)
Total other non-current assets		**562,586**	**840,133**

Restricted cash include special bank deposits placed in accordance with subsurface use contracts.

Fair value of non-current financial assets is approximately equal to their carrying amounts. Non-current financial assets of the Group are denominated in KZT.

Non-current VAT recoverable represents input VAT recognised as a result of purchase of goods and services in the territory of the Republic of Kazakhstan.

14 Inventories

In thousands of Kazakhstani Tenge	**2017**	**2016**
Raw and other materials	710,668	800,497
Finished goods	1,228,502	965,881
Construction in progress	-	446,967
Other	12,388	17,026
Less: provision for impairment	(3,107)	(263,049)
Total inventories	**1,948,451**	**1,967,322**

14 Inventories (continued)

Changes in the provision for impairment of inventories are presented below:

In thousands of Kazakhstani Tenge	Note	2017	2016
Balance as at 1 January		263,049	42,918
Accrual for the year	25,28,34	3,107	244,931
Reversal of provision for the year		-	(1,301)
Derecognition due to disposal of subsidiaries		(263,049)	-
Write-off against a provision		-	(23,499)
Balance as at 31 December		**3,107**	**263,049**

15 Receivables

In thousands of Kazakhstani Tenge	Note	2017	2016
Temporary financial aid given to related parties	6	49,243,275	45,803,574
Debt from purchasers and customers		2,176,542	2,170,878
Other financial receivables		2,776,632	597,430
Less: provision for impairment		(5,795,585)	(5,188,350)
Total financial receivables		*48,400,864*	*43,383,532*
Advances to suppliers		205,076	4,326,611
Other receivables		216,099	73,565
Less: provision for impairment		(7,909)	(23,419)
Total receivables		**48,814,130**	**47,760,289**

Financial receivables of the Group are denominated in the following currencies:

In thousands of Kazakhstani Tenge	2017	2016
Tenge	46,503,469	43,158,514
US Dollar	1,880,627	201,488
Russian Rouble	16,768	23,530
Other	-	-
Total financial receivables	**48,400,864**	**43,383,532**

15 Receivables (continued)

Analysis of financial assets by credit quality is presented below:

In thousands of Kazakhstani Tenge	**2017**	**2016**
Current and not impaired		
Kazakhstani purchasers and customers	2,393,152	4,794,689
Foreign purchasers and customers	-	225,018
Total current and not impaired	*2,393,152*	*5,019,707*
Past due but not impaired		
- from 30 to 90 days	733,135	56,342
- from 90 to 180 days	2,350	11,583
- from 180 to 360 days	2,250,328	37,957,681
- over 360 days	4,378,069	338,219
Total past due but not impaired	*7,363,882*	*38,363,825*
Individually impaired (gross)	44,439,415	5,188,350
Less: provision for impairment	(5,795,585)	(5,188,350)
Total financial receivables	**48,400,864**	**43,383,532**

Current and not impaired receivables are represented by existing purchasers and related parties with good credit history. All past due but not impaired receivables relate to consumers in respect of which the debt is expected to be repaid during 2018.

Purchasers experiencing unexpected economic difficulties represent most of the impaired receivables.

16 Other Current Assets

In thousands of Kazakhstani Tenge	**2017**	**2016**
Short-term deposits	2,500	145,381
Total other financial current assets	*2,500*	*145,381*
VAT recoverable and prepaid taxes	675,252	303,135
Other	5,818	36,011
Total other current assets	**683,570**	**484,527**

17 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	**2017**	**2016**
Cash on term deposits, in KZT	2,296	50,000
Cash on current bank accounts, in KZT	68,509	64,309
Cash on current bank accounts, in foreign currency	20,667	15,665
Cash on hand	3,504	1,279
Cash in transit	37,000	-
Total cash and cash equivalents	**131,976**	**131,253**

All bank account balances are neither past due, nor impaired. The credit quality analysis of bank account balances is shown in the table below:

		2017		**2016**	
In thousands of Kazakhstani Tenge	**Rating (Moody's)**	**Current bank accounts**	**Term deposits**	**Current bank accounts**	**Term deposits**
Nurbank	B3	-	-	2,683	-
Sberbank of Russia	Ba3	5	-	16,001	-
Halyk Bank	Ba2	986	-	24,893	-
ATF Bank	Caa1	554	-	1,443	-
Eurasian Bank	B2	4,198	-	9,988	-
Bank of Astana	B	21	-	3,485	-
Kazkommertsbank	B2	42,232	2,296	4,434	50,000
Tengri Bank	None	62,165	-		
Other	None	16,015	-	17,047	-
Total		**126,176**	**2,296**	**79,974**	**50,000**

Term deposits have contractual maturity of less than three months and are repayable on demand.

18 Business combinations

In February 2017, the Group acquired a 100% holding in KazFerro LLP and KazUglerod LLP. The main activity of KazFerro LLP is the production and sale of ferrosilicon manganese, KazUglerod LLP - production and sale of electrode paste. In February 2017, the acquired companies and SAT Engineering were reorganized by joining to TMP.

Below is the information on acquired identifiable net assets and liabilities of KazFerro LLP and KazUglerod LLP, as well as goodwill arising in connection with the acquisition.

	Fair value of assets and liabilities	
	KazFerro LLP	**KazUglerod LLP**
Property, plant and equipment	2,925	1,215
Inventories	2,081,470	17,577
Receivables	2,337,724	713,280
Loans issued	111,779	23,009
Other non-current assets	1,730,992	606,908
Cash and cash equivalents	229,599	241
Total assets	**6,494,489**	**1,362,230**
Payables	6,743,232	1,465,778
Total liabilities	**6,743,232**	**1,465,778**
Total net assets	**(248,743)**	**(103,548)**
Goodwill associated with acquisition	248,913	103,733
Total cost of acquisition	**170**	**185**
Impairment of goodwill	**(248,913)**	**(103,733)**

18 Business Combinations (continued)

After reviewing the activities of acquired companies, Management of the Group concluded that goodwill arising from the acquisition should be fully depreciated.

19 Capital

Authorised capital

As at 31 December the shareholders (owners of ordinary shares) of the Company were as follows:

	2017	2016
Mr. Kenges Rakishev	77.72%	77.72%
Single Pension Savings Fund	17.30%	17.30%
Other	4.98%	4.98%
Total	**100.00%**	**100.00%**

As at 31 December the owners of preferred shares of the Company were as follows:

	2017	2016
Single Pension Savings Fund JSC	66.98%	66.98%
Mr. Kenges Rakishev	33.02%	33.02%
Total	**100.00%**	**100.00%**

Presented below is the information on placed shares of the Company:

	2017		2016	
	Number of shares	Value, thousands of Tenge	Number of shares	Value, thousands of Tenge
Ordinary shares	1,246,773,954	19,400,715	1,246,773,954	19,400,715
Preferred shares	392,649,871	12,184,910	392,649,871	12,184,910
Authorised capital, including debt component of preferred shares	**1,639,423,825**	**31,585,625**	**1,639,423,825**	**31,585,625**
Less: debt component of preferred shares		(3,718,096)		(3,718,096)
Total authorised capital		**27,867,529**		**27,867,529**

As at 31 December 2017, total number of authorised ordinary shares is 3,000,000,000 shares (31 December 2016: 3,000,000,000 shares).

All issued ordinary shares are fully paid. Each ordinary share carries one voting right.

As at 31 December 2017, total number of authorised preferred shares is 750,000,000 shares (2016: 750,000,000 shares). All issued preferred shares are fully paid.

Both ordinary and preferred shares do not have a declared nominal value.

Preferred shares give pre-emptive rights compared to the ordinary shares in the event of the Company's liquidation. Preferred shares give its holders the right to participate in general shareholders' meetings without voting rights except for cases where decisions are made in relation to re-organization and liquidation of the Company, and restricting the rights of holders of preferred shares.

