

JSC National Atomic Company Kazatomprom

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2016

JSC National Atomic Company Kazatomprom

Content

INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholder and the Board of Directors of National Atomic Company Kazatomprom JSC

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Atomic Company Kazatomprom JSC (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the annual report, which we expect to receive after the date of this auditor's report (but does not include the consolidated financial statements and our auditor's report thereon).

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 when it is provided to us 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, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 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.

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
27 February 2017

Approved:

Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State Licence from the Ministry of Finance
of the Republic of Kazakhstan
№0000005 of 21 October 1999)



Signed:

Azamat Konratbaev
Audit Partner
(The Association of Chartered Certified Accountants
Certificate №00770863 of 8 May 2003)

Signed:

Svetlana Belokurova
Auditor in charge
(Qualified Auditor's Certificate №0000357
dated 21 February 1998)

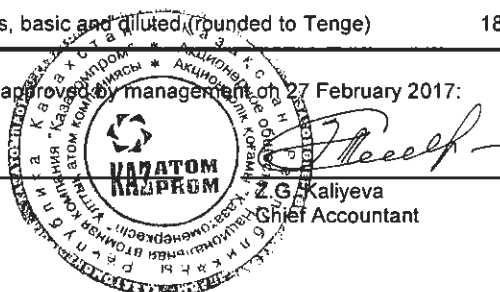


JSC National Atomic Company Kazatomprom
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In millions of Kazakhstani Tenge</i>	Note	2016	2015
Revenue	8	418,901	397,766
Cost of sales	9	(308,468)	(294,404)
Gross profit		110,433	103,362
Distribution expenses	10	(6,314)	(4,116)
General and administrative expenses	11	(30,877)	(25,655)
Reversal of impairment of assets	12	184	86
Impairment losses	12	(22,007)	(30,716)
Gain on disposal of subsidiary		290	-
Net foreign exchange gain / (loss)	14	3,614	(53,446)
Other income	13	775	1,352
Other expenses	14	(6,160)	(7,535)
Finance income	16	15,825	21,986
Finance costs	16	(11,017)	(8,676)
Share of results of associates	24	38,058	38,823
Share of results of joint ventures	25	36,739	14,080
Profit before tax		129,543	49,545
Income tax expense	17	(17,988)	(13,044)
PROFIT FOR THE YEAR		111,555	36,501
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(97)	17,271
Share in other comprehensive income of equity method investments		(658)	159
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit obligations		194	(241)
Share in other comprehensive income of equity method investments		(216)	-
Other comprehensive (loss) / income for the year		(777)	17,189
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		110,778	53,690
Profit for the year attributable to:			
- Owners of the Company		108,795	38,442
- Non-controlling interest		2,760	(1,941)
Profit for the year		111,555	36,501
Total comprehensive income attributable to:			
- Owners of the Company		108,014	55,635
- Non-controlling interest		2,764	(1,945)
Total comprehensive income for the year		110,778	53,690
Earnings per share from continuing operations, basic and diluted (rounded to Tenge)	18	2,963	1,048

These consolidated financial statements were approved by management on 27 February 2017:


A.K. Zhumagaliyev
Chairman of the Management Board



**JSC National Atomic Company Kazatomprom
Consolidated Statement of Financial Position**

<i>In millions of Kazakhstani Tenge</i>	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	19	7,117	7,173
Property, plant and equipment	20	117,335	130,411
Mine development assets	21	41,682	38,578
Mineral rights	22	2,291	2,067
Exploration and evaluation assets	23	3,471	8,538
Investments in associates	24	107,773	121,938
Investments in joint ventures	25	66,862	43,519
Other investments	26	67,041	67,041
Accounts receivable	27	-	36
Deferred tax assets	17	4,299	1,829
Term deposits	30	15	3,182
Loans to related parties	31	19,151	32,344
Other non-current assets	28	19,517	19,627
		456,554	476,283
Current assets			
Accounts receivable	27	67,921	107,512
Prepaid income tax		7,391	2,427
Value-added tax		22,235	28,528
Inventories	29	120,095	99,692
Term deposits	30	56,476	9,020
Loans to related parties	31	13	1,224
Cash and cash equivalents	32	75,052	55,869
Other current assets	28	10,831	12,557
		360,014	316,829
Assets of disposal groups classified as held for sale		3,463	164
		363,477	316,993
TOTAL ASSETS		820,031	793,276
EQUITY			
Share capital	33	36,785	36,692
Additional paid-in capital		4,785	4,785
Foreign currency translation reserve		18,061	18,819
Retained earnings		495,732	398,991
Equity attributable to shareholders of the Company		555,363	459,287
Non-controlling interest	39	12,467	10,118
TOTAL EQUITY		567,830	469,405
LIABILITIES			
Non-current liabilities			
Loans and borrowings	34	77,184	119,776
Finance lease liabilities		120	-
Accounts payable	36	581	585
Provisions	35	17,320	17,183
Deferred tax liabilities	17	4,743	4,509
Employee benefits		1,346	2,045
Other non-current liabilities	37	5,199	6,141
		106,493	150,239
Current liabilities			
Loans and borrowings	34	50,581	52,845
Finance lease liabilities		44	-
Provisions	35	98	101
Accounts payable	36	74,654	101,622
Other tax and compulsory payments liabilities		6,198	5,027
Employee benefits		244	213
Income tax liabilities		134	1,036
Other current liabilities	37	11,789	12,788
		143,742	173,632
Liabilities of disposal groups classified as held for sale		1,966	-
TOTAL LIABILITIES		252,201	323,871
TOTAL EQUITY AND LIABILITIES		820,031	793,276

These consolidated financial statements were approved by management on 28 February 2017:

A.K. Zhumagaliyev
Chairman of the Management Board

Z.G. Kaliyeva
Chief Accountant

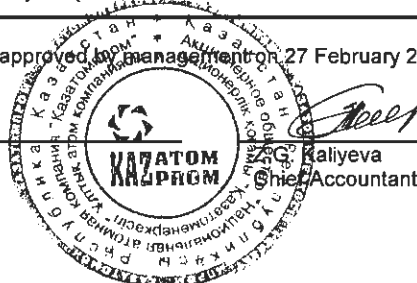
The accompanying notes are an integral part of these consolidated financial statements.

JSC National Atomic Company Kazatomprom
Consolidated Statement of Cash Flows

<i>In millions of Kazakhstani Tenge</i>	2016	2015
OPERATING ACTIVITIES		
Cash receipts from customers	485,829	395,725
VAT refund	29,638	24,895
Interest received	6,830	1,416
Payments to suppliers	(379,103)	(320,921)
Payments to employees	(42,638)	(40,191)
Cash flows from operating activities	100,556	60,924
Income tax paid	(28,216)	(5,662)
Interest paid	(5,464)	(6,127)
Cash flows from operating activities	66,876	49,135
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(8,975)	(12,153)
Proceeds from disposal of property, plant and equipment	190	491
Advance paid for property, plant and equipment	(5,361)	(616)
Acquisition of intangible assets	(477)	(414)
Acquisition of mine development assets	(11,494)	(9,930)
Acquisition of exploration and evaluation assets	(3,264)	(1,618)
Proceeds from sale of investments in associates and joint ventures	82	-
Proceeds from disposal of subsidiary	175	-
Placement of term deposits and restricted cash	(54,124)	(14,370)
Redemption of term deposits and restricted cash	9,054	5,798
Repayment of loans to related parties	12,787	1,211
Acquisition of investments in associates and joint ventures	(4,647)	(2,046)
Dividends received from associates, joint ventures and other investments	78,805	42,867
Other	(96)	(94)
Cash flows from investing activities	12,655	9,126
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	10,072	163,851
Repayment of loans and borrowings	(53,430)	(215,676)
Dividends paid to the shareholder (Note 33)	(12,031)	(2,323)
Dividends paid to non-controlling interest	(134)	(47)
Other	(673)	103
Cash flows used in financing activities	(56,196)	(54,092)
Net increase in cash and cash equivalent	23,335	4,169
Cash and cash equivalents at the beginning of the year	55,869	29,432
Effect of exchange rate fluctuations on cash and cash equivalents	(4,152)	22,268
Cash and cash equivalents at the end of the year (Note 32)	75,052	55,869

These consolidated financial statements were approved by management on 27 February 2017:


A.K. Zhumagaliyev
Chairman of the Management Board

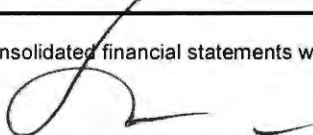



G.G. Kaliyeva
Chief Accountant


**JSC National Atomic Company Kazatomprom
Consolidated Statement of Changes in Equity**

<i>In millions of Kazakhstani Tenge</i>	Attributable to the shareholder of the Company						Non-controlling interest	Total equity
	Share capital	Foreign currency translation reserve	Retained earnings	Additional paid-in capital	Total			
Balance at 1 January 2015	36,692	1,558	363,590	4,785	406,625	12,128	418,753	
Profit for the year	-	-	38,442	-	38,442	(1,941)	36,501	
Foreign currency translation difference	-	17,261	-	-	17,261	10	17,271	
Remeasurements of post-employment benefit obligations	-	-	(227)	-	(227)	(14)	(241)	
Share of other comprehensive income in equity method investments	-	-	159	-	159	-	159	
Total comprehensive income for the year	-	17,261	38,374	-	55,635	(1,945)	53,690	
Dividends declared	-	-	(2,323)	-	(2,323)	(65)	(2,388)	
Other	-	-	(650)	-	(650)	-	(650)	
Balance at 31 December 2015	36,692	18,819	398,991	4,785	459,287	10,118	469,405	
Profit for the year	-	-	108,795	-	108,795	2,760	111,555	
Foreign currency translation difference	-	(100)	-	-	(100)	3	(97)	
Remeasurements of post-employment benefit obligations	-	-	193	-	193	1	194	
Share of other comprehensive loss in equity method investments	-	(658)	(216)	-	(874)	-	(874)	
Total comprehensive income for the year	-	(758)	108,772	-	108,014	2,764	110,778	
Dividends declared	-	-	(12,031)	-	(12,031)	(415)	(12,446)	
Contribution to share capital	93	-	-	-	93	-	93	
Balance at 31 December 2016	36,785	18,061	495,732	4,785	555,363	12,467	567,830	

These consolidated financial statements were approved by management on 27 February 2017:


A.K. Zhumagaliyev
Chairman of the Management Board




Z.G. Kaliyeva
Chief Accountant

1. Kazatomprom Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2016 for JSC National Atomic Company Kazatomprom (the "Company") and its subsidiaries (hereinafter collectively referred to as "the Group" or "JSC NAC Kazatomprom").

The Company is a joint stock company set up in accordance with regulations of the Republic of Kazakhstan. The Company was established pursuant to the Decree of the President of the Republic of Kazakhstan on the establishment of National Atomic Company Kazatomprom No. 3593, dated 14 July 1997, and the Decree of the Government of the Republic of Kazakhstan National Atomic Company Kazatomprom Issues No. 1148 dated 22 July 1997 as a closed joint stock company with a 100% government shareholding. Currently, 100% of the Company's shares are held by the government via National Welfare Fund Samruk-Kazyna (hereinafter "Samruk-Kazyna JSC"). The Company's registered address is 10 Kunayev Street, Astana, the Republic of Kazakhstan. The principal place of business is the Republic of Kazakhstan.

The Group's principal activities are production of uranium and sale of uranium products. The Group is one of the leading uranium producing companies of the world. Besides, the Group is involved in mining of rare and rare-earth metals; manufacture and sale of beryllium and tantalum products; development of high technologies; power supply and renewable energy.

JSC NAC Kazatomprom is an entity representing interests of the Republic of Kazakhstan at the initial stages of the nuclear fuel cycle. The Group is a participant to a number of associates and joint ventures which generate significant portion of its current and prospective sources of revenue (Notes 24 and 25). The development strategy of the Group is to retain leading positions in the global uranium market as well as diversification of the Group operations into all stages of a front-end nuclear fuel cycle and related high technology production.

As at 31 December 2016, the Group was a party to the following contracts on production and exploration of uranium:

Mine/area	Stage	Contract date	Contract term	Subsurface user	Service company
Kanzhugan	Production	27.11.1996	25 years	Company	Kazatomprom-SaUran LLP
Uvanas	Production	27.11.1996	25 years	Company	Kazatomprom-SaUran LLP
Mynkuduk, East lot	Production	27.11.1996	25 years	Company	Kazatomprom-SaUran LLP
Moinkum, lot 1 (South) (south part)	Production	26.09.2000	20 years	Company	Kazatomprom-SaUran LLP
Mynkuduk, Central lot	Production	08.07.2005	28 years	Company	DP Ortalyk LLP
Mynkuduk, West lot	Production	30.07.2005	30 years	Appak LLP	-
North and South Karamurun	Production	27.11.1996	28 years	Company	RU-6 LLP
Moinkum, lot 3 (Central) (north part)	Exploration and production	31.05.2010	29 years	Company	Kazatomprom-SaUran LLP
Zhalpak	Exploration	31.05.2010	8 years	Company	Kazatomprom-SaUran LLP
Budenovskoe	Exploration	14.10.2015	6 years	Company	-

At 31 December 2016, the Group comprises more than 40 (2015: 70) entities, including associates and joint ventures, located in 6 regions of Kazakhstan: South Kazakhstan region, East Kazakhstan region, Kyzylorda region, Mangistau region, Akmola region and Almaty region. At 31 December 2016, aggregate number of employees of the Group exceeded 26 thousand (2015: 26 thousand) people.

2. Operating Environment of the Group

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Low prices on oil and other commodities and volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity.

2. Operating Environment of the Group (Continued)

On 20 August 2015, the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implementation of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and transition to a free floating exchange rate. As the result, during the period of August-December 2015 the exchange rate of Tenge has varied from 187 to 350 Tenge per 1 US Dollar. As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 311.49 per USD 1, compared to Tenge 333.29 per USD 1 as at 31 December 2016 (31 December 2015: Tenge 339.47 per USD 1). Therefore, uncertainty exists in relation to exchange rate of Tenge and future action of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

In 2016, due to lowered oil price assumptions for mid-term future and given Kazakhstan's economy depends heavily on the oil sector, the agencies started downgrading Kazakhstan's sovereign credit ratings, with outlook on the long-term ratings being negative. The negative outlook reflects agencies' view of risks to Kazakhstan's external and monetary profiles under the current weak and volatile global commodity environment.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. This operating environment has a significant impact on the Group's operations. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Additionally, the mining sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations (Note 38). The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Company's control. Management has assessed the potential impairment of long-term assets of the Company, taking into account the current economic situation and its prospects (Note 4). Future economic situation and regulatory environment may differ from current expectations of management.

3. Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal 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, unless otherwise stated (Note 5).

Presentation currency

These consolidated financial statements are presented in millions of Kazakhstani Tenge ("Tenge"), unless otherwise stated.

Consolidation

(i) Consolidated financial statements

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

3. Significant Accounting Policies (Continued)

The acquisition method of accounting is used 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 present 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.