19 Capital (continued)

Dividends on preferred shares are set at the amount of KZT 1 per share. Dividends on preferred shares shall not be declared on the amount lower than the amount declared by holders of ordinary shares. If dividends on preferred shares are not paid in full within three months from the date of expiry of the period set for payment of such dividends, preferred shares holders get voting rights until the dividends are actually paid.

Preferred shares are compound financial instruments that contain both share and debt components. The Group measured the fair value of the debt component of preferred shares by applying the relevant effective interest rate of 10.56% to the amount of mandatory annual dividends, using the net present value formula in perpetuity. The amortised cost of the debt component of preferred shares was included in other non-current liabilities (Note 22).

As at 31 December 2017 and 31 December 2016, the number of treasury shares comprised:

- 10,445,774 ordinary shares totaling KZT 618,111 thousand;
- 2 preferred shares totaling KZT 60.

On 8 November 2010, new KASE listing requirements came into effect requiring the Group to disclose the following information: total assets less total intangible assets, total liabilities and non-voting preferred shares (included in capital) divided by the number of issued ordinary shares at the end of the year. As at 31 December 2017, this indicator calculated by the management of the Group on the basis of data from these consolidated financial statements comprised KZT 1.95 (2016: KZT (4.43). The Group is also required to disclose dividends payable to holders of non-voting preferred shares, non-voting preferred shares (included in capital) and debt component of non-voting preferred shares divided by the number of issued non-voting preferred shares. As at 31 December 2017, this indicator was KZT 31.53 (31 December 2016: KZT 31.53).

During 2017 and 2016, the Group neither accrued nor paid dividends on ordinary shares. In 2017, the Group accrued dividends on preferred shares in the amount of KZT 392,650 thousand, and paid them in the amount of KZT 392,650 thousand.

20 Site Restoration Provision

The Group has a legal obligation to restore lands disturbed during the mining operations and to decommission mining equipment after expected closure of contractual territories.

Changes in the site restoration provision are presented below:

In thousands of Kazakhstani Tenge	Note	2017	2016
Carrying amount as at 1 January		2,021,469	2,179,155
Change in estimates recorded to:			
- property, plant and equipment	7	1,114	8,675
- current expenses	25,30,34	(590,338)	(372,475)
Unwinding of the present value discount	32,34	6,445	206,114
Disposal due to discontinued operations	34	(1,286,588)	
Carrying amount as at 31 December		**152,102**	**2,021,469**
Non-current portion		102,158	1,974,066
Current portion	23	49,944	47,403

Current portion represents site restoration provisions for Tyuebay-Syurtysu area related fields which were classified as current due to the Group's decision to cease the exploration activities at these fields (Note 1), and obligations to eliminate waste disposal polygons of TMP that are subject to repayment at the end of the planned completion of polygons' operation (2016-2028).

20 Site Restoration Provision (continued)

The amount of site restoration provision was calculated using nominal prices effective at the reporting dates, applying the forecasted inflation rate for expected period of mining operations and discount rate at the end of the reporting period. Uncertainties in estimation of such expenditures include potential changes in requirements of environmental legislation, volumes and alternative methods of restoration activities, discount level and inflation rates.

Underlying assumptions used in estimation of site restoration provision are presented below:

	2017	2016
Discount rate	5%-7.22%	3.75%-9%
Inflation index	7%	8%

Carrying amount of site restoration provision by fields is presented below:

In thousands of Kazakhstani Tenge	Expected closure year	2017	2016
Western Kamys	2020	-	1,258,615
South-Topar field	2016	-	390,571
Bogach	2024	-	140,188
Waste polygons (TMP)	2015	83,455	112,613
Yesymzhal	2025	-	36,604
Gornostayevskoye	2026	22,431	24,843
Tuyebay-Syurtysu	2017	10,997	10,997
Sludge collector reclamation (TMP)	2026	35,219	47,038
Total		**152,102**	**2,021,469**

21 Loans

In thousands of Kazakhstani Tenge	2017	2016
Non-current portion		
Bonds issued	12,969,154	12,928,438
Sberbank of Russia	13,323,064	20,794,257
Kazkommertsbank	-	470,126
Halyk Bank of RK	678,133	965,035
Total loans – non-current portion	**26,970,351**	**35,157,856**
Current portion		
Sberbank of Russia	4,405,483	4,315,628
Kazkommertsbank	-	4,567,720
Halyk Bank of RK	381,798	313,694
Bonds issued	1,377,490	1,809,289
Mr. Rakishev	-	145,079
Other loans	25,000	99,789
Total loans – current portion	**6,189,771**	**11,251,199**
Total loans	**33,160,122**	**46,409,055**

21 Loans (continued)

Bonds issued

On 3 January 2008, the Group issued amortised bonds to the amount of KZT 15,000,000 thousand ("Bonds 2008"), which were officially listed on KASE.

Bonds 2008 were to be repaid after 7 years from the date of issue. In 2014, the Group made changes and additions to the prospectus of bonds issue and extended Bonds 2008 expiry date until December 2021.

Interest rate on Bonds 2008 is floating and is determined as an increase/decrease in consumer price index published by the Statistics Agency of the Republic of Kazakhstan for the last 12 months preceding the month of the corresponding coupon period plus fixed margin of 2%, but no more than 14% per annum, and not less than 7% per annum of the nominal value of bonds.

In 2012, the Group announced the first bond program for the total amount of KZT 30,000,000 thousand.

On 3 August 2012, coupon bonds of the first issue within this program in the amount of KZT 6,000,000 thousand ("Bonds 2012") were officially listed on KASE.

Bonds 2012 are unsecured and were to be repaid after 7 years from the date of issue. In 2014, the Group made changes and additions to the prospectus of bonds issue and extended Bonds 2012 expiry date until December 2021.

Interest rate on Bonds 2012 is fixed at 12% in the first year. Starting from the second year, a floating rate is used which is determined every 6 months as an increase/decrease in consumer price index published by the Statistics Agency of the Republic of Kazakhstan for the last 12 months preceding the month of the corresponding coupon period plus fixed margin of 3%, but not more than 12% per annum and not lower than 3% per annum of the nominal value of bonds.

Coupon interests on Bonds 2008 and 2012 are paid once a year.

As at 31 December 2017, the carrying amount of bonds comprises KZT 12,969,154 thousand (as at 31 December 2016 - 12,928,438 thousand).

Sberbank of Russia

On 2 May 2011, the Group entered into the credit facility agreements with SB Sberbank of Russia JSC for the total amount of USD 59,964 thousand for the purpose of refinancing the loan from Development Bank of Kazakhstan, further financing of completion of metallurgical plant modernization and replenishment of working capital, including the revolving line of credit in the amount of USD 30,418 thousand available until 03 May 2013.

On 24 May 2013, the Group signed an additional agreement to merge the debts on bank loans, and, as amended, loans were issued for the period from 25 October 2011 to 03 May 2021 with an effective interest rate of 10.4% per annum.

During 2013, loan amount was increased by USD 15,386,985.72.

On 29 August 2014, the Group concluded an additional agreement to refinance the loan with interest rate of 8% and with a maturity until 25 June 2024.

Until 31 December 2016 the Group participated in the Post-Crisis Recovery Program (recovery of competitive enterprises) and entered into agreement with Rehabilitation and Asset Management Company JSC ("RAMC") and SB Sberbank of Russia JSC, pursuant to which RAMC subsidized interest. The subsidized portion of the loan interest rate was 4.39%. The subsidy amount received in 2017 for December 2016 and carried by the Group to finance costs reduction amounted to KZT 40,148 thousand (2016: KZT 465,758 thousand).

During the reporting period, management of the Group decided to restructure the debt to SB Sberbank of Russia JSC under a credit line, wherefore, in August 2017, guarantee contract No. AF03/05-14 was signed by SB Sberbank of Russia JSC and KROSST LLP, which acted as a guarantor for payment of TMP's liabilities to SB Sberbank of Russia JSC in the amount of USD 18,000,000.

In November 2017, claim assignment agreement was concluded between SB Sberbank of Russia JSC and Bank of Astana JSC, pursuant to which SB Sberbank of Russia JSC assigns to Bank of Astana JSC some of the rights of claim for liabilities of TMP for the amount of USD 25,796,367 or KZT 8,522,862 thousand. Under the terms of the contract, the assignment of the rights of claim to Bank of Astana JSC will take place only after total payment to SB Sberbank of Russia JSC the amount of KZT 8,522,862 thousand.

As at 31 December 2017, Bank of Astana JSC paid for liabilities of TMP to SB Sberbank of Russia JSC the amount of KZT 660,000 thousand.

21 Loans (continued)

As at 31 December 2017, the carrying amount of the liability under these credit lines is USD 47,817,346 (KZT 17,728,547 thousand, including accrued interest of KZT 18,398 thousand and accrued fines and penalties of KZT 1,154,350 thousand), as at 31 December 2016 - USD 74,996,188.58 (KZT 25,109,885 thousand, including accrued interest of KZT 198,678 thousand and accrued fines and penalties of KZT 114,405 thousand). The Group is currently negotiating to restructure the loan amount.

The collateral for credit lines is property, plant and equipment.

Kazkommertsbank

On 26 April 2016, the Group signed an agreement for opening credit line No. 110M with a total amount of KZT 4,850,000 thousand; designated purpose for Limit 1- KZT 4,000,000 thousand - replenishment of working capital, for Limit 2 – KZT 850,000 thousand - refinancing of debt to Forte Bank. Loan terms: Limit 1 - from 28 September 2016 to 27 June 2017, Limit 2 - from 20 May 2016 to 25 October 2019.
On 20 May 2016, the Group concluded Accessory Contract No. 110M/1 for a loan of KZT 876,145 thousand, for the purpose of refinancing the loan from Astana-Finance Bank and Forte Bank. Interest rate was 16% with maturity until 25 October 2019.

On 28 September 2016, the Group concluded Accessory Contract No. 110M/2 for a loan of KZT 4,000,000 thousand for replenishment of working capital. Interest rate was 12.75% with maturity until 27 June 2016.
On 23 December 2016, the Group concluded Accessory Contract No. 144M/1 (Overdraft) for KZT 300,000 thousand for replenishment of working capital, with interest rate of 12.75% and maturity until 22 January 2017.
The credit line is secured by real estate with a total carrying amount of KZT 207,617 thousand.

In August 2016, the Group entered into agreement with DAMU and Kazkommertsbank, pursuant to which DAMU subsidizes interest of 8% with regard to loan No. 144/1 amounting to KZT 833,406 thousand used to refinance loan debt from Forte Bank. The Group derecognised loan obligations as at 31 December 2017 due to disposal of TEMP.

Halyk Bank of RK

On 20 January 2014, the Group signed a credit line agreement with Halyk Savings Bank of Kazakhstan JSC totaling KZT 2,331,344 thousand for the purchase of commercial space of Almaty Towers multifunctional complex, with a total area of 5,046.2 square meters, located at the address: 280, Baizakov Str., Almaty, Republic of Kazakhstan. Principal amount received under the credit line is paid on a monthly basis and accrued interest at the rate of 10% per annum is payable on a monthly basis at the end of the grace period with duration of 18 months starting from the date of financing under this agreement. The effective interest rate under this line of credit is 10.3% per annum.

As at 31 December 2017, the carrying amount of the liability under this credit line comprises KZT 1,059,931 thousand (as at 31 December 2016: KZT 1,278,729 thousand), including current portion of KZT 363,853 thousand (as at 31 December 2016: KZT 312,984 thousand), unpaid interest of KZT 17,945 thousand (as at 31 December 2016: KZT 710 thousand). The collateral under this agreement includes commercial areas of Almaty Towers multifunctional complex acquired by the Group and office premises located at the address: 241, Mukanov Str., Almaty, Republic of Kazakhstan.

21 Loans (continued)

Mr. Kenges Rakishev

Temporary financial aid received from Mr. K. Rakishev was formed under the debt transfer agreement dated 23 April 2014, according to which the debt to Zapchast JSC in the amount of KZT 324,752 thousand was carried to the debt to Mr. K. Rakishev.
On 30 June 2016, the Group concluded the debt transfer agreement between Zapchast JSC and Mr. Kenges Rakishev for the amount of KZT 179,673 thousand. As a result of debt transfer, Mr. Kenges Rakishev incurred the debt to the Group in the amount of KZT 179,673 thousand. On 31 December 2016, the Group offset the liabilities of Mr. Kenges Rakishev for the amount of KZT 179,673 thousand under offset certificate. As at 31 December 2016, the Group's liabilities amounted to KZT 145,079 thousand. On 31 December 2017, liabilities were fully repaid.

As part of the financial assistance agreement in 2017, Mr. Kenges Rakishev received cash in the amount of KZT 2,125,270 thousand, and the Group's liabilities to SB Sberbank of Russia JSC totaling KZT 2,483,276 thousand were repaid. Under the debt forgiveness agreement, the Group's obligations to Mr. Kenges Rakishev for the amount of KZT 4,608,546 thousand were written off in 2017. The amount of the written-off obligation is recognised as additional contributions from shareholders within capital.

Changes in liabilities arising from financial activities

In thousands of Kazakhstani Tenge	**2017**
Balance as at 1 January	46,409,055
Received by cash	3,515,621
Interest paid	(4,697,006)
Payment of principal	(13,908,213)
Accrued interest	3,677,210
Accrued fines, penalties	1,041,128
Discount amortization	40,716
Writing off of liabilities	(4,608,546)
Offset	4,094,298
Disposed due to sale of subsidiaries	(2,404,141)
Balance as at 31 December	33,160,122
Current portion	6,189,771
Non-current portion	26,970,351

The Group's loan maturities are shown below:

In thousands of Kazakhstani Tenge	**2017**	**2016**
Loans with maturity		
- on demand	1,197,748	867,409
- less than 6 months	1,395,435	5,916,846
- from 6 months to 1 year	3,596,588	4,466,944
- from 1 year to 3 years	8,124,285	11,087,410
- over 3 years	18,846,066	24,070,446
Total loans	**33,160,122**	**46,409,055**

The Group's loans are denominated in the following currencies:

In thousands of Kazakhstani Tenge	**2017**	**2016**
US Dollar	16,574,197	24,995,480
Tenge	16,585,925	21,413,575
Total loans	**33,160,122**	**46,409,055**

21 Loans (continued)

The analysis of carrying amount and fair value of loans is as follows:

In thousands of Kazakhstani Tenge	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
Bonds issued (including interest)	14,346,644	13,222,085	14,737,727	13,222,085
Sberbank of Russia	17,728,547	17,728,547	25,109,885	25,109,885
Halyk Bank of RK	1,059,931	1,059,931	1,278,729	1,278,729
Mr. K. Rakishev	-	-	145,079	145,079
Kazkommertsbank	-	-	5,037,846	5,037,846
Other loans	25,000	25,000	99,789	99,789
Total	**33,160,122**	**32,035,563**	**46,409,055**	**44,893,413**

22 Other Non-Current Liabilities

In thousands of Kazakhstani Tenge	Note	2017	2016
Debt component of preferred shares	19	3,718,096	3,718,096
Non-current payables		-	-
Total financial non-current liabilities		*3,718,096*	*3,718,096*
Deferred income on government grants		1,676,113	1,894,736
Employee benefits obligations		-	79,490
Total other non-current liabilities		**5,394,209**	**5,692,322**

Deferred income on government grants

In accordance with the investment contract between TMP and the Committee on Investments of the Ministry of Industry and Trade of the Republic of Kazakhstan dated 20 June 2007, the Group undertook to provide investments for modernization of the metallurgical plant in the total amount of not less than KZT 3,597,008 thousand. In August 2011, upon fulfillment of the terms of the investment contract TMP received a government grant in the form of the land plot where the plant is located. The Group recognised this government grant as deferred income in the consolidated statement of financial position which is carried to profit and loss over the expected useful life of the main buildings and structures of the plant (15 years) within other operating income (Note 26).