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 the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the 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 of 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.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

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

(ii) Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

(iii) Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. 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. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts.

The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to retained earnings within equity.

(iv) Associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

3. Significant Accounting Policies (Continued)

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(v) Joint arrangements

The Group is a party of joint arrangement when it exercises joint control over arrangement by acting collectively with other parties and decisions about the relevant activities require unanimous consent of the parties sharing control. The joint arrangement is either a joint operation or a joint venture depending on the contractual rights and obligations of the parties to the arrangement.

In relation to interest in joint operations the Group recognises: (i) its assets, including its share of any assets held jointly, (ii) liabilities, including its share of any liabilities incurred jointly, (iii) revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operations, and (v) its expenses, including its share of any expenses incurred jointly.

The Group's interests in joint ventures are accounted for using the equity method and are initially recognised at cost. Dividends received from joint ventures reduce the carrying value of the investment in joint ventures. Other post-acquisition changes in the Group's share of net assets of joint ventures are recognised as follows: (i) the Group's share of profits or losses of joint ventures is recorded in the consolidated profit or loss for the year as share of result of joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) other changes in the Group's share of the carrying value of net assets of joint ventures are recognised in profit or loss within the share of result of joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. The Group's share of joint venture's other comprehensive income or loss is recognised in other comprehensive income in the Group's consolidated financial statements.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(vi) Disposals of subsidiaries, associates or joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Financial instruments

(i) Key measurement terms

Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3. Significant Accounting Policies (Continued)

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

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 measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration 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, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one 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, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (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 discounts 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 fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(ii) Classification of financial assets

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

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 near term.

All other financial assets are included in the available-for-sale category.

3. Significant Accounting Policies (Continued)

(iii) Classification of financial liabilities

Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

(iv) Initial recognition of financial instruments

All financial instruments are initially recorded at fair value plus 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 instrument or by a valuation technique whose inputs include only data from observable markets.

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

The Group uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique. Any such differences are amortised on a straight line basis over the term of the loans to related parties.

(v) Derecognition of financial assets

The Group derecognises 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 whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

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) Available-for-sale investments

Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year. If management cannot reliably estimate fair value of its available-for-sale investments in shares the investments are carried at cost.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

(vii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

3. Significant Accounting Policies (Continued)

Property, plant and equipment

(i) Recognition and measurement of property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment.

Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the given asset as a whole are depreciated individually, applying depreciation rates reflecting their anticipated useful lives.

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. Specialised spare parts and servicing equipment with a significant initial value and a useful life of more than one year are recognised as an item of property, plant and equipment. Other spare parts and servicing-related equipment are recognised as inventories and accounted for in profit and loss for the year as retired.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

(ii) Depreciation

Land is not depreciated. Depreciation of items within buildings category that are used in extraction of uranium and its preliminary processing is charged on a unit-of-production method in respect of items for which this basis best reflects the pattern of consumption. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	<u>Useful lives in years</u>
Buildings	10 to 50
Machinery and equipment	3 to 50
Vehicles	3 to 10
Other	3 to 20

Each item's estimated useful life depends on its own useful life limitations and/or term of a subsurface use contract and the present assessment of economically recoverable reserves of the mine property at which the item is located.

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Mine development assets

Mine development assets are stated at cost, less accumulated depreciation and provision for impairment, where required.

Mine development assets comprise the capitalised costs of pump-in and pump-out well drilling, main external tying of the well with surface piping, equipment, measuring instruments, ion-exchange resin, estimated site restoration and other development costs. Mine development assets are amortised at the mine or block level using the unit-of-production method. Unit-of-production rates are based on proved reserves estimated to be recovered from mines (blocks) using existing facilities and operating methods. The estimate of proved reserves is based on reserve reports which are integral part of each subsoil use agreement. These reserve reports are incorporated into feasibility models which are approved by the government and detail the total proven reserves and estimated scheduled extraction by year.

3. Significant Accounting Policies (Continued)

Intangible assets

(i) Recognition and measurement of intangible assets

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised production technology development costs, computer software, patents, and licences. Acquired computer software licences and patents are initially measured at costs incurred to acquire and bring them to use.

(ii) Amortisation of intangible assets

Intangible assets are amortised using the straight-line method over their useful lives:

	<u>Useful lives in years</u>
Licences and patents	3 to 20
Software	1 to 14
Other	2 to 15

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.

(iii) Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

(iv) Research and development costs

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit.

Mineral rights

Mineral rights are stated at cost, less accumulated depreciation and provision for impairment, where required. The capitalised cost of acquisition of mineral rights comprises subscription bonus, commercial discovery bonus, the cost of subsurface use rights and capitalised historical costs. The Group is obliged to reimburse historical costs incurred by the government in respect of licensing areas prior to licence being issued. These historical costs are recognised as part of the acquisition cost with a corresponding liability equal to the present value of payments made during the licence period.

Mineral rights are amortised using unit-of-production method based upon proved reserves commencing when uranium first starts to be extracted.

The estimate of proved reserves is based on reserve reports which are integral part of each subsoil use agreement. These reserve reports are incorporated into feasibility models which are approved by the government and detail the total proven reserves and estimated scheduled extraction by year.

3. Significant Accounting Policies (Continued)

Exploration and evaluation assets

Exploration and evaluation assets are measured at cost less provision for impairment, where required. The Group classifies exploration and evaluation assets as tangible or intangible according to the nature of the assets acquired.

Exploration and evaluation assets comprise the capitalised costs incurred after the Group has obtained the legal rights to explore a specific area and prior to proving that viable production is possible and include geological and geophysical costs, the costs of exploratory wells and directly attributable overheads associated with exploration activities.

Activities prior to the acquisition of the natural resources rights are pre-exploration. All pre-exploration costs are expensed as incurred and include such costs as design work on operations, technical and economical assessment of a project, and overheads associated with the pre-exploration. A decision on termination of a subsurface contract upon expiry of the exploration and evaluation period is subject to success of the exploration and evaluation of mineral resources and the Group's decision whether or not progress to the production (development) stage.

Tangible exploration and evaluation assets are transferred to mine development assets upon demonstration of commercial viability of uranium production and amortised using unit-of-production method based upon proved reserves. Once commercial reserves (proved or commercial reserves) are found, intangible exploration and evaluation assets are transferred to mineral rights. Accordingly, the Group does not amortise exploration and evaluation assets before commercial reserves (proved or commercial reserves) are found. If no commercial reserves are found exploration and evaluation assets are expensed.

Exploration and evaluation assets are tested by the Group for impairment whenever facts and circumstances indicate assets' impairment. An 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 for and evaluation of mineral reserves in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral reserves in the specific area have not led to the discovery of commercially viable quantities of mineral reserves and the Group has decided to discontinue such operations in the specific area;
- sufficient data exist to indicate that, although development works in the specific area are likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full resulting from efficient development or by sale.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. 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 (the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) and its value in use (being the net present value of expected future cash flows of the relevant cash generating unit). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Basis for determination of cash-generating units is presented in Note 4.

3. Significant Accounting Policies (Continued)

The estimates used for impairment reviews are based on detailed mine layouts and operating budgets, modified as appropriate to meet the requirements of IAS 36 "Impairment of Assets". Future cash flows are based on:

- estimates of the volumes of the reserves for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices (assuming the current market prices will revert to the Company's assessment of the long term average price, generally over a period of three to five years); and
- future costs of production and other operating and capital expenditures.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss for the year so as to reduce the carrying amount in the consolidated statement of financial position to its recoverable amount. An impairment loss recognised for an asset in prior years is reversed where appropriate 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. This reversal is recognised in profit and loss for the year, and is limited to the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior years.

Operating leases

Where the Group is a lessee in a lease which does not 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.

Income taxes

Income taxes have been provided for in the financial statements in accordance with legislation enacted by the end of the reporting period. The income tax charge/(credit) comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates 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 taxation authorities 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 liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates 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 the temporary difference will reverse in the future and there is sufficient future taxable profit 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 disposal. 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.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to 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 by the end of the reporting period, and any known court or other rulings on such issues.

3. Significant Accounting Policies (Continued)

Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Impairment of financial assets carried at amortised cost

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 realisability 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 portion or 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) 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 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 occurring 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 have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

3. Significant Accounting Policies (Continued)

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year. Non-current prepayments are not discounted.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Non-current assets classified as held for sale

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 held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) 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 management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (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.

Non-current assets or disposal groups classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current 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 an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than 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 are not depreciated. Reclassified non-current financial instruments are not subject to write down to the lower of their carrying amount and fair value less costs to sell.

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity. Additional paid-in capital primarily represents capital contributions made by non-controlling interests in excess of their ownership.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

3. Significant Accounting Policies (Continued)

Value added tax

Value added tax (VAT) related to sales is payable to the tax authorities when goods are shipped or services are rendered. Purchase VAT can be offset against sales 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 unsettled at the reporting date is stated in the consolidated statement of financial position on a net basis separately for each consolidated entity. Recoverable VAT is classified as non-current if its settlement is not expected within one year after the reporting period. Non-current VAT is not discounted.

Loans and borrowings

Borrowings are carried at amortised cost using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation 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. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at 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 incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The Group's provisions include site restoration, environment protection and other provisions (Note 35).

Provisions for assets retirement obligations

Assets retirement obligations are recognised when it is probable that the costs would be incurred and those costs can be measured reliably. Asset retirement obligations include the costs of rehabilitation and costs of liquidation (demolition of buildings, constructions and infrastructure, dismantling of machinery and equipment, transportation of the residual materials, environmental clean-up, monitoring of wastes and land restoration). Provision for the estimated costs of liquidation, rehabilitation and restoration are established and charged to the cost of property, plant and equipment or mine development assets in the reporting period when an obligation arises from the respective land disturbance in the course of mine development or environment pollution, based on the discounted value of estimated future costs. Movements in the provisions for assets retirement obligations, resulting from updated cost estimates, changes to the estimated term of operations and revisions to discount rates are capitalised within property, plant and equipment or mine development assets.

These costs are then depreciated over the lives of the assets to which they relate using the depreciation methods applied to those assets.

Provisions for asset retirement obligations do not include any additional obligations which are expected to arise from future disturbances. The costs are estimated on the basis of a closure and restoration plan. The cost estimates are calculated annually during the course of the operations to reflect known developments, e.g. updated cost estimates and revised term estimated lives of operations, and are subject to formal reviews on a regular basis. Although the final cost to be incurred is uncertain, the Group estimates its costs based on feasibility and engineering studies using current restoration standards and techniques for conducting restoration and retirement works.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to profit and loss in each reporting period. The amortisation of the discount is disclosed as finance costs.

3. Significant Accounting Policies (Continued)

Financial guarantees

Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor 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. 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) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its Kazakhstan subsidiaries, and the Group's presentation currency, is the national currency of Kazakhstan, Kazakhstani Tenge. Exchange restrictions and currency controls exist in relation of converting Tenge into other currencies. Currently, Tenge is not freely convertible outside of the Republic of Kazakhstan.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate at the respective end of the reporting period. 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 does not apply to non-monetary items that are carried at historic costs.

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

The results and financial position of each Group entity 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 average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- components of equity are translated at the historic rate; and
- all resulting exchange differences are recognised in other comprehensive income.

When control over a foreign operation is lost, the exchange differences recognised previously in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On 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.

At 31 December 2016, the principal rate of exchange used for translating foreign currency balances was USD 1 = Tenge 333.29 (2015: USD 1 = Tenge 339.47).

Revenue recognition

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods. 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.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales are shown net of VAT and discounts. Revenue is 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 service given up.

3. Significant Accounting Policies (Continued)

Delivery of uranium, tantalum and beryllium products vary depending on the individual terms of a sale contract usually in accordance with the Incoterms classification. Delivery of uranium products occurs: at the date of physical delivery in accordance with Incoterms or at the date of book-transfer to account with convertor specified by customer. Book-transfer operation represents a transaction whereby uranium account balance of the transferor is decreased with simultaneous allocation of uranium to the transferee's uranium account with the same specialised conversion/reconversion entity.

Revenues from sale of electricity, heating power and hot water are recognised by the accrual method based on supply of electricity, heating power and hot water. Revenue from electricity transmission services is recognised on the basis of actual electricity volume transmitted within the reporting period based on metering data. Revenue amount is determined based on the tariffs for the relevant services approved by the competent authorities and metering data and approved rates of consumption.

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(i) Long-term employee benefits

The Group entities provide long-term employee benefits to employees in accordance with the provisions of the collective agreement. The agreements provide for financial aid for employees' disability, retirement, funeral aid and other payments to the Group's employees. The entitlement to some benefits is usually conditional on the employee remaining employed until the retirement age and the completion of a minimum service period.

The Group does not have any funded post-employment plans. Liability recognised at each reporting date represents the present value of the plan liabilities. Actuarial gains and losses arising in the year are taken to the profit or loss for the year. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Actuarial gains and losses on post-employment obligations such as experience adjustments and the effects of changes in actuarial assumptions recognised in other comprehensive income in the period occurred. Other movements in the present value of the plan liabilities are also recognised in the profit or loss for the year, including current service cost.

The most significant assumptions used in accounting for defined benefit obligations are the discount rate, staff turnover and the mortality assumptions. 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 or loss for the year. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits, including financial aid for employees' disability and funeral aid to the Group's employees and other payments, are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan. These obligations are valued annually by independent qualified actuaries.

(ii) Payroll expense and related contributions

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. In accordance with the legal requirements of the Republic of Kazakhstan, the Group withholds pension contributions from employees' salary and transfers them into the united pension fund. Upon retirement of employees, all pension payments are administered by the united pension fund.

Earnings per share

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

Segment information

The Group fully repaid bonds in 2015 and does not fall in scope of IFRS 8 anymore. Therefore the segment information is not presented in these consolidated financial statements.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Uranium reserves

Uranium reserves are a critical component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense. Reserves estimation is performed based on results of detailed mine exploration and is evaluated and approved by State Reserves Commission (GKZ) of Kazakhstan Geology Committee. Reserves approved by GKZ are added to State balance and can be reassessed by GKZ on the basis of additional exploration. Need for additional exploration on the mine allotment appears (i) upon finding of new ore bodies during development activities; (ii) when detailed exploration evidences presence of uranium reserves on mine allotment that due to various reasons have not been assigned as commercial grade reserves and have not been added to State balance; or (iii) reserves write off upon non-confirmation report. Reserves non-confirmation occurs usually due to violations of phasing and methodology of exploration activities, unsubstantiated selection of exploration grid density, or incorrect linkage of ore intersections. Normally upon stripping during production actual reserves of each area are greater or lesser than geological reserves approved by GKZ. Subsurface user reports to the government reserves for the mine as a whole. Instances when balance reserves are systematically not confirmed for the mine as a whole are rare. Subsurface user cannot unilaterally change reserves by grades. Expert conclusion of GKZ is an integral part of a subsurface use contract and serves as a basis for development of mine (lot) production project and working programme of the subsurface use contract. The presence of reserves does not mean that all reserves will be extracted on a cost effective basis. Share of approved by GKZ reserves in the amount of actual production and approved planned losses is written off annually from entity's balance. Volume of uranium planned for production must coincide with the working programme of the subsurface use contract and approved production project.

Changes to planned production are prohibited unless production project and working programme of the subsurface use contract are revised and appropriately approved. If actual production volumes deviate from approved for less than 20% no changes are required.

Impairment of non-financial assets

At the end of each reporting period management assesses whether there is any indication of impairment of individual assets (cash generating units). 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. An impairment loss is recognised for the amount by which carrying amount exceeds recoverable amount. The Group tests goodwill for impairment at least annually.

The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding commodity prices (uranium and other products), the level of sales, discount rates, growth rates, operating costs and other factors. The impairment review and calculations are based on assumptions that are consistent with the Group's business plans. Due to its subjective nature, these estimates could differ from future actual results of operations and cash flows; any such difference may result in impairment in future periods and would decrease the carrying value of the respective asset.

Goodwill

The Group tests goodwill for impairment at least annually. The recoverable amount of cash generating units is assessed based on calculation of value in use. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The calculation of value in use requires the application of management's estimates detailed in Note 19.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Assets related to uranium production

At 31 December 2016, decrease of prices for uranium oxide (U₃O₈) down to USD 18 per pound was considered by management as indication of impairment of assets (cash generating units) of the Group related to uranium production.

Assets related to uranium mines include property, plant and equipment, mine development assets, mineral rights, exploration and evaluation assets, investments in associates, investments in joint ventures, and other investments. Management performed test for impairment for assets (cash generating units) of the Group related to uranium production for which impairment indications were identified as at 31 December 2016.

For the purpose of impairment test assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The Group identified each mine (contract territory) as a separate cash generating unit. If several mines are technologically connected with single processing plant (section for processing of pregnant solutions) the Group considers such mines as one cash generating unit.

Based on the impairment assessment the Group recognised impairment losses for South Moinkum and Uvanas cash generating units as recoverable amounts of these cash generating units were less than their carrying amounts (Note 12).

Below are principal assumptions used by management for calculation of value in use:

- average annual uranium prices are estimated at the following levels based on the forecast by independent source Ux Consulting LLC published in the fourth quarter of 2016:

	2017	2018	2019	2020	2021	2022-2030
Average price of U ₃ O ₈ per pound (in USD)	20.50	19.80	21.06	23.60	27.25	31.92-56.87

- forecast production and period based on volumes of annual production stipulated by subsurface use contracts;
- operating and capital expenditures after 2021 will increase at the long-term inflation rate of 4-6% per annum;
- discount rate of 9.68-15.47 per annum;
- forecast of long-term exchange rate at Tenge 340 per USD 1.

Presented below is the sensitivity analysis disclosing possible impairment losses at reasonably possible changes of principal assumptions (with all other parameters held constant) for assets (cash generating units) where impairment indications were identified:

- decrease in average forecast annual uranium prices across the forecast horizon:

% decrease	Impairment loss, million Tenge
10%	6,767
20%	18,350

- forecast production decrease by 10% would result in impairment loss of Tenge 4,966 million.

KazPV projects

At 31 December 2015, management concluded that there were the following indications of impairment of assets (cash generating units) related to KazPV project: less than budgeted production and sales volumes; higher than budgeted production costs; and overall decrease in market prices. Assets related to KazPV project include property, plant and equipment, construction in progress, mine development assets and other non-current assets.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

For the purpose of impairment test assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The Group identified three cash generating units, based on the economic substance rather than the legal structure of the project.

- Production and sale of metallurgical and polycrystalline silicon, recycling of silicon production waste;
- Production of silicon of solar quality, silicon and photovoltaic slices;
- Production of photovoltaic modules.

Based on the impairment assessment in 2015, the Group recognised impairment losses for two cash generating units Production and sale of metallurgical and polycrystalline silicon, recycling of silicon production waste and Production of silicon of solar quality, silicon and photovoltaic slices, as recoverable amounts of these cash generating units were below their carrying amounts (Note 12). Critical estimates and judgments used in computation of the recoverable amounts included forecast future sales volumes and prices. The forecast period covered the remaining useful lives of property, plant and equipment (till 2032 for Production of silicon of solar quality, silicon and photovoltaic slices and 2025 for Production and sale of metallurgical and polycrystalline silicon, recycling of silicon production waste and Production of photovoltaic modules).

At 31 December 2016, the Group reviewed the carrying amounts of KazPV project assets to determine whether there were any indications of further impairment. Deviation from revised plans and further decrease in sales were considered by management as indications of further impairment. Based on the conducted assessment taking into account the revised forecast of future production plans and sales prices, the Group fully impaired the Production of silicon of solar quality, silicon and photovoltaic slices cash generating unit. For Production of photovoltaic modules and Production and sale of metallurgical and polycrystalline silicon cash generating units the Group did not recognise impairment losses, as the recoverable amounts exceeded their carrying amounts. The applied discount rates for the Production of photovoltaic modules and Production and sale of metallurgical and polycrystalline silicon cash generating units are 10.43% and 10.45%, respectively. The applied discount rate for the Production of silicon of solar quality, silicon and photovoltaic slices cash generating unit is disclosed in Note 12.

If sales volumes or prices were 13.6% lower than the forecast, the Group would recognise full impairment of Production of photovoltaic modules cash generating unit in amount of Tenge 2,716 million.

Baiterek yacht

At 31 December 2016, management concluded that there were the following indications of impairment of the Baiterek yacht: extension of construction of the Baiterek yacht and further low probability of obtaining economic benefits from its sale. Based on the analysis performed, management fully impaired the carrying value of Baiterek yacht in amount of Tenge 3,884 million, included to construction in progress within property, plant and equipment (Note 12).

Evaluation of control, joint control and significant influence

On a regular basis management evaluates control (joint control, significant influence) over subsidiaries, associates and joint ventures. Management applies significant judgements for evaluation. Such judgements include:

- determination of availability of power that gives to the Group ability to direct the relevant activities of the investees that significantly affect their returns;
- determination of ability to use its power over the investees to affect the amount of the investor's returns.

In making judgements management analysed which governing bodies of the investees direct relevant activities as well as the Group's ability to influence those governing bodies. Thus, despite certain factors that might indicate joint control, management concluded that the Group has control over Appak LLP (Note 40).

As disclosed in Note 25, management also concluded that the Group does not have ability to use its power to exercise control over Uranenergo LLP. Based on reassessment of presence of control, joint control and significant influence, management concluded that the Group has joint control over Uranenergo LLP in 2016. Accordingly, the investment was reclassified from investments into associates to investments into joint ventures.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Provision for assets retirement obligations

In accordance with the environmental legislation and the contracts on subsurface use, the Group has a legal obligation to remediate damage caused to the environment from its operations and to decommission its mining assets and waste polygons and restore a landfill site after its closure. Provision is made, based on the net present values, for site restoration and retirement costs as soon as the obligation arises from past mining activities.

The provision for mining assets and waste polygons retirement obligation is estimated based on the Group's interpretation of current environmental legislation in the Republic of Kazakhstan and the Group's related program for liquidation of subsurface use consequences on the contracted territory and other operations supported by the feasibility study and engineering researches in accordance with the existing restoration and retirement standards and techniques.

Provisions for retirement obligations are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation. Provisions for mining assets and waste polygons retirement obligations are recognised when there is a certainty of incurring such liabilities and when it is possible to measure the amounts reliably.

Significant judgments used in such estimations include the estimate of discount rate and timing of cash flows. Discount rate is applied to the nominal costs the management expects to spend on mining assets retirement and waste polygons restoration in the future. Accordingly, management's estimates based on current prices are inflated using the expected long-term inflation rate (2016: 5.13%; 2015: 6.00%), and subsequently discounted using discount rate. The discount rate reflects the current market estimates of the time value of money and those risks specific to the liability not reflected in the best estimate of the costs. The discount rate is based on a risk-free rate determined as interest rates on government bonds with the same maturity as the subsurface use contracts of the Group. The discount rate used by the Group's companies for calculation of provision as at 31 December 2016 is 7.08% (2015: 6.70%). Management estimated that reasonably possible changes in key assumptions would not lead to significant changes in the amount of provision for assets retirement obligations.

At 31 December 2016, the carrying value of site restoration provision was Tenge 14,188 million (2015: Tenge 14,421 million) (Note 35). At 31 December 2016, the carrying value of environment protection provision was Tenge 2,733 million (2015: Tenge 2,316 million) (Note 35). Management estimates that reasonably possible changes in key assumptions would not lead to significant changes in site restoration provision.

Decommissioning, maintaining and dismantling of reactor BN-350

In accordance with legislation on the use of nuclear energy an operating entity is required to oversee and pay for decommissioning of nuclear power facilities, restoration of land and disposal of radioactive waste. Although the Group has legal title on shut down reactor BN-350, management concluded that the Group does not have legal or constructive obligation to finance its decommissioning, maintenance and dismantlement. In deriving this judgement management assessed the following factors:

- Based on a legal analysis management concluded that the existing legislation does not directly require the Group to oversee and pay for the decommissioning, maintenance and dismantling of reactor BN-350.
- The Kazakhstan government has determined that state authorities are responsible for the decommissioning of reactor BN-350 including subsequent recycling of related equipment and materials.
- To date BN-350 decommissioning measures have been financed from the state budget or other sources including various international organisations.
- In accordance with the Kazakhstan government approved nuclear industry development programme for 2011-2014 with perspective to 2020 (hereafter – "Programme") the government body responsible for implementation of comprehensive measures for decommissioning of reactor BN-350 including subsequent utilisation of related equipment and materials is the Ministry of Energy of the Republic of Kazakhstan. In addition the planned measures of the Programme implementation also prescribe that the source of financing for these measures is the state budget.
- The Group received letter No. 14-05/4512 on 20 February 2015 from the Ministry of Energy of the Republic of Kazakhstan, the competent authority. According to the letter, a specific government decree, that determines sources of financing and principal measures for decommissioning, would be required for the Group to have a legal obligation to finance the decommissioning activities for reactor BN-350. No such decree has been enacted.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Management concluded that recognition of provision is not required in these consolidated financial statements. Events in the future may lead to the reconsideration of this matter. Depending on future developments management will reassess presence of obligation based on available facts and circumstances. Should obligations to finance activities for decommissioning of reactor BN-350 be transferred to the Group, this would require the recognition of appropriate provision.

Investments carried at cost

As disclosed in Note 26, in October 2007, the Group invested into Toshiba Nuclear Energy Holdings US, Inc. (TNEH-US) and Toshiba Nuclear Energy Holdings UK Ltd (TNEH-UK), by acquiring 10% Class A ordinary shares for a total amount of USD 540 million (TNEH-US USD 400 million and TNEH-UK USD 140 million). As the Group does not have significant influence over THEN-US and TNEH-UK and does not participate in financial and operating activities, these investments were classified as available for sale.

Investments in TNEH-US and TNEH-UK are carried at cost, as management could not reliably estimate fair value of these investments. Investees have not published recent financial information on their operations, their shares are not quoted, and their recent trade prices are not publicly accessible.

At the end of each reporting period management assess whether there is any indication of impairment of investments carried at cost. Management determined there were no impairment indicators at 31 December 2016 and 2015.

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the 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) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Majority of property, plant and equipment is depreciated using straight-line method over their estimated useful lives. Management reviews the appropriateness of assets' useful economic lives at least once a year; any changes could affect prospective depreciation rates and asset carrying values.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2016 would be to increase it by Tenge 1,029 million or decrease it by Tenge 1,029 million (2015: increase by Tenge 1,118 million or decrease by Tenge 1,118 million).

Estimated depreciation rates of uranium mining assets

Property, plant and equipment related to uranium production, mining assets and mineral rights are depreciated over the respective life of the mine using the unit-of-production method based on mineral reserves. When determining mineral reserves, assumptions that were valid at the time of estimation may change when new information becomes available. Any changes could affect the prospective depreciation rates and asset carrying values. The calculation of the unit-of-production rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production, which would generally arise as a result of significant changes in any of the factors or assumptions used in estimating mineral reserves. These factors could include:

- changes in mineral reserves;
- the grade of mineral reserves varying significantly from time to time;
- unforeseen operational issues at mine sites; and
- changes in capital and operating mining, processing and reclamation costs, discount rates and foreign exchange rates possibly adversely affecting the economic viability of mineral reserves.

Estimates of ore reserves can differ from period to period. This can affect the Group's financial results. Such changes in reserves can affect the depreciation charge, carrying amount of assets and provisions for assets retirement liabilities. As at 31 December 2016 the carrying amount of assets related to uranium production was Tenge 63,672 million (2015: Tenge 65,263 million).

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Were the estimated depreciation rates to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2016 would be to increase it by Tenge 1,219 million or decrease it by Tenge 1,219 million (2015: increase by Tenge 1,103 million or decrease by Tenge 1,103 million).

Tax and transfer pricing legislation

Kazakhstani tax and transfer pricing legislation is subject to varying interpretations (Note 38).

5. Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2016. Adoption of these new standards and interpretations did not have any material impact on the consolidated financial statements.

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements.

6. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 or later, and which the Group has not early adopted.

IFRS 9, Financial Instruments: Classification and Measurement (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the standard are

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

6. New Accounting Pronouncements (Continued)

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

The Group is currently assessing the impact of new standards and amendments.

The following standards and interpretations are not expected to affect significantly the Group's consolidated financial statements after becoming effective:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28).
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

7. Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party 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 of management is directed to the substance of the relationship, not merely the legal form.

Entities under common control include companies under control of Samruk-Kazyna JSC. Transactions with other government owned entities are not disclosed when they are entered into in the ordinary course of business with terms consistently applied to all public and private entities i) when they are not individually significant, ii) if the Group's services are provided on the standard terms available for all customers, or iii) where there is no choice of supplier of such services as electricity transmission services, telecommunications and etc.