The Group recognised government grants in deferred income as follows:

In thousands of Kazakhstani Tenge	Note	2017	2016
Deferred income as at 1 January		2,113,359	2,331,982
Depreciation of deferred income charged to profit and loss for the year	26	(218,623)	(218,623)
Deferred income as at 31 December		**1,894,736**	**2,113,359**
Classified as:			
Long-term		1,676,113	1,894,736
Short-term	23	218,623	218,623

23 Payables

In thousands of Kazakhstani Tenge	Note	2017	2016
Debt to suppliers and contractors		881,224	1,476,096
Debt on dividends on preferred shares	19	196,325	196,325
Other financial payables		10,686,441	494,842
Total financial payables		*11,763,990*	*2,167,263*
Advances received		492,275	3,439,851
Accrued provisions for unused leaves		44,832	167,233
Salaries and pension contributions payable		53,906	172,169
Provisions for uncertain tax positions		-	303,474
Taxes payable		17,151	314,756
Deferred income on government grants	22	218,623	218,623
Site restoration provision	20	49,944	47,403
Other payables		41,740	146,138
Total payables		**12,682,461**	**6,976,910**

In 2017, other financial payables in the amount of KZT 9,060,906 thousand were incurred as a result of the assignment of debt of SMART GROUP INVESTMENT LLP to LogoTranscomServiceIndustry LLP.

Financial payables of the Group are denominated in the following currencies:

In thousands of Kazakhstani Tenge	2017	2016
Tenge	11,271,401	1,608,618
Russian Rouble	24,380	60,597
US Dollar	1,618	13,217
Euro	466,591	484,831
Total financial payables	**11,763,990**	**2,167,263**

24 Revenue

In thousands of Kazakhstani Tenge	2017	2016
Ferroalloys	9,696,563	26,402
Services for unmanufactured raw products processing	734,613	-
Electrode paste	1,175,640	-
Scrap metal	167,480	56,637
Other	128,929	3,571,569
Total revenue	**11,903,225**	**3,654,608**

25 Cost of Sales

In thousands of Kazakhstani Tenge	Note	2017	2016
Raw and other materials		7,298,884	25,962
Change in finished goods	14	244,019	-
Electricity		1,787,481	1,299,762
Depreciation of property, plant and equipment	7	315,898	408,419
Salary and related costs		402,887	-
Scrap		161,171	27,009
Rent		-	407
Taxes		41,245	-
Other		153,614	-
Total cost of sales		**10,405,199**	**1,761,559**

26 Other Operating Income

In thousands of Kazakhstani Tenge	Note	2017	2016
Income from sale of ownership interest		-	1,911
Income on government grants	22	218,623	218,623
Income less losses from exchange rate difference		63,999	642,571
Income from writing off of liabilities		574,939	687,328
Income less losses from disposal of property, plant and equipment		3,284	8,296
Rental income		114,142	129,850
Income from sale of other materials		924,597	380
Other		225,147	129,604
Total other operating income		**2,124,731**	**1,818,563**

27 Reversal of Impairment/(Impairment) of Exploration and Evaluation Assets, Property, Plant and Equipment and Investment Property

As disclosed in Note 4, reversal of impairment of property, plant and equipment of TMP's CGU in 2017 comprised KZT 3,378,623 thousand (in 2016: KZT 1,991,059 thousand).

28 General and Administrative Expenses

In thousands of Kazakhstani Tenge	Note	2017	2016
Salary and related costs		603,281	305,998
Consulting services		56,687	77,161
VAT write-off		14,048	2,836
Depreciation of property, plant and equipment and intangible assets	7,10	136,984	91,679
Taxes and levies		122,669	186,615
Security services		36,112	56,768
Sponsorship and other financial aid		-	29,083
Materials		125,039	17,124
Travel and representative expenses		23,136	15,076
Bank services		15,374	5,115
Rent		9,269	15,030
Communication services		3,882	6,013
Fines and penalties		75,487	129,892
Expenses for writing-off of inventories to net realisable value		3,107	(1,301)
Provision for impairment of receivables	13,15	611,988	405,024
Other		337,225	267,654
Total general and administrative expenses		**2,174,288**	**1,609,767**

29 Selling Expenses

In thousands of Kazakhstani Tenge	2017	2016
Transportation and logistics services	242,754	-
Materials	41,878	-
Salary and related costs	58,137	-
Services of outside organizations	220,573	-
Other expenses	2,407	-
Total selling expenses	**565,749**	**-**

30 Other Operating Expenses

In thousands of Kazakhstani Tenge		2017	2016
Loss less income from disposal of property, plant and equipment		6,000	720
Loss from disposal of investments	11,34	-	16,000
Impairment of other non-current financial assets		-	99,500
Loss less income from exchange difference		-	10,737
Other		55,327	47,283
Total other operating expenses		**61,327**	**174,240**

31 Finance Income

In thousands of Kazakhstani Tenge	Note	2017	2016
Unwinding of present value discount on non-current financial assets		8,068	7,165
Interest income on bank deposits		329	3
Income less losses from exchange difference		8,036	472,517
Other		5,844	-
Total finance income		**22,277**	**479,685**

32 Finance Costs

In thousands of Kazakhstani Tenge	Note	2017	2016
Interest expenses:			
- bonds issued		1,438,921	1,859,964
- bank and other loans		1,874,833	2,300,504
Penalty for late interest payment		1,041,128	225,434
Dividends on preferred shares		392,650	588,975
Losses less gains from exchange difference on loans and cash and cash equivalents		81	-
Unwinding of present value discount:			
- site restoration provision	20,34	6,445	8,857
Less: interest on loans reimbursed to DAMU and RAMC	21,34	(40,148)	(465,758)
Other		3,570	8,684
Total finance costs		**4,717,480**	**4,526,660**

33 Income Tax

Income tax savings (expenses) include:

In thousands of Kazakhstani Tenge	**2017**	**2016**
Deferred income tax	(728,948)	835,711
Income tax savings (expenses)	**(728,948)**	**835,711**

Reconciliation between the estimated and the actual income tax savings is presented below:

In thousands of Kazakhstani Tenge	**2017**	**2016**
IFRS loss before tax	**(847,833)**	**(128,311)**
Estimated income tax savings / (expenses) at the effective rate of 20% (2016: 20%)	169,567	25,662
Tax effect of nondeductible or nontaxable items:		
Loss from business combinations	70,529	-
Change in unrecognized deferred income tax assets	(629,668)	1,806,779
Accruals of provision (net of recovery) for impairment of financial aid granted	122,398	81,334
Sponsorship	-	(6,117)
Loss from disposal of investments	-	(149,191)
Change in estimates	(461,774)	(1,713,763)
Other nondeductible expenses	-	791,007
Total income tax savings (expenses)	**(728,948)**	**835,711**

33 Income Tax (continued)

In thousands of Kazakhstani Tenge	**31 December 2016**	**Charged to profit and loss**	**31 December 2017**
Tax effect of deductible temporary differences			
Deferred income on government grants	422,672	(43,725)	378,947
Tax losses of previous years	1,522,727	(1,054,538)	468,189
Inventories	17,296	(17,296)	-
Site restoration provision	145,403	(121,678)	23,725
Other	178,983	(168,231)	10,752
Gross deferred income tax assets	**2,287,081**	**(1,405,468)**	**881,613**
Less offset with deferred income tax liabilities	(1,020,041)	665,833	(354,208)
Recognised deferred income tax assets	**1,267,040**	**(739,635)**	**527,405**
Tax effect of taxable temporary differences			
Property, plant and equipment	717,221	(365,028)	352,193
Intangible assets	333,334	(333,334)	-
Investment property	108,562	21,842	130,404
Gross deferred income tax liabilities	**1,159,117**	**(676,520)**	**482,597**
Less offset with deferred income tax assets	(1,020,041)	665,833	(354,208)
Recognised deferred income tax liabilities	**139,076**	**(10,687)**	**128,389**
Continuing operations		(728,948)	