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7. Balances and Transactions with Related Parties (Continued)

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

<i>In millions of Kazakhstani Tenge</i>	Accounts receivable and other assets (Notes 27, 28)	Dividends receivable (Note 28)	Loans given (Note 31)	Accounts payable and other liabilities (Notes 36, 37)
Associates	3,308	5,916	19,151	31,991
Joint ventures	2,036	-	13	16,704
Entities under common control	278	-	-	8,312
Associates of the Parent	14	-	-	624
Other	274	-	-	64
Total	5,910	5,916	19,164	57,695

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

<i>In millions of Kazakhstani Tenge</i>	Sale of goods and services	Dividends received (Notes 24, 25)	Purchase of goods and services	Dividends to the parent (Note 33)	Finance income	Finance costs
Associates	15,829	48,286	80,508	-	1,868	1,683
Joint ventures	13,694	21,066	51,878	-	291	-
Entities under common control	18,611	-	45,749	-	-	-
Parent	-	-	-	12,031	-	-
Associates of the Parent	98	-	5,837	-	-	-
Other	1,987	-	10	-	844	173
Total	50,219	69,352	183,982	12,031	3,003	1,856

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

<i>In millions of Kazakhstani Tenge</i>	Accounts receivable and other assets (Notes 27, 28)	Dividends receivable (Note 28)	Loans given (Note 31)	Accounts payable and other liabilities (Notes 36, 37)
Associates	4,428	6,257	18,033	38,868
Joint ventures	1,251	2,512	2,435	26,516
Entities under common control	602	-	-	8,487
Other	186	-	13,100	2,100
Total	6,467	8,769	33,568	75,971

The income and expense items with related parties for the year ended 31 December 2015 were as follows:

<i>In millions of Kazakhstani Tenge</i>	Sale of goods and services	Dividends received (Notes 24, 25)	Purchase of goods and services	Dividends to the parent (Note 33)	Finance income	Finance costs
Associates	23,368	33,825	87,856	-	7,622	103
Joint ventures	12,570	7,267	51,574	-	550	-
Entities under common control	16,353	-	36,857	-	-	-
Parent	-	-	-	2,323	-	-
Other	1,386	-	1,880	-	5,478	-
Total	53,677	41,092	178,167	2,323	13,650	103

7. Balances and Transactions with Related Parties (Continued)

Other related parties include Baiken-U LLP to which the Group provided a loan in 2010 (Note 31). Relationship with Baiken-U LLP cannot be considered as a related party of the Group in accordance with IAS 24 'Related parties', but management believes that the disclosure of balances and transactions with Baiken-U LLP is useful for understanding of the consolidated financial statements.

The terms and conditions of outstanding balances with related parties are not significantly different from those with non-related parties.

Key management compensation is presented below:

<i>In millions of Kazakhstani Tenge</i>	2016		2015	
	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits</i>				
Salaries and bonuses	503	29	1,745	54
Total	503	29	1,745	54

8. Revenue

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Sales of uranium products	292,687	282,638
Sales of utilities	57,555	47,809
Sales of beryllium	13,359	9,312
Sales of tantalum	11,749	12,051
Drilling services	10,532	12,841
Sales of purchased goods	10,461	10,886
Sales of other services	8,159	9,059
Sales of supplies and other goods	6,521	3,071
Transportation services	5,148	5,092
Research and development	443	135
Sales of photovoltaic cells	26	1,909
Sales of metallurgical silicon	17	552
Other	2,244	2,411
Total revenue	418,901	397,766

9. Cost of Sales

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Materials and supplies	229,467	210,918
Wages and salaries	30,620	29,512
Processing and other services	15,845	17,290
Depreciation and amortisation	15,113	16,779
Taxes other than income tax	9,511	12,469
Transportation expenses	2,558	1,850
Maintenance and repair	2,358	1,805
Utilities	1,541	1,808
Rent expenses	306	335
Research and development	54	90
Other	1,095	1,548
Total cost of sales	308,468	294,404

10. Distribution Expenses

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Shipping, transportation and storing	4,301	2,248
Wages and salaries	624	715
Commissions	314	418
Materials and supplies	235	76
Rent	132	161
Other	708	498
Total distribution expenses	6,314	4,116

11. General and Administrative Expenses

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Wages and salaries	16,718	15,089
Consulting and information services	4,147	2,370
Tax fines and penalties	1,443	666
Rent	1,083	934
Depreciation and amortisation	827	924
Taxes other than income tax	877	754
Travel	647	485
Maintenance and repair	511	327
Provision for doubtful debts	474	800
Training expenses	349	264
Materials and supplies	280	386
Corporate events	176	153
Communication	143	236
Security	134	139
Utilities	130	185
Bank charges	117	194
Research expenses	89	695
Stationery	59	62
Insurance	58	35
Entertainment expenses	53	46
Other employee benefits	(119)	131
Other	2,681	780
Total general and administrative expenses	30,877	25,655

Tax fines and penalties in 2016 include the penalty in amount of Tenge 996 million recognised by the Company as a result of the transfer pricing inspection for 2008, and fines and penalties in amount of Tenge 183 million recognised by Appak LLP as a result of complex tax audit for 2010-2012 (Note 38).

12. Impairment Losses

The Group recognised the following reversal of previously recognised impairments for the following assets:

<i>In millions of Kazakhstani Tenge</i>	Note	2016	2015
Inventories	29	85	83
Property, plant and equipment	20	51	1
Other accounts receivable		1	-
Other		47	2
Total reversal of impairment of assets		184	86

The total impairment losses recognised by the Group were as follows:

<i>In millions of Kazakhstani Tenge</i>	Note	2016	2015
Property, plant and equipment	20	12,286	20,783
Other non-current assets	28	4,577	1,103
Inventories	29	2,060	1,789
Mine development assets	21	1,393	375
VAT recoverable		1,581	-
Intangible assets	19	110	368
Other accounts receivable		-	5,538
Mineral rights	22	-	707
Investments in joint ventures	25	-	53
Total impairment losses on assets		22,007	30,716

At 31 December 2016, impairment losses were recognised for the following cash generating units (assets):

<i>In millions of Kazakhstani Tenge</i>	Property, plant and equipment	Mine development assets	Other non-current assets	VAT recoverable	Inventories write down to net realisable value	Intangible assets	Total
South Moinkum	667	1,381	-	-	-	-	2,048
Uvanas	-	12	-	-	-	-	12
Production of silicon of solar quality, silicon slices and photovoltaic slices	7,091	-	-	1,581	738	-	9,410
Long-term deposit at Kazinvestbank JSC (Note 28)	-	-	4,189	-	-	-	4,189
Baiterek yacht	3,884	-	-	-	-	-	3,884
Other	644	-	388	-	1,322	110	2,464
Total impairment losses	12,286	1,393	4,577	1,581	2,060	110	22,007

South Moinkum

Decrease of uranium prices during 2016 was considered by management as indication of impairment of the cash generating unit. The recoverable amount of the cash generating unit was nil and it was determined as its value in use. The applied discount rate was 10.46%.

Uvanas

Decrease of uranium prices during 2016 was considered by management as indication of impairment of the cash generating unit. The recoverable amount of the cash generating unit was nil and it was determined as its value in use. The applied discount rate was 10.46%.

12. Impairment Losses (Continued)

Production of silicon of solar quality, silicon and photovoltaic slices

Deviation from revised plans and further decrease in sales were considered by management as indications of further impairment of the cash generating unit which was partially impaired in 2015. The recoverable amount of the cash generating unit was nil and it was determined as its value in use. The applied discount rate was 12.35%.

Baiterek yacht

At 31 December 2016, management concluded that there were the following indications of impairment of the Baiterek yacht: extension of construction of the Baiterek yacht and further low probability of obtaining economic benefits from its sale. Based on the analysis performed, management fully impaired the carrying value of Baiterek yacht in amount of Tenge 3,884 million.

At 31 December 2015, impairment losses were recognised for the following cash generating units (assets):

<i>In millions of Kazakhstani Tenge</i>	Property, plant and equipment	Other non- current assets	Inventories write down to net realisable value	Mineral rights	Mine development assets	Intangible assets	Total
Production of silicon of solar quality, silicon slices and photovoltaic slices	15,748	5,479	514	-	-	-	21,741
Ore enrichment, hydro-metallurgical production of rare metals concentrates, chemical production of rare metals	3,476	589	360	-	-	-	4,425
Production and sale of metallurgical and polycrystalline silicon, recycling of silicon production waste	658	499	682	707	375	368	3,289
Other	901	74	233	-	-	-	1,208
Total impairment losses	20,783	6,641	1,789	707	375	368	30,663

Production of silicon of solar quality, silicon and photovoltaic slices

Less than budgeted production and sales volumes, higher than budgeted production costs and overall decrease in market prices were considered by management as indications of impairment. Recoverable amount of the cash generating unit (Tenge 5,128 million) as at 31 December 2015 was determined as value in use. The applied discount rate was 15.45%.

Ore enrichment, hydro-metallurgical production of rare metals concentrates, chemical production of rare metals

Uncertainties in future prospects of the project, higher than budgeted costs and overall decrease in market prices were considered by management as indications of impairment. Recoverable amount of the cash generating unit (Tenge 231 million) as at 31 December 2015 was determined as value in use. Management assumed that the cash generating units' assets would be recovered through sale at their residual value of 5% of carrying value for most of the cash generating units' assets. Due to immaterial effect, management did not apply discounting.

Production and sale of metallurgical and polycrystalline silicon, recycling of silicon production waste

Less than budgeted production and sales volumes, higher than budgeted production costs and overall decrease in market prices were considered by management as indications of impairment. Recoverable amount of the cash generating unit (Tenge 49 million) as at 31 December 2015 was determined as value in use. The applied discount rate was 11.11%.

13. Other Income

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Gain on disposal of joint ventures	268	-
Gain on disposal of non-current assets	224	101
Property received free of charge	165	279
Fines and penalties	-	918
Other	118	54
Total other income	775	1,352

14. Other Expenses

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Social sphere expenses	3,573	2,970
Loss on suspension of production	846	627
Non-recoverable VAT	533	392
Loss on disposal of property, plant and equipment	268	-
Depreciation	231	398
Other fines and penalties	84	65
Loss on disposal of non-current assets	-	2,710
Other	625	373
Total other expenses	6,160	7,535

Net foreign exchange loss

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Foreign exchange gain / (loss) on financing activities, net	2,341	(88,631)
Foreign exchange gain on operating activities, net	1,273	35,185
Total foreign exchange gain / (loss), net	3,614	(53,446)

15. Personnel Costs

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Wages and salaries	53,861	50,921
Social tax and social contributions	5,739	5,376
Total personnel costs	59,600	56,297

16. Finance Income and Costs

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Finance income		
Dividend income	7,308	7,050
Interest income	5,290	2,899
Gain from remeasurement of financial assets	1,640	11,509
Gain from remeasurement of financial liabilities	1,314	113
Other	273	415
Total finance income	15,825	21,986
Finance costs		
Interest expense on loans and borrowings	6,278	6,136
Loss from remeasurement of financial assets	2,673	560
Unwinding of discount on provisions	1,100	1,075
Loss on sales of foreign currency	349	187
Unwinding of discount on other financial liabilities	288	261
Preference shares dividends	53	53
Other	276	404
Total finance costs	11,017	8,676

17. Income Tax Expense

(a) Components of income tax expense

Income tax expense recorded in profit or loss comprises the following:

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Current income tax	20,224	14,133
Deferred income tax	(2,236)	(1,089)
Total income tax expense	17,988	13,044

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group's and its subsidiaries' profits in 2016 and 2015 is 20%.

A reconciliation between the expected and the actual taxation charge is provided below:

17. Income Tax Expense (Continued)

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Profit before tax	129,543	49,545
Theoretical tax charge at statutory tax rate of 20% (2015: 20%):	25,909	9,909
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income which is exempt from taxation	(2,280)	(1,422)
Unrecognised deferred tax asset on impairment losses	2,447	6,084
Non-deductible expenses	1,532	5,561
Transfer pricing adjustment	693	542
Elimination of unrecognised profits in finished goods	(8)	(414)
Share of results of associates	(7,612)	(7,765)
Share of results of joint ventures	(7,347)	(2,816)
Utilisation of previously unrecognised tax losses	(780)	(194)
Current period tax losses for which no deferred tax asset is recognised	676	2,478
Prior periods adjustments	4,758	1,081
Income tax expense	17,988	13,044

Prior period adjustments in 2016 include corporate income tax of Tenge 2,512 million based on the results of the transfer pricing inspection for 2008, Tenge 522 million based on the results of the complex tax audit for 2009-2012 using a provision for corporate income tax accrued in 2015, and Tenge 1,538 million as a correction of corporate income tax for 2013-2015 (Note 38). Prior period adjustments in 2015 mainly include accrual of corporate income tax and excess profit tax for Tenge 856 million based on the results of the appeal.

As at 31 December 2016 and 2015, the Group did not recognise deferred tax asset on impairment losses as management did not consider it probable that future taxable profit would be available against which the deduction could be utilised.

Non-deductible expenses in 2016 include mainly expenses related to operations in Astana – Zhana Qala free economic zone (tax effect Tenge 262 million; 2015: Tenge 3,102 million), and expenses on revaluation of financial assets (tax effect Tenge 565 million; 2015: nil).

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below at 20% (2015: 20%).

<i>In millions of Kazakhstani Tenge</i>	1 January 2016	Credited/ (charged) to profit or loss	31 December 2016
Tax effect of deductible / (taxable) temporary differences			
Property, plant and equipment and intangible assets	(6,296)	(116)	(6,412)
Accounts receivable	817	37	854
Loans and borrowings	(162)	(149)	(311)
Accounts payable	-	(192)	(192)
Provisions	964	(3)	961
Accrued liabilities	684	115	799
Tax losses carried forward	2,081	(811)	1,270
Taxes	650	118	768
Other assets	(1,523)	3,232	1,709
Other liabilities	105	5	110
	(2,680)	2,236	(444)
Recognised deferred tax asset	1,829	2,470	4,299
Recognised deferred tax liabilities	(4,509)	(234)	(4,743)

17. Income Tax Expense (Continued)

Management estimates that deferred tax assets of Tenge 3,085 million (2015: Tenge 3,862 million) and deferred tax liabilities of Tenge 6,412 million (2015: Tenge 6,296 million) are recoverable after more than twelve months after the end of the reporting period.

Investments in subsidiaries, associates and joint ventures will be recovered primarily through dividends. Dividends from subsidiaries, associates and joint ventures are not taxable accordingly the Group did not recognise deferred tax on undistributed earnings from investments.

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

<i>In millions of Kazakhstani Tenge</i>	1 January 2015	Credited/ (charged) to profit or loss	31 December 2015
Tax effect of deductible / (taxable) temporary differences			
Property, plant and equipment and intangible assets	(5,812)	(484)	(6,296)
Accounts receivable	489	328	817
Loans and borrowings	(73)	(89)	(162)
Provisions	702	262	964
Accrued liabilities	643	41	684
Tax losses carried forward	209	1,872	2,081
Taxes	1,151	(501)	650
Other assets	(1,219)	(304)	(1,523)
Other liabilities	141	(36)	105
	(3,769)	1,089	(2,680)
Recognised deferred tax asset	835	994	1,829
Recognised deferred tax liabilities	(4,604)	95	(4,509)

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

The Group has unrecognised potential deferred tax assets in respect of unused tax loss carry forwards of Tenge 4,603 million (2015: Tenge 4,707 million) and impairment losses in amount of Tenge 8,531 million (2015: Tenge 6,084 million).

The tax loss carry forwards expire as follows:

<i>In millions of Kazakhstani Tenge</i>	2016	2015
2018-2022	-	193
2023	715	1,302
2024	734	734
2025	2,478	2,478
2026	676	-
Total unrecognised deferred tax asset on tax losses	4,603	4,707

18. Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share from continuing operations are calculated as follows:

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Profit for the year attributable to owners of the Company	108,795	38,442
Weighted average number of ordinary shares (in thousands)	36,715	36,692
Basic and diluted earnings per share, in Tenge	2,963	1,048

19. Intangible Assets

<i>In millions of Kazakhstani Tenge</i>	Licences and patents	Software	Goodwill	Other	Total
At 1 January 2015					
Cost	99	1,507	10,110	1,540	13,256
Accumulated amortisation and impairment	(48)	(606)	(4,944)	(368)	(5,966)
Carrying value	51	901	5,166	1,172	7,290
Additions	426	131	-	72	629
Amortisation charge	(42)	(235)	-	(104)	(381)
Impairment	(368)	-	-	-	(368)
Transfers from property, plant and equipment (Note 20)	1	138	-	(8)	131
Disposals	-	(9)	-	(119)	(128)
At 31 December 2015					
Cost	525	1,756	10,110	1,461	13,852
Accumulated amortisation and impairment	(457)	(830)	(4,944)	(448)	(6,679)
Carrying value	68	926	5,166	1,013	7,173
Additions	415	65	-	17	497
Amortisation charge	(20)	(281)	-	(59)	(360)
Impairment	-	(110)	-	-	(110)
Transfers from property, plant and equipment (Note 20)	-	-	-	6	6
Transfers to assets held for sale	-	-	-	(89)	(89)
At 31 December 2016					
Cost	939	1,772	10,110	1,393	14,214
Accumulated amortisation and impairment	(476)	(1,172)	(4,944)	(505)	(7,097)
Carrying value	463	600	5,166	888	7,117

Significant part of other intangible assets is comprised of cost of production technology development project.

19. Intangible Assets (Continued)

Goodwill impairment test

At 31 December 2016 and 2015, all goodwill is attributable to one cash generating unit related to subsurface use operations at Central Mynkuduk mine. Recoverable amount was determined as value in use based on forecast cash flows over the term of subsurface use contract (Note 1). Forecast cash flows are based on the approved volume of proven reserves, estimated volumes of production and life of a mine approved by management, and the discount rate of 10.46% (2015: 11.94%). Production volumes are agreed with the government approved strategies and are based on the production capacity of the cash generating unit. Key assumptions used in calculations include forecast changes in prices and period direct costs. Sales prices utilised in developing forecast cash flows are determined using an independent official source Ux Consulting LLC published in the fourth quarter of 2016. Direct costs are based on approved budgets for 2017-2021 and 4% (2015: 5.8%) growth rate thereafter which approximates long-term average growth rates. Estimated value in use significantly exceeds carrying amount of the cash generating unit therefore even reasonably possible changes in key assumptions would not lead to impairment losses.

20. Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In millions of Kazakhstani Tenge</i>	Land	Buildings	Machinery and equipment	Vehicles	Other	Construction in progress	Total
At 1 January 2015							
Cost	325	83,240	67,602	13,119	5,096	44,182	213,564
Accumulated depreciation and impairment	-	(19,139)	(32,254)	(6,834)	(2,616)	(5,203)	(66,046)
Carrying amount	325	64,101	35,348	6,285	2,480	38,979	147,518
Additions	40	237	2,797	927	346	19,996	24,343
Transfers	-	13,739	3,717	37	49	(17,542)	-
Depreciation charge	-	(4,262)	(5,950)	(1,063)	(580)	-	(11,855)
Impairment loss	-	(2,012)	(2,161)	-	(5)	(16,605)	(20,783)
Reversal of impairment losses recognised in prior periods	-	-	-	-	1	-	1
Disposals	(13)	(2,134)	(231)	(43)	(130)	(246)	(2,797)
Transfer to mine development assets (Note 21)	-	-	-	-	-	(5,677)	(5,677)
Transfer from inventories	-	1	49	-	8	226	284
Transfers from/(to) intangible assets (Note 19)	-	-	30	-	-	(161)	(131)
Transfers to non-current assets held for sale	-	(66)	-	-	-	-	(66)
Changes in estimates	-	(447)	-	-	-	-	(447)
Translation to presentation currency	-	-	-	14	7	-	21
At 31 December 2015							
Cost	352	94,847	73,526	13,813	4,987	38,047	225,572
Accumulated depreciation and impairment	-	(25,690)	(39,927)	(7,656)	(2,811)	(19,077)	(95,161)
Carrying amount	352	69,157	33,599	6,157	2,176	18,970	130,411
Additions	18	369	2,189	1,255	607	7,226	11,664
Transfers	1	2,078	2,624	42	91	(4,836)	-
Depreciation charge	-	(4,517)	(5,667)	(1,073)	(524)	-	(11,781)
Impairment loss (Notes 4, 12)	-	(1,920)	(747)	(5)	(63)	(9,551)	(12,286)
Reversal of impairment losses recognised in prior periods	-	-	21	-	22	8	51
Disposals	(4)	(42)	(80)	(38)	(32)	(72)	(268)
Disposal of subsidiaries	(6)	(135)	(9)	(19)	(6)	(1)	(176)
Transfer to mine development assets (Note 21)	-	-	-	-	-	-	-
Transfer from inventories	-	-	8	-	(9)	(59)	(60)
Transfers to intangible assets (Note 19)	-	-	-	-	-	(6)	(6)
Transfers to non-current assets held for sale	-	(32)	(7)	(22)	(4)	(479)	(544)
Changes in estimates	-	334	-	-	-	-	334
Translation to presentation currency	-	-	-	(3)	(1)	-	(4)
At 31 December 2016							
Cost	361	96,011	75,678	14,005	5,434	39,812	231,301
Accumulated depreciation and impairment	-	(30,719)	(43,747)	(7,711)	(3,177)	(28,612)	(113,966)
Carrying amount	361	65,292	31,931	6,294	2,257	11,200	117,335

20. Property, Plant and Equipment (Continued)

As a result of the impairment test in 2016, the Group recognised impairment loss of property, plant and equipment in amount of Tenge 12,286 million (2015: Tenge 20,783 million), including impairment of construction in progress in amount of Tenge 9,551 million (2015: Tenge 16,605 million). Impairment of construction in progress mainly consists of impairment of equipment in process of construction in amount of Tenge 4,909 million (2015: Tenge 15,747 million) related to the Production of silicon of solar quality, silicon slices and photovoltaic slices cash generating unit, and impairment of Baiterek yacht in amount of Tenge 3,884 million (2015: nil) (Note 12).

Depreciation expense of Tenge 10,302 million (2015: Tenge 10,057 million) was charged to cost of sales, Tenge 87 million (2015: Tenge 90 million) to distribution expenses, Tenge 571 million (2015: Tenge 657 million) to administrative expenses and Tenge 231 million (2015: Tenge 398 million) to other expenses. The remaining depreciation expense in amount of Tenge 590 million (2015: Tenge 653 million) is included to finished goods and work-in-process.

At 31 December 2016, construction in progress mainly includes modernisation of production facilities at MAEK-Kazatomprom LLP in amount of Tenge 7,573 million (2015: Tenge 6,989 million).

As at 31 December 2016, commitments relating to the acquisition of property, plant and equipment were Tenge 5,383 million (2015: Tenge 766 million). Borrowing costs capitalised in the reporting period were Tenge 631 million (2015: Tenge 437 million). The average capitalisation rate was 4.32% (2015: 4.22%).

As at 31 December 2016, the gross carrying value of fully depreciated property, plant and equipment still in use was Tenge 9,474 million (2015: Tenge 5,897 million).

21. Mine Development Assets

<i>In millions of Kazakhstani Tenge</i>	Field preparation	Site restoration costs	Ion exchange resin	Total
At 1 January 2015				
Cost	36,777	7,371	3,453	47,601
Accumulated depreciation and impairment	(13,440)	(736)	(802)	(14,978)
Carrying amount	23,337	6,635	2,651	32,623
Additions	8,815	-	-	8,815
Transfers from property, plant and equipment (Note 20)	5,677	-	-	5,677
Transfers from exploration and evaluation assets (Note 23)	-	-	129	129
Transfers from inventory	334	-	783	1,117
Depreciation charge	(8,364)	(479)	(376)	(9,219)
Impairment loss	(167)	(208)	-	(375)
Changes in accounting estimates	-	(189)	-	(189)
At 31 December 2015				
Cost	51,603	7,182	4,365	63,150
Accumulated depreciation and impairment	(21,971)	(1,423)	(1,178)	(24,572)
Carrying amount	29,632	5,759	3,187	38,578
Additions	11,284	-	-	11,284
Transfers from exploration and evaluation assets (Note 23)	2,920	691	255	3,866
Transfers from inventory	591	-	267	858
Depreciation charge	(9,915)	(502)	(288)	(10,705)
Impairment loss	(1,393)	-	-	(1,393)
Reversal of impairment losses recognised in prior periods	1	1	-	2
Changes in accounting estimates	-	(808)	-	(808)
At 31 December 2016				
Cost	66,298	7,062	4,887	78,247
Accumulated depreciation and impairment	(33,178)	(1,921)	(1,466)	(36,565)
Carrying amount	33,120	5,141	3,421	41,682

The site restoration assets relate to the Group's provisions for site restoration costs for each field operated by the Group. The carrying value of the site restoration assets is re-evaluated each reporting period for changes in the estimated remediation costs (Notes 4 and 35).

22. Mineral Rights

In millions of Kazakhstani Tenge

At 1 January 2015	
Cost	8,784
Accumulated amortisation and impairment	(6,159)
Carrying amount	2,625
Additions	288
Amortisation charge	(139)
Impairment	(707)
At 31 December 2015	
Cost	9,072
Accumulated amortisation and impairment	(7,005)
Carrying amount	2,067
Transfers from exploration and evaluation assets (Note 23)	524
Amortisation charge	(300)
At 31 December 2016	
Cost	9,593
Accumulated amortisation and impairment	(7,302)
Carrying amount	2,291

23. Exploration and Evaluation Assets

In millions of Kazakhstani Tenge

	Tangible assets	Intangible assets	Total
Carrying value			
At 1 January 2015	7,461	1,256	8,717
Additions	2,059	2	2,061
Transfers to mine development assets (Note 21)	(129)	-	(129)
Transfers from non-current assets held for sale	-	8	8
Transfers from inventory	274	-	274
Proceeds from test production	(2,388)	(5)	(2,393)
At 31 December 2015	7,277	1,261	8,538
Additions	3,085	15	3,100
Transfers to mine development assets (Note 21)	(3,866)	-	(3,866)
Transfers to mineral rights (Note 22)	-	(524)	(524)
Transfers to non-current assets held for sale	(1,967)	(25)	(1,992)
Proceeds from test production	(1,422)	(3)	(1,425)
Changes in accounting estimates	(360)	-	(360)
At 31 December 2016	2,747	724	3,471

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24. Investments in Associates

The table below summarises the movements in the carrying amount of the Group's investment in associates:

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Carrying value at 1 January	121,938	96,708
Contributions to capital	7	2,046
Share of results of associates	38,058	38,823
Dividends received from associates	(48,286)	(33,825)
Disposals	(69)	-
Classified as joint ventures	(3,216)	-
Effect of translation to presentation currency	(659)	18,186
Carrying value at 31 December	107,773	121,938

The Group's interests in its principal associates were as follows:

	Country of incorporation	Principal activities	2016		2015	
			% ownership interest held / % of voting rights	In millions of Kazakhstani Tenge	% ownership interest held / % of voting rights	In millions of Kazakhstani Tenge
JV KATKO LLP	Kazakhstan	Extraction, processing and export of uranium products	49.00%	39,843	49.00%	48,781
JV Inkai LLP	Kazakhstan	Extraction, processing and export of uranium products	40.00%	37,686	40.00%	40,512
JV South Mining Chemical Company LLP	Kazakhstan	Extraction, processing and export of uranium products	30.00%	8,258	30.00%	10,435
JV Zarechnoe JSC	Kazakhstan	Extraction, processing and export of uranium products	49.98%	8,692	49.979%	7,555
Kaustik JSC	Kazakhstan	Supply of caustic soda	40.00%	3,462	40.00%	3,888
JV Betpak Dala LLP	Kazakhstan	Extraction, processing and export of uranium products	30.00%	2,316	30.00%	3,038
JV Khorasan-U LLP	Kazakhstan	Extraction, processing and export of uranium products	33.98%	4,418	33.98%	2,851
JV SKZ Kazatomprom LLP	Kazakhstan	Production of sulphuric acid	9.89%	737	9.89%	680
JV Rosburmash LLP	Kazakhstan	Geological exploration	49.00%	459	49.00%	504
Kyzylkum LLP	Kazakhstan	Extraction, processing and export of uranium products	30.00%	1,902	30.00%	421
JV IFASTAR JSC	France	Nuclear fuel cycle project feasibility study	-	-	49.00%	-
PKF Ulba Electro LLP	Kazakhstan	Design on engineering systems and networks	-	-	30.00%	72
Uranenergo LLP	Kazakhstan	Transfer and distribution of electricity, grid operations	-	-	55.45%	3,201
Total investments in associates				107,773		121,938

All of the above associates are accounted for using the equity method.

In 2016, the Group increased its interest in Uranenergo LLP and reassessed presence of control, joint control and significant influence over the investee. As the result of this assessment, management concluded that the Group has joint control over Uranenergo LLP. Accordingly, the investment was reclassified from investments into associates to investments into joint ventures (Note 25).

In 2016, the Group liquidated JV IFASTAR JSC and PKF Ulba Electro LLP.

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24. Investments in Associates (Continued)

Summarised financial information for 2016 in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS, adjusted by the Group for equity accounting purposes.

<i>In millions of Kazakhstani Tenge</i>	JV Betpak Dala LLP	Kyzylkum LLP	JV KATKO LLP	JV Inkai LLP	JV South Mining Chemical Company LLP	JV Zarechnoe JSC	JV Khorasan-U LLP	Other	Total
Current assets	7,792	3,815	35,413	31,441	21,375	8,178	16,653	5,133	129,800
Non-current assets	1	28,308	66,976	137,885	38,150	14,376	20,592	25,948	332,236
Total assets	7,793	32,123	102,389	169,326	59,525	22,554	37,245	31,081	462,036
Current liabilities	(74)	(5,260)	(11,672)	(59,732)	(27,201)	(3,280)	(22,062)	(7,365)	(136,646)
Non-current liabilities	-	(20,311)	(8,940)	(13,469)	(2,183)	(850)	(1,300)	(15,611)	(62,664)
Total liabilities	(74)	(25,571)	(20,612)	(73,201)	(29,384)	(4,130)	(23,362)	(22,976)	(199,310)
Net assets	7,719	6,552	81,777	96,125	30,141	18,424	13,883	8,105	262,726
Group's share of net assets of associates	2,316	1,965	40,071	38,450	9,042	9,209	4,717	672	106,442
Unrealised profit in the Group	-	-	(296)	(764)	(784)	(559)	(299)	-	(2,702)
Other movements	-	(64)	-	-	-	-	-	-	(64)
Goodwill	-	-	68	-	-	42	-	3,987	4,097
Carrying value of investments in associates	2,316	1,901	39,843	37,686	8,258	8,692	4,418	4,659	107,773
Total revenue	214	15,983	87,105	48,781	69,802	17,764	29,876	18,294	287,819
Total profit / (loss) for the year	(113)	4,935	34,117	18,833	30,077	3,631	4,233	128	95,841
Other comprehensive income	-	-	-	(1,646)	-	-	-	-	(1,646)
Total comprehensive income / (loss)	(113)	4,935	34,117	17,187	30,077	3,631	4,233	128	94,195
Dividends received	689	-	25,359	11,013	10,416	466	-	343	48,286

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24. Investments in Associates (Continued)

Summarised financial information for 2015 in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS, adjusted by the Group for equity accounting purposes.