33 Income Tax (continued)

In thousands of Kazakhstani Tenge	**31 December 2015**	**Charged to profit and loss**	**31 December 2016**
Tax effect of deductible temporary differences			
Deferred income on government grants	466,396	(43,724)	422,672
Tax losses of previous years	788,195	734,532	1,522,727
Inventories	17,296	-	17,296
Site restoration provision	160,704	(15,301)	145,403
Other	461,292	(282,309)	178,983
Gross deferred income tax assets	**1,893,883**	**393,198**	**2,287,081**
Less offset with deferred income tax liabilities	(1,050,607)	30,566	(1,020,041)
Recognised deferred income tax assets	**843,276**	**423,764**	**1,267,040**
Tax effect of taxable temporary differences			
Property, plant and equipment	1,004,697	(287,476)	717,221
Intangible assets	368,409	(35,075)	333,334
Investment property	-	108,562	108,562
Other	89,472	(89,472)	-
Gross deferred income tax liabilities	**1,462,578**	**(303,461)**	**1,159,117**
Less offset with deferred income tax assets	(1,050,607)	30,566	(1,020,041)
Recognised deferred income tax liabilities	**411,971**	**(272,895)**	**139,076**
Continuing operations		835,711	
Discontinued operations		(139,052)	

As at 31 December 2017, the Group did not recognise deferred tax asset totaling KZT 1,144,749 thousand (as at 31 December 2016: KZT 1,774,417 thousand).

In the context of the Group's current structure, tax losses and current tax assets of different companies of the Group cannot be offset with the current tax liabilities and tax income of other companies of the Group, and accordingly, taxes can be assessed even in the case of consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only if they relate to the same taxable company.

34 Discontinued Operations

Profit (loss) for the year from discontinued operations:

In thousands of Kazakhstani Tenge	**2017**	**2016**
TEMP	2,489,468	484,264
Arman 100	1,063,685	(142,217)
SatFerro BV	(3,303)	-
SatFerro Limited	(1,023,978)	-
SAT&Co Netherlands	(282,023)	-
Axem Investment	-	67,063
Saturn and K Group	-	33,534
SAT&Co Holding	-	(846,552)
Total (loss) / profit for the year from discontinued operations	**2,243,849**	**(403,908)**

34 Discontinued Operations (continued)

TEMP
In August 2017, the Group sold 100% shareholdings of TEMP for KZT 4,450,192 thousand. Income of TEMP before the date of disposal amounted to KZT 1,950,242 thousand. Performance results for 2016 - profit of KZT 484,264 thousand was reclassified to discontinued operations.

Arman 100
In December 2017, the Group sold 100% interest in Arman 100 for KZT 525,305 thousand. Income of Arman 100 before the date of disposal amounted to KZT 405,546 thousand. Performance results for 2016 – loss of KZT 142,217 thousand was reclassified to discontinued operations.

SatFerro BV, SatFerro Limited, SAT&Co Netherlands
During 2017, the Group closed its subsidiaries registered outside the Republic of Kazakhstan and recognized net losses from discontinued operations in the amount of KZT 1,309,304 thousand.

SAT&Co Holding
In October 2016, the Group sold 100% interest in SAT&Co Holding, having purchased a share of non-controlling shareholders in May and increased net assets of SAT&Co Holding by KZT 2,482,188 thousand. The ownership interest was sold for KZT 108 thousand.

Axem Investment
On 25 November 2016, the Group sold 99% ownership interest in Axem Investment for KZT 104 thousand. Income earned before the date of disposal amounted to KZT 20,020 thousand.

SATURN and K Group
In November 2015, the Group signed an agreement of accession to the constituent agreement of SATURN and K Group. The Group's interest comprised 99.71% and the Group obtained the control over SATURN and K Group. In 2015, the Group decided and approved a plan for the sale of its interest in SATURN and K Group, and, accordingly, total operating loss of SATURN and K Group for 2015 in the amount of KZT 34,034 thousand (Note 18) was recognised by the Group within discontinued operations. On 02 April 2016, the Group sold its interest in SATURN and K Group for KZT 35,064 thousand, net loss of SATURN and K Group before date of disposal amounted to KZT 47,266 thousand. As a result of the transaction, the Group received net income of KZT 33,534 thousand.

34 Discontinued Operations (continued)

Analysis of the results of discontinued operations for 2017 and 2016 is presented below:

	2017		
In thousands of Kazakhstani Tenge	**TEMP**	**Arman 100**	**Total**
Income	12,165,375	882,477	13,047,852
Expenses	(10,270,580)	(476,931)	(10,747,511)
Profit before tax from discontinued operations	1,894,795	405,546	2,300,341
Income tax expenses	(606,271)	-	(606,271)
Profit / (loss) for the year from discontinued operations	**1,288,524**	**405,546**	**1,694,070**

			2016		
In thousands of Kazakhstani Tenge	**Axem Investment**	**Saturn and K Group**	**TEMP**	**Arman 100**	**Total**
Income	131,582	9,574	14,768,273	392,621	15,302,050
Expenses	(111,562)	(56,840)	(13,965,189)	(534,838)	(14,668,429)
Profit before tax from discontinued operations	20,020	(47,266)	803,084	(142,217)	633,621
Income tax expenses	-	-	(318,820)	-	(318,820)
Profit / (loss) for the year from discontinued operations	**20,020**	**(47,266)**	**484,264**	**(142,217)**	**314,801**

Below is the calculation of income from disposal and result of discontinued operations for 2017 and 2016:

				2017		
In thousands of Kazakhstani Tenge	**TEMP**	**Arman 100**	**SatFerro BV**	**SatFerro Limited**	**SAT&Co Netherlands**	**Total**
Total remuneration	4,450,192	525,305	-	-	-	4,975,497
Less: net assets value at the date of disposal	3,249,248	(132,834)	3,303	1,023,978	282,023	4,425,718
Income (loss) from disposal	**1,200,944**	**658,139**	**(3,303)**	**(1,023,978)**	**(282,023)**	**549,779**
Income/(loss) for the year before the date of disposal	1,288,524	405,546	-	-	-	1,694,070
Total income (loss) for the year from discontinued operations	**2,489,468**	**1,063,685**	**(3,303)**	**(1,023,978)**	**(282,023)**	**2,243,849**
To shareholders of the Group	**2,489,468**	**1,063,685**	**(3,303)**	**(1,023,978)**	**(282,023)**	**2,243,849**
To non-controlling shareholders						

Net assets at the date of sale are represented by the following assets and liabilities of disposal companies:

34 Discontinued Operations (continued)

In thousands of Kazakhstani Tenge	TEMP	Arman 100	Total
Non-current assets			
Property, plant and equipment	4,322,980	883,596	5,206,576
Investments accounted for by equity method	9,256	-	9,256
Intangible assets	1,318,954	11	1,318,965
Other non-current assets	17,301	251,543	268,844
Current assets			
Receivables	49,144	173,110	222,254
Inventories	2,702,746	129,179	2,831,925
Other current assets	2,283,549	170	2,283,719
Cash and cash equivalents	11,691	95	11,786
Total assets	10,715,621	1,437,704	12,153,325
Non-current liabilities			
Loans	(470,126)	-	(470,126)
Long-term provisions	(693,894)	(592,694)	(1,286,588)
Current liabilities			
Loans	(1,934,015)	-	(1,934,015)
Payables	(4,368,338)	(864,557)	(5,232,895)
Financial guarantees	-	(113,287)	(113,287)
Total liabilities	(7,466,373)	(1,570,538)	(9,036,911)
Total net assets	**3,249,248**	**(132,834)**	**3,116,414**