<i>In millions of Kazakhstani Tenge</i>	JV Betpak Dala LLP	Kyzyklum LLP	JV KATKO LLP	JV Inkai LLP	JV South Mining Chemical Company LLP	JV Zarechnoe JSC	JV Khorasan-U LLP	Other	Total
Current assets	32,969	13,370	54,690	37,432	34,840	10,098	18,494	6,671	208,564
Non-current assets	1,107	29,165	66,893	141,047	34,653	14,252	18,205	34,472	339,794
Total assets	34,076	42,535	121,583	178,479	69,493	24,350	36,699	41,143	548,358
Current liabilities	(23,948)	(8,304)	(13,155)	(58,448)	(32,207)	(7,744)	(26,506)	(7,616)	(177,928)
Non-current liabilities	-	(32,614)	(9,015)	(13,560)	(2,502)	(880)	(544)	(16,444)	(75,559)
Total liabilities	(23,948)	(40,918)	(22,170)	(72,008)	(34,709)	(8,624)	(27,050)	(24,060)	(253,487)
Net assets	10,128	1,617	99,413	106,471	34,784	15,726	9,649	17,083	294,871
Group's share of net assets of associates	3,038	485	48,713	42,589	10,435	7,860	3,279	5,761	122,160
Unrealised profit in the Group	-	-	-	(2,077)	-	(347)	(428)	-	(2,852)
Other movements	-	(64)	-	-	-	-	-	-	(64)
Goodwill	-	-	68	-	-	42	-	2,584	2,694
Carrying value of investments in associates	3,038	421	48,781	40,512	10,435	7,555	2,851	8,345	121,938
Total revenue	10,119	8,397	90,329	46,392	66,367	17,516	25,864	16,765	281,749
Total profit / (loss) for the year	2,295	(12,561)	50,517	12,663	35,445	1,864	10,352	(3,787)	96,788
Other comprehensive income	-	-	-	45,466	-	-	-	-	45,466
Total comprehensive income / (loss)	2,295	(12,561)	50,517	58,129	35,445	1,864	10,352	(3,787)	142,254
Dividends received	12,522	-	20,812	400	-	-	-	91	33,825

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25. Investments in Joint Ventures

The table below summarises the movements in the carrying amount of the Group's investment in joint ventures:

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Carrying value at 1 January	43,519	37,529
Contributions to capital	4,640	73
Share of results of joint ventures	36,739	14,080
Share of other comprehensive (loss) / income of joint ventures	(216)	159
Dividends received from joint ventures	(21,066)	(7,267)
Impairment of investments in joint ventures	-	(53)
Classified as joint ventures (Note 24)	3,216	-
Disposals	(76)	-
Effect of translation to presentation currency	106	(1,002)
Carrying value at 31 December	66,862	43,519

In 2016, the Group increased its interest in Uranenergo LLP and reassessed presence of control, joint control and significant influence over the investee. As the result of this assessment, management concluded that the Group has joint control over Uranenergo LLP. Accordingly, the investment was reclassified from investments into associates to investments into joint ventures.

The Group's interests in its principal joint ventures were as follows:

	Country of incorporation	Principal activity	2016		2015	
			% ownership interest held	In millions of Kazakhstani Tenge	% ownership interest held	In millions of Kazakhstani Tenge
JV Akbastau JSC	Kazakhstan	Extraction, processing and export of uranium products	50.00%	19,398	50%	18,601
Karatau LLP	Kazakhstan	Extraction, processing and export of uranium products	50.00%	15,791	50%	15,490
Semizbay-U LLP	Kazakhstan	Extraction, processing and export of uranium products	51.00%	11,218	51%	9,331
Ulba TVS LLP	Kazakhstan	Construction of heat assembly units plant and production, marketing and sale of heat assembly units	51.00%	3,223	51%	63
Uranenergo LLP	Kazakhstan	Transfer and distribution of electricity, grid operations	58.02%	4,432	-	-
KazPerOxide LLP	Kazakhstan	Sale of hydrogen peroxide	-	-	50%	26
JV UKR TVS CJSC	Ukraine	Production of nuclear fuel	33.33%	21	33.33%	8
SKZ-U LLP	Kazakhstan	Production of sulphuric acid	49.00%	289	49%	-
TsOU CJSC	Russia	Production of advanced uranium products	50.00%	12,445	50%	-
Kazatomprom-Sorbent LLP	Kazakhstan	Supply of ion exchange resin	51.00%	-	51%	-
KAS GmbH	Germany	Development and implementation of high technology and innovative projects	50.00%	-	50%	-
Ulba Conversion LLP	Kazakhstan	Construction and operation of conversion plant in Kazakhstan	50.96%	45	50.96%	-
KRKAS JSC	Kazakhstan	Design and technical documentation of nuclear reactors and nuclear stations	50.00%	-	50%	-
Yingtian Ulba Shine Metal Materials Co., Ltd JSC	China	Beryllium rolls production	50.00%	-	50%	-
JV Budenovskoe LLP	Kazakhstan	Extraction, processing and export of uranium products	51.00%	-	-	-
Total investments in joint ventures				66,862		43,519

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

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25. Investments in Joint Ventures (Continued)

Summarised financial information on respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS, adjusted by the Group for equity accounting purposes.

<i>In millions of Kazakhstani Tenge</i>	Karatau LLP		Akbastau JSC		Semizbay-U LLP		TsOU CJSC		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Current assets	13,785	19,072	26,232	29,507	11,845	8,937	16,228	8,634	14,768	9,982	82,858	76,132
Including cash	3,965	1,009	16,793	12,374	359	569	7,455	49	6,220	5,888	34,791	19,889
Non-current assets	24,689	25,583	19,527	20,149	20,804	22,144	115,798	100,930	35,615	26,966	216,433	195,772
Total assets	38,474	44,655	45,759	49,656	32,649	31,081	132,026	109,564	50,383	36,948	299,291	271,904
Current liabilities	(2,753)	(8,873)	(1,411)	(8,019)	(15,413)	(15,570)	(18,180)	(121,512)	(9,363)	(9,380)	(47,120)	(163,354)
Including financial liabilities net of trade and other accounts payable and provisions		(7,981)	-	-	(12,217)	(13,430)	(5,157)	(113,554)	(5,921)	(7,509)	(23,295)	(142,474)
Non-current liabilities	(835)	(1,239)	(1,388)	(1,454)	(2,866)	(5,264)	(88,957)	-	(24,440)	(30,646)	(118,486)	(38,603)
Including financial liabilities net of trade and other accounts payable and provisions	-	-	-	-	(258)	(1,716)	(88,957)	-	(24,425)	(30,638)	(113,640)	(32,354)
Total liabilities	(3,588)	(10,112)	(2,799)	(9,473)	(18,279)	(20,834)	(107,137)	(121,512)	(33,803)	(40,026)	(165,606)	(201,957)
Net assets	34,886	34,543	42,960	40,183	14,370	10,247	24,889	(11,948)	16,580	(3,078)	133,685	69,947
Group's share of net assets of joint ventures	17,443	17,271	21,480	20,091	7,328	5,226	12,444	(5,974)	9,110	(1,511)	67,805	35,103
Share in accumulated unrecognised losses	-	-	-	-	-	-	1	-	292	7,587	293	7,587
Goodwill	-	-	-	-	4,105	4,105	-	-	(1,392)	71	2,713	4,176
Impairment	-	-	-	-	-	-	-	-	-	(76)	-	(76)
Unrealised profit in the Group	(1,652)	(1,781)	(2,082)	(1,490)	(215)	-	-	-	-	-	(3,949)	(3,271)
Carrying value of investments in joint ventures	15,791	15,490	19,398	18,601	11,218	9,331	12,445	(5,974)	8,010	6,071	66,862	43,519
Total revenue	48,720	49,829	40,534	36,065	24,388	25,149	65,951	37,528	18,442	12,705	198,035	161,276
Depreciation and amortisation	(4,414)	(4,706)	(3,870)	(3,118)	(3,827)	(3,461)	(2)	(2)	(1,209)	(794)	(13,322)	(12,081)
Interest income	54	56	380	38	32	28	-	828	2,601	43	3,067	993
Interest expense	(120)	(426)	-	-	(893)	(1,224)	-	(4,359)	(765)	(572)	(1,778)	(6,581)
Income tax	(6,580)	(6,344)	(5,491)	(5,491)	(1,304)	(777)	(9,264)	-	(1,388)	(550)	(24,027)	(13,162)
Profit / (loss) for the year	23,723	23,379	21,531	18,753	4,115	1,278	36,622	(14,353)	3,564	(10,329)	89,555	18,728
Dividends received	11,689	3,271	9,377	3,996	-	-	-	-	-	-	21,066	7,267

25. Investments in Joint Ventures (Continued)

As at 31 December 2016 the Group did not recognise its share of the accumulated losses that exceeded the cost of the investment of the following joint ventures: KRKAS JSC for Tenge 16 million (2015: Tenge 48 million), Ulba Conversion LLP for Tenge 17 million (2015: Tenge 17 million) and Kazatomprom-Sorbent LLP for Tenge 17 million (2015: Tenge 46 million).

26. Other Investments

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Investment available-for-sale		
Toshiba Nuclear Energy Holdings (US) Inc.	48,892	48,892
Toshiba Nuclear Energy Holdings (UK) Ltd.	17,112	17,112
Baiken-U LLP	1,022	1,022
Other	15	15
Total other investments	67,041	67,041

Investments in Toshiba Nuclear Energy Holdings (US) Inc and Toshiba Nuclear Energy Holdings (UK) Ltd

In October 2007, the Group invested into Toshiba Nuclear Energy Holdings US, Inc. (TNEH-US) and Toshiba Nuclear Energy Holdings UK Ltd (TNEH-UK), by acquiring 10% Class A ordinary shares for a total amount of USD 540,000 thousand (TNEH-US USD 400,000 thousand and TNEH-UK USD 140,000 thousand).

Simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Group entered into a put option agreement (the "Put Option") with Toshiba Corporation, the parent company of TNEH-US and TNEH-UK. At the end of 2012 the Group and Toshiba Corporation signed an agreement that extended the Group's right to exercise the Put Option from 1 October 2017 until 28 February 2018. The Put Option gives the Group a right to sell its shares in TNEH-US and TNEH-UK to Toshiba Corporation for 100% of the original price paid, which equals to USD 540,000 thousand for the first 67% of shares, and for 90% of the original price paid for the remaining 33% of shares, resulting in the price of the Put Option to be equal to USD 522,180 thousand.

Simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Company entered into a call option agreement (the "Call Option"). The Call Option provides Toshiba Corporation with the right to demand from the Group the sale of its TNEH-UK and TNEH-US shares if the Committee on Foreign Investment in the United States (CFIUS), a US government entity, decides that the Company is no longer a strategic partner. In such case, the fair value of the Group's shares will be determined by an independent international appraiser. The Call Option was not exercised by Toshiba Corporation at 31 December 2016.

The Group has classified investments in TNEH-US and TNEH-UK as available for sale as this best reflects the intention of the Group with regard to its ability and intention to hold the investment for the long-term.

As in previous years, management could not reliably estimate the fair value of the Group's investment in shares of TNEH-US and TNEH-UK. The investment is carried at cost. The investees have not published recent financial information about their operations, their shares are not quoted and recent trade prices are not publicly accessible.

Investments in Baiken-U LLP represent 5% interest in equity. Management could not reliably estimate the fair value of the Group's investment in Baiken-U LLP. The investment is carried at cost because investee's shares are not quoted and recent trade prices are not publicly accessible.

The Group does not plan to dispose other investments.

27. Accounts Receivable

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Trade accounts receivable	-	36
Total non-current accounts receivable	-	36
Trade accounts receivable	64,524	103,406
Trade accounts receivable from related parties	5,096	5,507
Total gross trade accounts receivable	69,620	108,913
Provision for impairment	(1,697)	(1,379)
Provision for impairment of trade accounts receivable from related parties	(64)	(350)
Total net trade accounts receivable	67,859	107,184
Other accounts receivable	510	778
Other accounts receivable from related parties	19	4
Total gross other accounts receivable	529	782
Provision for impairment of other accounts receivable	(467)	(454)
Total net other accounts receivable	62	328
Total current accounts receivable	67,921	107,512

Information on the Group's exposure to credit and currency risks and provision for impairment for accounts receivable is disclosed in Note 41.

28. Other Assets

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Non-current		
Long-term inventories	7,149	6,398
Advances for non-current assets	5,450	857
Restricted cash	3,470	7,032
Recoverable VAT	1,570	1,712
Loans to employees	839	1,174
Dividends receivable from related parties	694	620
Prepaid expenses	345	578
Advances to related parties for non-current assets	-	1,256
Total other non-current assets	19,517	19,627

28. Other Assets (Continued)

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Current		
Dividends receivable from related parties	5,916	7,513
Advances for goods and services	2,948	2,824
Advances to related parties for goods and services	498	728
Due from employees	451	471
Prepaid expenses	373	336
Prepaid insurance	335	434
Prepaid taxes other than income tax	185	228
Restricted cash	82	5
Other assets to related parties	16	-
Other	27	18
Total other current assets	10,831	12,557

Restricted cash within other current and non-current assets represent financial assets. Remaining other current and non-current assets are non-financial assets. Non-current inventories include stocks of enriched uranium which have been held by the Group since inception and are intended for use after the commissioning of new uranium pellet production facilities in future. Management does not have plans for usage of these inventories in operational activity during the year after the reporting date.

In accordance with the terms of its subsurface use agreements, the Group invests cash in long-term bank deposits to finance future site restoration activities. As of 31 December 2016, the Group held Tenge 4,189 million on the long-term deposit at Kazinvestbank JSC. Pursuant to the Decree of the Management Board of the National Bank of the Republic of Kazakhstan as of 26 December 2016, Kazinvestbank JSC license for conducting bank and other operations and activities on the capital markets was ceased. Accordingly, management believed that there is uncertainty on the timing of recoverability of the long-term deposit at Kazinvestbank JSC and recognised a provision for the full amount (Note 12). As at 31 December 2016, the balance of restricted cash on the long-term bank deposits related to subsurface use agreements was Tenge 3,467 million (2015: Tenge 6,888 million), net of the provision for the long-term deposit at Kazinvestbank JSC.

In 2015, an impairment provision was created for advances for non-current assets (Note 12).

29. Inventories

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Finished goods and goods for resale	88,595	70,636
Work-in-process	15,908	12,922
Raw materials	14,476	13,354
Materials in process	1,440	1,907
Spare parts	730	826
Fuel	656	506
Other materials	2,522	2,188
Provision for obsolescence and write-down to net realisable value	(4,232)	(2,647)
Total inventories	120,095	99,692

Movements in the provision for obsolescence are as follows:

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Balance at 1 January	(2,647)	(1,713)
Accrual of provision during the year	(2,060)	(1,789)
Reversal of provision during the year	85	83
Inventory write off during the year	378	777
Transfer to assets held for sale	2	-
Translation to presentation currency	10	(5)
Balance at 31 December	(4,232)	(2,647)

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30. Term Deposits

<i>In millions of Kazakhstani Tenge</i>	Currency	2016	2015
Non-current			
Tsesna Bank JSC	Tenge	15	15
Bank CentreCredit JSC	US Dollar	-	1,019
Tsesna Bank JSC	US Dollar	-	1,468
ATF Bank JSC	US Dollar	-	679
Kazkommertsbank JSC / BTA Bank JSC	Tenge	-	1
Total non-current term deposits		15	3,182
Current			
ATF Bank JSC	US Dollar	25,597	-
Tsesna Bank JSC	US Dollar	15,360	-
Bank RBK JSC	US Dollar	4,833	-
Halyk Bank Kazakhstan JSC	US Dollar	3,666	4,243
Bank CentreCredit JSC	US Dollar	2,868	-
Eurasian Bank JSC	US Dollar	1,911	560
Bank CentreCredit JSC	Tenge	1,102	269
ATF Bank JSC	Tenge	532	2
Halyk Bank Kazakhstan JSC	Tenge	175	50
Nurbank JSC	Tenge	100	-
Eurasian Bank JSC	Tenge	82	80
Sberbank JSC	Russian Rouble	70	93
Sberbank JSC	US Dollar	69	68
Fortebank JSC	Tenge	58	-
Tsesna Bank JSC	Tenge	48	48
SB Alfa Bank JSC	Russian Rouble	5	-
Kazkommertsbank JSC	US Dollar	-	3,395
Bank RBK JSC	Tenge	-	208
SB Alfa Bank JSC	Tenge	-	4
Total current term deposits		56,476	9,020

Interest rates on term deposits held by the Group as at 31 December 2016 vary from 0% to 18% per annum (2015: from 0% to 17% per annum). Information on the Group's exposure to interest rate risk and sensitivity analysis of relevant financial assets and financial liabilities is disclosed in Note 41.

31. Loans to Related Parties

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Non-current		
Kyzylkum LLP	19,151	18,033
Baiken-U LLP	-	13,100
Semizbay-U LLP	-	1,211
Total non-current loans to related parties	19,151	32,344
Current		
JV KRKAS JSC	13	13
Semizbay-U LLP	-	1,211
Total current loans to related parties	13	1,224

The weighted average annual interest rate on loans to related parties in 2016 was 8.47% (2015: 8.43%).

31. Loans to Related Parties (Continued)

In September and December 2010, the Group provided an interest-bearing long-term loan to Kyzylkum LLP. In 2012 the repayment schedule was revised to extend the term of maturity of the loan to 2024. In 2015, JV Khorasan-U LLP, the new holder of the subsurface use contract, was included as co-lender of the loan to Kyzylkum LLP. The loan is collateralised by the property of Kyzylkum LLP.

In September and December 2010, the Group provided an interest-bearing long-term loan to Baiken-U LLP. In 2012 the repayment schedule was revised to extend the term of the loan to 2022. However, in September 2016, Baiken-U LLP made an early repayment of the loan in full amount.

In September 2012, the Group provided a five-year loan to Semizbay-U LLP. This loan was secured by property of Semizbay-U LLP. The loan was repayable starting from 2014, and in 2016, Semizbay-U LLP made an early repayment of the loan in full amount.

32. Cash and Cash Equivalents

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Current bank accounts	62,323	53,246
Demand deposits	12,685	2,570
Cash in hand	44	53
Total cash and cash equivalents	75,052	55,869

33. Share Capital

At 31 December 2016, the total number of authorised and paid ordinary shares is 36,784,961 (2015: 36,692,361).

All shares of the Company are owned by NWF Samruk-Kazyna JSC (Note 1), which solely and ultimately decides on dividend distribution. Each ordinary share carries one vote.

In March 2015, the Company registered an issue of 92,600 additional ordinary shares with par value of Tenge 1,000 in total amount of 93 million Tenge. At 31 December 2015 these shares were not paid by the Parent. During 2016, the Parent contributed to the Company 100% of the entity Kazakhstan Nuclear Electric Stations JSC valued at Tenge 93 million as a payment of 92,600 shares (Note 40).

Dividends declared and paid during the year were as follows:

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Dividends payable at 1 January	-	-
Dividends declared during the year	12,031	2,323
Dividends paid during the year	(12,031)	(2,323)
Dividends payable at 31 December	-	-
Dividends per share declared during the year, in Tenge	328	63

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34. Loans and Borrowings

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Non-current		
Bank loans	76,861	119,481
Non-bank loans	323	295
Non-current loans and borrowings	77,184	119,776
Current		
Bank loans	50,581	52,845
Total current loans and borrowings	50,581	52,845

During 2015-2016 the Group obtained short term bank loans for the purpose of replenishment of working capital.

On 20 May 2010, the Group issued USD 500,000 thousand (Tenge 73,510 million) of unsecured 6.25% bonds due in 2015. Bond coupon was payable semi-annually in arrears on 20 November and 20 May starting from 20 November 2010. Bonds were issued and traded on London Stock Exchange and Kazakhstan Stock Exchange. On 20 May 2015, the Group repaid bonds for USD 500,000 thousand.

On 19 January 2015, the Group signed an agreement for unsecured syndicated loan with five banks for the total amount of USD 450 million. The purpose of the syndicated loan is to refinance bonds. The loan is repayable by equal instalments starting from September 2015 till June 2019. Covenants of the loan include restriction on significant sale and leaseback and factoring transactions by the Group as well as significant mergers, splits, amalgamations and corporate restructuring, significant acquisition and establishment of entities, except for allowed under the agreement. The Group is also required to maintain ratio of financial liabilities to EBITDA of not more than 3.5 to 1 and ratio of financial liabilities to equity of not more than 1 to 1.

Information about the Group's loans and borrowings is presented below:

<i>In millions of Kazakhstani Tenge</i>	Currency	Maturity	2016	2015
Bank loans				
Syndicated loan	US Dollar	2019	92,127	131,353
The Bank of Tokyo-Mitsubishi UFJ. Ltd	Euro	2024	17,178	20,440
Citibank Kazakhstan JSC	US Dollar	2017	7,736	-
Natixis Bank	US Dollar	2022	4,330	5,323
Kazkommertsbank JSC	Tenge	2020	4,233	4,233
Alfa-Bank JSC	US Dollar	2015-2016	1,838	1,743
Citibank Kazakhstan JSC	US Dollar	2016	-	1,311
Kazkommertsbank JSC	Tenge	2016	-	7,923
Total bank loans			127,442	172,326
Non-bank loans				
Kozhema-Katko-Demeu	Tenge	2024	323	295
Total non-bank loans			323	295

In 2016, the Group's weighted average interest rate on fixed interest rates on bank loans was 5.39% (2015: 4.97%) and on floating interest rate loans, was 2.81% (2015: 2.44%).

Loan covenants

The Group's various loan agreements include covenants with banks, pursuant to which the Group must comply with laws to which it is subjected, must not create or permit any security over its assets or dispose of assets, except for the cases indicated in loan agreements, and must obtain the lenders' approval for acquisitions, mergers and disposals if any. It must also sell uranium solely to customers for non-military purposes residing in countries which have signed the Nuclear Non-Proliferation Treaty, and are members of International Atomic Energy Agency.

34. Loans and Borrowings (Continued)

Additionally, the Group is subject to certain key financial covenants based on the Group's consolidated financial information, such as the debt to equity ratio, debt to EBITDA ratio and debt to net interest ratio, all calculated as defined in the various loan agreements. Management of the Group believes that it complied with the above covenants related to the Group's various loan agreements as at 31 December 2016.

Significant non-cash transactions

During 2015 and 2016 no significant borrowings were provided by banks as direct financing of suppliers.

35. Provisions

<i>In millions of Kazakhstani Tenge</i>	Compensation for occupational diseases	Environment protection	Site restoration	Other	Total
At 1 January 2015					
Non-current	568	2,576	13,732	26	16,902
Current	98	-	-	-	98
Total	666	2,576	13,732	26	17,000
Provision for the year	-	-	22	1	23
Unwinding of discount	42	162	870	1	1,075
Provision used	(95)	-	-	-	(95)
Change in estimates	(94)	(422)	(214)	-	(730)
Effect of translation	-	-	11	-	11
At 31 December 2015					
Non-current	419	2,316	14,420	28	17,183
Current	100	-	1	-	101
Total	519	2,316	14,421	28	17,284
Provision for the year	7	-	150	2	159
Unwinding of discount	35	155	909	1	1,100
Disposals	-	-	(25)	-	(25)
Provision used	(95)	-	-	-	(95)
Change in estimates	-	262	(1,268)	-	(1,006)
Effect of translation	-	-	1	-	1
At 31 December 2016					
Non-current	369	2,733	14,187	31	17,320
Current	97	-	1	-	98
Total	466	2,733	14,188	31	17,418

Provision for compensation for occupational diseases

In accordance with Articles 939, 943 and 944 of the Civil Code of the Republic of Kazakhstan, the Group is required to pay compensation for occupational diseases and disability arising during the period of employment, or during retirement as a result of disease or disability occurring due to former work conditions.

In determining the amount of the provision, the Group management base their estimates on the number of persons currently entitled to the compensation, the estimated duration of payments and the average annual payments to various categories of employees based on their relative salaries extrapolated for the estimated future rates of disease and disability during the expected lifetime of current and former employees. As at 31 December 2016, the undiscounted amount of the estimate is Tenge 766 million (2015: Tenge 852 million). This estimate has been recognised at present value using a discount rate of 7.08% (2015: 6.70%) and inflation rate of 5.13% (2015: 6.00%). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

35. Provisions (Continued)

Provision for environmental protection

The Group, pursuant to the legislation of the Republic of Kazakhstan on environmental protection, is required to dispose of radioactive waste and to decommission and dispose of polluted property, plant and equipment. As at 31 December 2016, the undiscounted value of the estimated costs to comply with this legislation was Tenge 58,176 million (2015: Tenge 57,134 million). A substantial part of environmental protection expenses pertains to years 2068-2073. In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses that will be incurred. In computing the provision for environmental protection the Group used a discount rate of 7.08% (2015: 6.70%) and inflation rate of 5.13% (2015: 5.13%). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

When determining the amount of the environmental provision, Group management used assumptions and assessments based on the experience of decommissioning and clean-up work of a similar nature carried out in 2000-2016, and considered the input provided by both in-house engineers and professional advisors based on their best interpretation of the current environmental legislation.

Provision for reclamation of mine sites

The Group estimates the site restoration costs for each field operated by the Group. The undiscounted estimated cost of reclamation activities is Tenge 23,589 million (2015: Tenge 26,972 million). The amount of provision for asset retirement obligations was calculated using current prices (the prices effective at the reporting date) for expenditures to be incurred and then inflated using the forecast inflation rate effective for the period until the settlement of obligations (5.13% for the period 2017-2038). The present value at 31 December 2016 has been estimated using a discount rate of 7.08% (2015: 6.70%), which is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses that will be incurred in performing site restoration activities for each field (Note 4).

Changes in estimates occur due to annual revision of costs for site liquidation including newly drilled wells, settlers and other facilities subject to subsequent liquidation.

In accordance with the terms of the subsurface use agreements the Group places cash in long-term bank deposits to finance future site restoration activities. As at 31 December 2016, the accumulated amount of restricted such deposits was Tenge 7,656 million (2015: Tenge 6,888 million) (Note 28).

Key assumptions, in addition to the discount rate noted above, which serve as the basis for determining the carrying value of the provision for reclamation of mine sites provision are as follows:

- there is a high probability that the Group will proceed to development and production stages for its fields which are currently under exploration. The Group publicly announced about the plans to increase number of uranium mines as a part of the Group's long-term plan. The strategic plan was approved by the Government of Kazakhstan. These facts set out a constructive obligation for the Group to recognise the site restoration provision for all mining and exploration licenses;
- the expected term for future cash outflows for the mine sites is based on the life of the mines. A substantial part of expenditures is expected to occur in 2019-2034, at the end of the life of the mine; and
- inflation rate is 5.13% per annum.

36. Accounts Payable

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Non-current		
Trade accounts payable	574	585
Total financial non-current accounts payable	574	585
Other accounts payable	7	-
Total other non-current accounts payable	7	-
Total non-current accounts payable	581	585
Current		
Trade accounts payable to related parties	54,964	71,826
Trade accounts payable	18,308	29,094
Total financial current accounts payable	73,272	100,920
Other accounts payable to related parties	74	14
Other accounts payable	1,308	688
Total other accounts payable	1,382	702
Total current accounts payable	74,654	101,622

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 41.

37. Other Liabilities

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Non-current		
Historical costs liabilities	2,453	3,224
Advances received from related parties	1,579	1,698
Deferred income	723	546
Issued financial guarantees	179	378
Preferred shares	265	265
Advances received	-	30
Total non-current other liabilities	5,199	6,141
Current		
Accrued unused vacation payments and bonuses	4,020	3,447
Advances received from related parties	1,078	2,426
Wages and salaries payable	1,892	2,049
Advances received	2,220	1,483
Social contributions payable	872	850
Historical costs liabilities	874	909
Dividends payable to other participants	255	245
Deferred income	90	75
Other liabilities to related parties	-	7
Other	488	1,297
Total current other liabilities	11,789	12,788

Historical costs liabilities

In accordance with the terms of the subsurface use contracts the Group is required to reimburse the historical costs related to the 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. In accordance with tax legislation, the historical costs are to be reimbursed to the Government via quarterly payments over a 10 year period, beginning from the date of commercial extraction of uranium. The liability represents the discounted cash flow of estimated future payments. The discount rate applied in 2016 is 3.3% (2015: 3.3%) for historical costs denominated in USD and 7% for historical costs denominated in Tenge (2015: 7%).

38. Contingencies and Commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims.

Tax legislation

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. In particular, existing subsurface use contracts do not have tax stability from 1 January 2009 and tax liabilities are computed under common regime. This could result in unfavourable changes to subsurface users' tax positions, including those of the Group. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

The Group management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained. Detailed information on pending tax disputes and assessments is presented below in this Note. In the opinion of the Group 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.