34 Discontinued Operations (continued)

In thousands of Kazakhstani Tenge	Axem Investment	2016 Saturn and K Group	SAT&Co Holding	TEMP	Arman 100	Total
Total remuneration	104	35,064	108	-	-	35,276
Less: net assets value at the date of disposal	(46,939)	(45,736)	(2,164,870)	-	-	(2,257,545)
Less: reclassified from other total annual income	-	-	529,343	-	-	529,343
Income from disposal	**47,043**	**80,800**	**1,635,635**	-	-	**1,763,478**
Income/(loss) for the year before the date of disposal	20,020	(47,266)	-	484,264	(142,217)	314,801
Change in net assets for the year before the date of disposal	-	-	(2,482,187)	-	-	(2,482,187)
Total income (loss) for the year from discontinued operations	**67,063**	**33,534**	**(846,552)**	**484,264**	**(142,217)**	**(403,938)**
To shareholders of the Group	**67,063**	**33,534**	**(846,552)**	**484,264**	**(142,217)**	**(403,938)**
To non-controlling shareholders						

Net assets at the date of sale are represented by the following assets and liabilities of disposal companies:

In thousands of Kazakhstani Tenge	Axem Investment	Saturn and K Group	SAT&Co Holding	Total
Non-current assets				
Property, plant and equipment	59,081	-	-	59,081
Investments accounted for by equity method	-	1,216,192	-	1,216,192
Investment property	-	19,284	-	19,284
Current assets				
Receivables	539,656	934	40,170	580,760
Inventories	18,304	-	10,005	28,309
Other current assets	97	25,400	6,484	31,981
Cash and cash equivalents	3,432	35,170	74,559	113,161
Total assets	*620,570*	*1,296,980*	*131,218*	*2,048,768*
Non-current liabilities				
Loans	-	1,274,542	-	1,274,542
Current liabilities				
Loans	576,227	67,473	-	643,700
Payables	91,282	701	2,296,088	2,388,071
Total liabilities	*667,509*	*1,342,716*	2,296,088	*4,306,313*
Total net assets	***(46,939)***	***(45,736)***	***(2,164,870)***	***(2,257,545)***

34 Discontinued Operations (continued)

Net cash flows:

In thousands of Kazakhstani Tenge	2017	
	TEMP	**Arman 100**
Cash remuneration received in the current period	4,450,192	525,305
Less: disposed cash and cash equivalents	(11,691)	(95)
Net cash outflow	**4,438,501**	**525,210**

In thousands of Kazakhstani Tenge		2016	
	Axem Investment	**Saturn and K Group**	**SAT&Co Holding**
Cash remuneration received in the current period	104	35,064	108
Less: disposed cash and cash equivalents	(3,432)	(35,170)	(74,559)
Net cash outflow	**(3,328)**	**(106)**	**(74,451)**

35 Earnings / (Loss) per Share

Basic earnings/(loss) per share are calculated by dividing the profit or loss attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

The Company has no potentially diluted ordinary shares; therefore, the diluted earnings per share are equal to the basic earnings per share.

(Loss) /earnings per share from continuing operations are calculated as follows:

	2017	**2016**
Earnings/(loss) for the year from continuing operations attributable to holders of ordinary shares, in thousands of Tenge	(1,196,713)	536,888
Earnings/(loss) for the year from continuing operations attributable to holders of preferred shares, in thousands of Tenge	(380,068)	170,512
Earnings/(loss) for the year from continuing operations, in thousands of Tenge	(1,576,781)	707,400
Weighted average number of outstanding ordinary shares, in thousands	1,236,328	1,236,328
Weighted average number of outstanding preferred shares, in thousands	392,650	392,650
Basic and diluted earnings/(loss) per ordinary share from continuing operations, Tenge per share	(0.97)	0.43
Basic and diluted earnings/(loss) per preferred share from continuing operations, Tenge per share	(0.97)	0.43

35 Earnings / (Loss) per Share (continued)

Earnings / (loss) per share from discontinued operations are calculated as follows:

	2017	2016
Earnings / (loss) for the year from discontinued operations attributable to holders of ordinary shares, in thousands of Tenge	1,702,990	(306,550)
Earnings / (loss) for the year from discontinued operations attributable to holders of preferred shares, in thousands of Tenge	540,859	(97,358)
Earnings / (loss) for the year from discontinued operations, in thousands of Tenge	2,243,849	(403,908)
Weighted average number of outstanding ordinary shares, in thousands	1,236,328	1,236,328
Weighted average number of outstanding preferred shares, in thousands	392,650	392,650
Basic and diluted earnings / (loss) per ordinary share from discontinued operations, Tenge per share	1.38	(0.25)
Basic and diluted earnings / (loss) per preferred share from discontinued operations, Tenge per share	1.38	(0.25)

36 Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

In general, the economy of the Republic of Kazakhstan continues to display the characteristics of emerging markets. It is particularly sensitive to fluctuations in prices for oil, gas and other minerals constituting the bulk of the country's export. These features also include, but are not limited to, the existence of a national currency that is not freely convertible outside the country, and a low liquidity level of securities market. Low prices for oil and other minerals, exchange rate volatility have had and may continue to have a negative impact on the economy of the Republic of Kazakhstan, including a reduction in liquidity and difficulties in attracting international financing.

Moreover, mining sector in Kazakhstan is still influenced by political, legislative, tax and regulatory changes. The prospects for economic stability in Kazakhstan are largely dependent on the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political system developments, i.e. circumstances that are beyond the Group’s control.

Management is unable to predict neither extent nor duration of changes in the Kazakhstani economy and consequently the effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group’s business in the current circumstances.

36 Contingencies, Commitments and Operating Risks (continued)

Taxation

Kazakhstani tax legislation and practice are in the state of continuous development and therefore are subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Group may not coincide with that of the management. As a result, certain transactions may be challenged by tax authorities and the Group may be assessed additional taxes, fines and penalties. Tax periods remain open to retroactive review by the tax authorities for five years.

The Group's management is sure that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. In the opinion of the Group's management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these consolidated financial statements.

Transfer pricing

According to the Kazakhstani transfer pricing law, the cross-border transactions and certain internal transactions related to cross-border transactions are subject to the state control over transfer pricing. This law prescribes Kazakhstani companies to maintain and, if required, to provide economic rationale and method of the determination of prices used in controllable transactions, including existence of the documentation supporting the prices and price differentials applied. Additionally, price differentials cannot be applied in the cross-border transactions with companies registered in offshore countries. In case of deviation of transaction price from market price, the tax authorities have the right to adjust taxable base and to impose additional taxes, fines and penalties.

The transfer pricing law in some of its sections does not contain detailed and clear policies on its use in practice and, therefore, definition of tax liabilities of the Group within transfer pricing policies require interpretation of transfer pricing law.

Legal proceedings

From time to time and in the normal course of business, the Group may have claims. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

Environmental matters

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations associated with environmental regulations. Once obligations are determined, they are recognised in the accounting immediately.

Potential liabilities, which may arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. Nevertheless, according to the current interpretation of the existing legislation, management believes that there are no significant liabilities in addition to the amounts already accrued and recorded in these consolidated financial statements that could adversely affect operational results or financial position of the Group.

Site restoration provision

The Group's subsidiaries have a legal obligation for restoration of lands disturbed in the course of mining operations and retirement of mining equipment after the planned completion of operations at the contractual fields.

Kazakhstani legislation and legal practice are continuously evolving, which may result in varying interpretations of the existing legislation, as well as introduction of new laws and regulations. Management believes that sufficient provisions have been recorded in these consolidated financial statements with respect to obligations for assets recovery and retirement arising from requirements of existing legislation and operations of the Group. However, changes in the legislation or its interpretation, as well as changes in management's estimates may require the Group to revise its estimates and create an additional provision for assets recovery and retirement obligations.

36 Contingencies, Commitments and Operating Risks (continued)

Obligations under subsurface use contracts

In accordance with the terms of subsurface use contracts (Note 1), the Group has the following obligations:

- to fulfil minimum work program, which specifies volume of capital expenditures, geological, production and processing expenditures, and their estimated cost that should be completed during the term of subsurface use contracts;
- to finance certain social infrastructure projects;
- to finance professional training of Kazakhstani personnel;
- to pay commercial discovery bonus in the case of commercial discovery;
- to reimburse historical costs incurred by the state associated with geological information;
- to comply with the requirement for minimal local content in purchased goods and services.

In accordance with the Law of the Republic of Kazakhstan on Mineral Resources and Subsurface Use, the Ministry of Investment and Development is entitled to terminate subsurface use contracts unilaterally in case of material breach of obligations stipulated by subsurface use contracts and work program.

The Group is subject to periodic reviews by governmental authorities with respect to its compliance with the requirements of respective subsurface use contracts. Management cooperates with state authorities to agree on remediation actions necessary to resolve any issues resulting from these reviews. Failure to comply with the contractual terms could result in fines, penalties, restriction, suspension or termination of the contract. The Group's management believes that any matters of non-compliance will be resolved through negotiations or corrective actions without any material effect on the Group's financial position.

Minimum work program

The table below shows the minimum volume of capital and geological expenditures that shall be executed during the effective period of subsurface use contracts, as well as an unperformed portion of minimum work program as at 31 December 2017:

Contractual area	Work program term	Minimum volume 2017	Unperformed portion of minimum work program as at 31 December 2017	Amount to be executed in 2018
Gornostayevskoye	2017 - 2019	301,887	-	300,284
Total		**301,887**	**-**	**300,284**

On 26 December 2017, the exploration period at Gornostaevskoe field expired. The Company applied to MIR with a request to extend the exploration period and move to the evaluation stage for a period of 2 years to assess commercial discovery. In accordance with Addendum No.8 dated 7 November 2017 to Contract No.1349, the period for geological survey and commercial discovery assessment was extended for two years starting from the date of Addendum No.8.

36 Contingencies, Commitments and Operating Risks (continued)

Social projects obligations

In accordance with the terms of subsurface use contracts, the Group is obliged to finance certain social infrastructure projects on an annual basis. The fulfilment of such obligations may be in the form of cash payments. Obligations represent a fixed amount or 1% of the budgeted operating costs for the year. Management believes that the Group meets the requirements of the minimum work program under subsurface use contracts.

Training of Kazakhstani personnel

In accordance with the terms of subsurface use contracts, the Group is obliged to finance professional training of Kazakhstani personnel on an annual basis at the amount not less than 0.1%-1.0% of total operating costs approved by the annual minimum work program. Management believes that the Group fully meets the requirements of the minimum work program under subsurface use contracts.

Minimum percentage of Kazakhstani content in purchased goods and services

In accordance with the terms of subsurface use contracts, the Group is obliged to purchase certain percentage of total volume of goods and services purchased from Kazakhstani companies. Management believes that the Group fully meets the requirements of the minimum work program under subsurface use contracts.

Guarantees

Guarantees represent irrevocable obligations of the Group to make payments in the event of default by other party. The Group is a guarantor or co-borrower with respect to the following obligations of related parties:

In thousands of Kazakhstani Tenge	**2017**	**2016**
Mr. Kenges Rakishev	7,616,762	10,116,974

Mr. Kenges Rakishev
In 2012, the Group acted as a co-borrower under the line of credit limited to USD 62,900 thousand, obtained by Mr. Kenges Rakishev from Tsesnabank JSC. During 2013, an additional agreement was signed to increase the limit of the credit line up to USD 115,000 thousand.
As at 31 December 2017, the amount of principal and accrued interests on loans under this line of credit, as well as penalties for failure to fulfill special requirements under the GCA, comprised KZT 7,616,762 thousand (2016: 10,116,974 thousand).

The Group concluded that at the date of these consolidated financial statements there were no indicators that the controlling shareholder of the Company would not be able to fulfil the above mentioned obligations, which may otherwise require the Group to repay fully or partially the controlling shareholder’s debt.

Management believes that as at 31 December 2017 and 2016 the fair value of provided guarantees is insignificant for the purposes of these consolidated financial statements.

37 Financial Instruments by Categories

In thousands of Kazakhstani Tenge	**Note**	**2017**	**2016**
Loans and receivables			
Other non-current financial assets	13	4,478	134,605
Financial receivables	15	48,400,864	43,383,532
Other current financial assets	16	2,500	145,381
Cash and cash equivalents	17	131,976	131,253
Total financial assets		**48,539,818**	**43,794,771**
Financial liabilities carried at amortised cost			
Loans	21	33,160,122	46,409,055
Other non-current financial liabilities	22	3,718,096	3,718,096
Trade and other financial payables	23	11,763,990	2,167,263
Total financial liabilities		**48,642,208**	**52,294,414**

38 Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and risk of effect of interest rate changes), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by management in accordance with policies approved by the Board of Directors of the Company, which provide for risk management principles, covering specific areas, such as credit risk, liquidity risk and market risk.

(a) Credit risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to fulfil its obligation. Credit risk mainly arises from provided guarantees, non-current and current financial receivables, other current financial assets, restricted cash and cash and cash equivalents. The carrying amount of non-current and current financial receivables, other current financial assets, restricted cash and cash and cash equivalents represent the maximum amount of credit risk exposure.

38 Financial Risk Management (continued)

The table below shows credit ratings (if available) at the end of the relevant reporting period:

In thousands of Kazakhstani Tenge	**Rating (Moody's)**	**2017**	**2016**
Current financial receivables	None	48,400,864	43,383,532
Non-current financial receivables	None	-	126,610
Restricted cash	None	4,478	7,995
Cash and cash equivalents			
Nurbank	B3	-	2,683
Tengri Bank	Baa3	62,165	-
Sberbank of Russia	Ba3	5	16,001
Halyk Bank	Ba2	986	24,893
ATF Bank	Caa1	554	1,443
Eurasian Bank	B2	4,198	9,988
Bank of Astana	B	21	3,485
Kazkommertsbank	B2	44,528	54,434
Other	None	16,015	17,047
Total cash on term deposits and current bank accounts		128,472	129,974
Total maximum exposure to credit risk		**48,533,814**	**43,648,111**

The information on credit quality of receivables is presented in Note 15.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties when fulfilling its financial liabilities. The Group manages the liquidity risk using short-term (monthly) forecasts of the expected cash flows from operating activities. The Group has developed a range of internal regulations aimed at establishing control procedures for appropriate placement of temporarily available cash, invoice processing and payments, as well as preparation of operational budgets. The Group's objective is to maintain the balance between the continuous financing and flexibility using bank deposits.

38 Financial Risk Management (continued)

The following table summarises the Group's financial liabilities by maturities, indicating periods remaining as at the reporting date till maturity dates stipulated by contracts terms.

In thousands of Kazakhstani Tenge	On demand and less than 1 month	1 to 6 months	6 to 12 months	1 to 3 years	Over 3 years
As at 31 December 2017					
Loans	1,197,748	1,395,435	3,596,588	8,124,285	19,060,105
Other non-current liabilities	-	-	392,650	1,177,950	2,748,549
Financial payables	10,891,667	872,323	-	-	-
Financial guarantees	7,616,762	-	-	-	-
Total financial liabilities	**19,706,177**	**2,267,758**	**3,989,238**	**9,302,235**	**21,808,654**
As at 31 December 2016					
Loans	867,409	5,916,846	4,466,944	11,087,410	24,325,200
Other non-current liabilities	-	-	392,650	1,177,950	3,141,199
Financial payables	1,517,321	608,015	41,927	-	-
Financial guarantees	10,116,974	-	-	-	-
Total financial liabilities	**12,501,704**	**6,524,861**	**4,901,521**	**12,265,360**	**27,466,399**

In the table above the amount of provided financial guarantees is related to the earliest period when these guarantees may be claimed (Note 36).

Management estimates that the financial aid given to related parties can be returned in cash within a month in order to prevent unexpected liquidity problems.

(c) Market risk

Interest rate risk

Income and operating cash flows of the Group are not exposed to changes in market interest rates because interest rates on all loans are fixed. Bond interest rates are floating and depend on index of changes in consumer prices, but as stated in Note 21, bond issue conditions provide for an upper and lower limit of changes in bond interest rates.

Herewith, the Group is exposed to fair value changes in interest rates.

The Group has no formal agreements for the analysis and reduction of risks associated with changes in interest rates.

Currency risk

Currency risk arises when future currency inflows or recognised assets and liabilities are denominated in currencies other than the functional currency of the Group's companies.

38 Financial Risk Management (continued)

The Group is exposed to currency risk mainly in respect of loans and debts to suppliers and contractors, denominated in US Dollars. Exposure to currency risk in respect of cash and cash equivalents is insignificant, because they are mainly denominated in Tenge (Note 17). Due to the fact that the variety of financial derivative instruments on the Kazakhstani market is limited and these instruments are rather expensive, management decided not to hedge the Group's currency risk, as benefits from such instruments do not cover the related costs. Nevertheless, the Group continues monitoring changes in financial derivatives market so that to implement hedging structure in future or as needed.

The table below shows total amounts of monetary assets and liabilities denominated in foreign currency that expose to currency risk:

In thousands of Kazakhstani Tenge	US Dollar	Euro	Russian Rouble	Total
As at 31 December 2017				
Assets	1,885,489	15,620	16,953	1,918,062
Liabilities	(16,575,815)	(466,591)	(24,380)	(17,066,786)
Net position	**(14,690,326)**	**(450,971)**	**(7,427)**	**(15,148,724)**
As at 31 December 2016				
Assets	211,288	15,665	23,530	250,483
Liabilities	(25,008,697)	(484,831)	(60,597)	(25,554,125)
Net position	**(24,797,409)**	**(469,166)**	(37,067)	**(25,303,642)**

As at 31 December 2017, if Tenge had weakened by 5% against US Dollar, with all other variables held constant, loss for the year would have increased by KZT 734,516 thousand; if Tenge had strengthened by 5% against US Dollar, loss for the year would have decreased by KZT 734,516 thousand (31 December 2016, if Tenge had weakened by 20% against US Dollar, loss would have increased by KZT 4,959,482 thousand, if Tenge had strengthened by 5% against US Dollar, loss would have decreased by KZT 1,239,870 thousand).

Price risk

The Group is not exposed to price risk of equity securities since it does not have any portfolio of quoted equity securities.

Capital management

The Group's objectives with respect to capital management are to ensure the Group's ability to continue as a going concern in order to provide profit for shareholders and benefits for other concerned parties, and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return equity to the shareholders or sell assets to reduce debts.

38 Financial Risk Management (continued)

Consistent with others in the industry, the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total amount of loans (including short-term loans and long-term loans recognised in the consolidated statement of financial position) less cash and cash equivalents. Total amount of capital is defined as "Total equity" recognised in the consolidated statement of financial position plus net debt.

In thousands of Kazakhstani Tenge	**Note**	**2017**	**2016**
Total loans	21	33,160,122	46,409,055
Less: cash and cash equivalents	17	(131,976)	(131,253)
Net debt		33,028,146	46,277,802
Total own equity		10,881,887	4,319,385
Total equity		43,910,033	50,597,187
Gearing ratio		**75%**	**91%**

39 Fair Value of Financial Instruments

Fair value measurement

Fair value is the amount for which a financial instrument could be sold or paid when a liability is transferred between knowledgeable, willing parties in an arm's length transaction at the measurement date. The best evidence of fair value is price quotations in an active market.

The estimated fair value of financial instruments has been determined by the Group using available market information, if any, and appropriate valuation techniques. However, professional judgements are necessarily required to interpret market data to determine the estimated fair value. The economy of the Republic of Kazakhstan continues to display some characteristics of emerging markets and economic conditions continue to limit the volume of activity in financial markets. Market quotations may be outdated or reflect cost of sales at cut prices and therefore not represent fair values of financial instruments. Management uses all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty.

Financial liabilities carried at amortised cost

The estimated fair value of instruments with fixed interest rate and stated maturity, in respect of which there is no market quotation, is based on estimated cash flows discounted using current interest rates for new instruments with similar credit risk and remaining maturity.

The hierarchy of fair value measurement sources

The Group uses the following hierarchy for determining the fair value of financial instruments broken down by valuation models:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities);

39 Fair Value of Financial Instruments (continued)

Level 2: inputs which have a significant effect on the reflected fair value and other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3: methods that use inputs which have a significant effect on the reflected fair value and that are not based on observable market data.

Presented below is the quantitative information on the hierarchy of fair value measurement sources of the Group's assets and liabilities (valuation date: 31 December 2017):

			Fair value measurement using	
In thousands of Kazakhstani Tenge	**Note**	**Total**	**significant observable inputs (Level 2)**	**significant unobservable inputs (Level 3)**
Assets with disclosed fair value				
Financial receivables	**15**			
Temporary financial aid issued to related parties		44,452,419	-	44,452,419
Debt from purchasers and customers		2,176,542	-	2,176,542
Other financial receivables		1,771,903	-	1,771,903
Other non-current financial assets	**13**			
Restricted cash		4,478	-	4,478
Other current financial assets	**16**			
Short-term deposits		2,500	-	2,500
Loans	**21**			
Bonds issued		13,222,085	13,222,085	-
Loan from Sberbank of Russia		17,728,547	-	17,728,547
Loan from Halyk Bank		1,059,931	-	1,059,931
Other loans		25,000	-	25,000
Other non-current financial liabilities	**22**			
Debt component on preferred shares		3,718,096	-	3,718,096
Trade and other financial payables	**23**			
Payables to suppliers and contractors		881,224	-	881,224
Dividends of preferred shares payable		196,325	-	196,325
Other financial payables		10,686,441	-	10,686,441

39 Fair Value of Financial Instruments (continued)

Presented below is the quantitative information on the hierarchy of fair value measurement sources of the Group's assets and liabilities (valuation date: 31 December 2016):

			Fair value measurement using	
In thousands of Kazakhstani Tenge	**Note**	**Total**	**significant observable inputs (Level 2)**	**significant unobservable inputs (Level 3)**
Assets with disclosed fair value				
Financial receivables	**15**			
Temporary financial aid issued to related parties		38,699,974	-	38,699,974
Debt from purchasers and customers		4,086,128	-	4,086,128
Other financial receivables		597,430	-	597,430
Other non-current financial assets	**13**			
Restricted cash		7,995	-	7,995
Other non-current receivables		126,610	-	126,610
Other current financial assets	**16**			
Short-term deposits		145,381	-	145,381
Liabilities with disclosed fair value				
Loans	**21**			
Bonds issued		13,222,085	13,222,085	-
Loan from Sberbank of Russia		25,109,885	-	25,109,885
Mr. K. Rakishev		145,079	-	145,079
Loan from Kazkommertsbank		5,037,846	-	5,037,846
Loan from Halyk Bank		1,278,729	-	1,278,729
Other loans		99,789	-	99,789
Other non-current financial liabilities	**22**			
Debt component on preferred shares		3,718,096	-	3,718,096
Trade and other financial payables	**23**			
Payables to suppliers and contractors		1,476,096	-	1,476,096
Dividends of preferred shares payable		196,325	-	196,325
Other financial payables		494,842	-	494,842

40 Subsequent Events

In March 2018, the Board of Directors decided to sell the Group's subsidiary - Taraz Metallurgical Plant LLP.

The Group did not classify this as an adjusting event and did not provide performance results of Taraz Metallurgical Plant LLP for 2017 as a disposal group held for sale and as a discontinued operation. According to the management of the Group, the sales plan can be implemented only after certain conditions have been met: restructuring of the debt to SB Sberbank of Russia JSC, increase of capital of TMP, etc., not all of which are controlled by the Group. As of the date of issue of the financial statements, the Group is working to obtain waivers from creditors and expects that after the receipt of the wavers, the sales plan will be approved with a higher degree of probability.