38. Contingencies and Commitments (Continued)

(a) Transfer pricing legislation

Under law on transfer pricing international transactions are subject to state control. This law prescribes Kazakhstani companies to maintain and, if required, to provide economic rationale and method of the determination of prices used in international transactions, including existence of the documentation supporting the prices and differentials. Additionally, differentials could not be applied to the international transactions with companies registered in off-shore countries. In case of deviation of transaction price from market price the tax authorities have the right to adjust taxable items and to impose additional taxes, fines and interest penalties.

Regardless of the inherent risks that the tax authorities may question transfer pricing policy of the Group, related to the new law on transfer pricing, the management of the Group believes that it will be able to sustain its position in case if transfer pricing policy of the Group will be challenged by the tax authorities. From 1 January 2009 the Group self-assesses additional income tax to reflect market prices. The amount of recognised liability for 2016 is Tenge 693 million (2015: Tenge 542 million) (Note 17).

In July 2015, a documentary thematic inspection on state control over transfer pricing for 2008 was completed at the Company. As a result of the inspection the Company received report and notice No. 2041 of 22 July 2015 of payment of additional corporate income tax, penalties and interest for total amount of Tenge 3,302 million including corporate income tax for Tenge 2,512 million and interest of Tenge 790 million. An administrative fine was not assessed due to statute of limitation. The Group did not agree with the notice and filed the appeal No. 0416/2964 on 3 September 2015 to State Revenue Committee of Ministry of Finance. As of 31 December 2015, management did not recognise any provisions related to the tax inspection over transfer pricing for 2008, as the Group had positive experience of appealing results of 2002-2006 tax inspection over transfer pricing in court on a similar case.

During 2016, the Committee for State Revenue of Ministry of Finance dismissed the appeal of the Company. On 20 July 2016, the Company filed an appeal with Astana Appeal Court Collegiate. On 22 September 2016, the Astana Appeal Court Collegiate rejected to consider the Company's case. As of the date of these consolidated financial statements the Company has decided not to appeal further with the Supreme Court although the Company has time to appeal till 22 March 2017. During the period of the appeals, additional penalty in amount of Tenge 206 million was accrued. The Company recognised the whole amount of the additional corporate income in amount of Tenge 2,512 million within income tax expense (Note 17) and the penalty in amount of Tenge 996 million within general and administrative expenses (Note 11).

(b) Complex tax inspections of the Group entities

In accordance with the order of Astana City tax department of 13 February 2014, NAC Kazatomprom JSC was subject to complex tax inspection covering tax liabilities for all taxes and other mandatory payments for 2009-2012. Based on the results of tax inspection (Act No. 186 of 30 December 2014), the Company was issued a notice of additional assessments for total amount of Tenge 3,035 million, including taxes for Tenge 1,735 million (including corporate income tax for Tenge 980 million, excess profit tax for Tenge 155 million, property tax for Tenge 77 million, mineral extraction tax for Tenge 234 million, commercial discovery bonus for Tenge 288 million, and other taxes for Tenge 1 million), penalties for Tenge 339 million, and requirement to pay administrative fine for Tenge 961 million.

On 13 February 2015, the Company filed an appeal to the State Revenue Committee of Ministry of Finance on disagreement of the inspection findings. On 18 January 2016, the Company received Notice No. 186/1 on results of the appeal on the tax inspection results for total amount of Tenge 1,215 million including corporate income tax for Tenge 522 million, excess profit tax for Tenge 91 million, commercial discovery bonus for Tenge 288 million, property tax for Tenge 77 million, mineral extraction tax for Tenge 21 million, withholding tax for Tenge 1 million and penalties for Tenge 215 million. In accordance with the amendments to Article 396 of the Tax Code of the Republic of Kazakhstan, the Company accrued additional property tax on the mine development assets for Tenge 77 million and mineral extraction tax for Tenge 21 million.

On 5 March 2016, the Company filed a case with the Specialised Interregional Economic Court of Astana against Notice No. 186/1 on additional assessment of taxes for Tenge 901 million, including corporate income tax for Tenge 522 million, excess profit tax for Tenge 91 million and commercial discovery bonus for Tenge 288 million.

On 27 April 2016, the court decided to dismiss the Company's case against the Astana City State Revenue Department. On 18 May 2016, the Company filed an appeal with Appeal Collegiate of Astana City Court. On 22 June 2016, the Appeal Collegiate of Astana City Court made a decision to dismiss the appeal, and the Company decided not to appeal to the Supreme Court. The Group recognised a liability in amount of Tenge 1,598 million for these assessments including taxes, penalty and interest in 2015, therefore, the latest developments did not have impact on these consolidated financial statements.

38. Contingencies and Commitments (Continued)

As at 31 December 2014, tax authorities completed complex tax inspection of APPAK LLP covering tax liabilities for all taxes and other mandatory payments for 2010-2012. Based on the results of the tax inspection, APPAK LLP was issued a notice of additional assessments for total amount of Tenge 2,312 million (including corporate income tax for Tenge 1,300 million, excess profit tax for Tenge 474 million, property tax for Tenge 368 million, mineral extraction tax for Tenge 170 million), penalties for Tenge 758 million, and requirement to pay administrative fine for Tenge 1,156 million.

APPAK LLP filed an appeal to State Revenue Committee of Ministry of Finance. Following unsuccessful appeal, APPAK LLP filed a case with Economic Court of Al-Farabi District in the city of Shymkent against assessment of Tenge 840 million, including corporate income tax for Tenge 628 million and penalty for Tenge 212 million. The case of APPAK LLP was dismissed. APPAK LLP further filed an appeal with Shymkent City Court, and on 18 October 2016 the Appeal Collegiate the South Kazakhstan regional court cancelled the initial tax inspection results for a new consideration at the first instance court. On 8 November 2016, the Shymkent city court acceded to the request of APPAL LLP to forward the case to the investment court of Astana city. APPAK LLP followed a conservative approach and recognised as at 31 December 2015 a liability for Tenge 1,274 million, including corporate income tax for Tenge 627 million (Note 17), penalty for Tenge 212 million and fine for Tenge 435 million. During 2016, APPAK LLP additionally recognised a penalty in amount of Tenge 183 million (Note 11).

On 30 September 2015, the tax examination of APPAK LLP in respect of transactions with Adet LLP was completed. Based on the examination, the notice on assessment of additional corporate income tax for Tenge 243 million and VAT for Tenge 121 million was issued. The appeals to the State Revenue Committee of the Ministry of Finance, the Special Interregional Economic Court of the South Kazakhstan Region, Appellate collegiate of the regional court of South Kazakhstan region, and Supreme Court have been dismissed. APPAK LLP created a tax provision in 2015 for Tenge 369 million including taxes for Tenge 364 million and penalty for Tenge 5 million so that the latest developments did not have impact on these consolidated financial statements.

In 2014, tax authorities completed complex tax inspection for 2009-2012 of JV KATKO LLP, the Group's associate engaged in extraction and sale of uranium products. Based on the results of inspections, JV KATKO LLP was issued with assessments for total amount of approximately Tenge 12 billion (the Group's share is approximately Tenge 6 billion). JV KATKO LLP filed an appeal with the Tax department of South Kazakhstan region. Based on the appeal, the assessment was revised to Tenge 7,300 million in July 2016. JV KATKO LLP unsuccessfully appealed the assessment with the State Revenue Committee of the Ministry of Finance and Astana city court. On 9 January 2017, the Group appealed to the Specialised court collegiate of the Supreme Court. Consistently with the Group companies JV KATKO LLP recognised a liability for the property tax and related mineral extraction tax. As of 31 December 2015 JV KATKO LLP reconsidered the tax provisions recognised earlier and recorded Tenge 1,740 million for corporate income tax, property tax and mineral extraction tax and a provision for administrative fines and penalties and other assessments in amount of Tenge 4,295 million. The revision of assessments did not have impact on these consolidated financial statements.

Privatisation

In 2014, the Government of Kazakhstan issued a decree on privatisation of certain non-core assets. According to this decree, the Group was recommended to dispose of interests in six subsidiaries and associates in 2014-2016. In 2014, the Group disposed of its interest in Kazgeomash LLP. In 2015, the government of Kazakhstan approved target indicators for implementation of 2016-2020 privatisation plan. The plan envisages privatisation of additional sixteen insignificant entities.

According to the privatisation plan, the Group plans sale of JV KT Rare Metals Company LLP and Kyzyltu LLP in 2017. As at 31 December 2016 there was a high probability of sales of these entities. Accordingly, the Group recognised assets and liabilities of disposal groups as held for sale (Note 40).

Insurance

The Kazakhstani insurance industry is in development, and many forms of insurance protection common in other countries are not yet available. The Group does not have full insurance coverage for its manufacturing plants, including for damages caused by the stoppage of production or obligations incurred to third parties in connection with damages caused to the property or the environment resulting from accidents or operations.

Environmental obligations

As at the reporting date management concluded that the Group has no legal or constructive obligation to finance decommissioning, maintaining and dismantling of reactor BN-350. Events in the future may lead to the reconsideration of this matter. Depending on future developments management will reassess presence of obligation based on available facts and circumstances. Should obligations to finance activities for decommissioning of reactor BN-350 be transferred to the Group, this would require the recognition of appropriate provision.

38. Contingencies and Commitments (Continued)

Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. The maximum exposure to credit risk for financial guarantees given to secure financing of certain related parties at the reporting date is Tenge 21,649 million (2015: Tenge 67,479 million).

Compliance with covenants

The Group is subject to certain covenants related primarily to its loans and borrowings (Note 34). Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings. The Group was in compliance with covenants at 31 December 2016 and 31 December 2015.

Subsurface use commitments

The Group has capital commitments of Tenge 4,927 million under subsurface use contracts annual minimum working programs approved for 2017 (2016: Tenge 5,622 million).

Memoranda with South-Kazakhstan and Kyzylorda regions akimats

In December 2014, the Group signed memoranda with South Kazakhstan and Kyzylorda akimats for cooperation within the 2015-2016 social and economic development framework. In accordance with those memoranda social facilities owned by the Group were expected to be transferred to public ownership and financed by the Group for Tenge 3.6 billion in 2015-2016. In 2015, the Group transferred social facilities and paid Tenge 1.6 billion. Memoranda also envisage financing of construction of three social facilities for the total amount of Tenge 3.2 billion and business centre in Shymkent in 2015-2016. In 2015, the social objects were transferred to public ownership free of charge together with funds for maintenance in total amount of Tenge 1.6 billion.

In accordance with the memoranda on cooperation within social and economic development framework of South Kazakhstan and Kyzylorda regions, the Group transferred Tenge 3.1 billion in 2016, including Tenge 800 million for construction works, Tenge 1.5 billion for maintenance of fixed assets, and 800 million for financing. As of 31 December 2016, the Group has fully fulfilled the terms of the memoranda on social and economic development framework of South Kazakhstan and Kyzylorda regions.

Significant planned transactions

(a) Agreement with Cameco

In 2016, the Company and Canadian Cameco Corporation which owns 60% of interest in JV Inkai LLP, signed a restructuring agreement. The agreement stipulates further development of joint projects for next 30 years at JV Inkai LLP, namely, prolongation of subsoil use contract term and increase of the Company's interest in JV Inkai LLP from 40% to 60%. The agreement also stipulates the terms on creation of a joint affintage production. Increase in production volume and redistribution of interest is expected from 2019. This transaction does not have impact on the consolidated financial statements for 2016, but will have significant impact in future.

(b) Agreement with Uranium One Inc.

In October 2016, the Russian Rosatom Corporation, the Ministry of Energy of the Republic of Kazakhstan and the Company signed a memorandum of understanding and increase of strategic cooperation in nuclear fuel cycle. As a development to this memorandum, the Company and Uranium One Inc., which is part of the international uranium producing division of Rosatom Corporation, signed an agreement on further development of Karatau LLP. This transaction does not have impact on the consolidated financial statements for 2016, but will have significant impact in future.

(c) Corporate claims

In 2006, NAC Kazatomprom JSC sold 95% and 40% of interest in Baiken-U LLP and Kyzylkum LLP, respectively, as a result of which the Group lost control (under IFRS) over these entities. There is a court claim filed by NAC Kazatomprom JSC in an offshore jurisdiction for recognition of its rights for shares in an offshore-based entity that owns certain portion of interest in Baiken-U LLP and Kyzylkum LLP. As at 31 December 2016, Kyzylkum LLP is recognised as investment in associate (Note 24) and Baiken-U LLP as other investment (Note 26). Full disclosure of this confidential matter is not provided in these consolidated financial statements. Disclosure of such information may seriously prejudice the position of the Group in litigation/negotiation process with involved parties. Currently, the resolution of this matter is in the process. Management believes that the Group does not have any material liabilities or contingent liabilities as a result of this matter.

39. Non-controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group at 31 December 2016:

Name	Country of incorporation and principal place of business	Ownership rights held by non-controlling interest	Voting rights held by non-controlling interest	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest
Ulba Metallurgical Plant JSC	Kazakhstan	9.82%	9.82%	644	6,405
Appak LLP	Kazakhstan	35%	35%	2,761	6,501
JV SARECO LLP	Kazakhstan	49%	49%	(608)	(1,673)
Total				2,797	11,233

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group at 31 December 2015:

Name	Country of incorporation and principal place of business	Ownership rights held by non-controlling interest	Voting rights held by non-controlling interest	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest
Ulba Metallurgical Plant JSC	Kazakhstan	9.82%	9.82%	1,022	6,008
Appak LLP	Kazakhstan	35%	35%	295	3,829
JV SARECO LLP	Kazakhstan	49%	49%	(3,104)	(1,065)
Total				(1,787)	8,772

JSC National Atomic Company Kazatomprom
Notes to the Consolidated Financial Statements – 31 December 2016

39. Non-controlling Interest (Continued)

The summarised financial information of these subsidiaries was as follows:

<i>In millions of Kazakhstani Tenge</i>	Ulba Metallurgical Plant		APPAK LLP		JV SARECO LLP	
	JSC					
	2016	2015	2016	2015	2016	2015
Current assets	41,855	37,707	21,641	18,257	186	604
Non-current assets	35,578	35,454	14,542	14,244	227	281
Current liabilities	(4,076)	(3,123)	(15,811)	(20,132)	(3,827)	(3,058)
Non-current liabilities	(5,622)	(5,779)	(1,813)	(1,434)	-	-
Equity attributable to the Group	67,735	58,251	18,570	7,106	(1,741)	(1,108)
Non-controlling interest	41,855	6,008	-	3,829	(1,673)	(1,065)
Revenue	38,977	33,817	23,902	19,818	34	47
Expense	(32,320)	(22,929)	(16,018)	(18,963)	(1,275)	(6,381)
Profit / (loss) for the year	6,657	10,888	7,884	855	(1,241)	(6,334)
Profit attributable to the owners of the Company	6,013	9,866	5,123	560	(633)	(3,230)
Profit attributable to non-controlling interest	644	1,022	2,761	295	(608)	(3,104)
Profit / (loss) for the year	6,657	10,888	7,884	855	(1,241)	(6,334)
Other comprehensive income / (loss)	32	106	4	(40)	-	-
Total comprehensive income / (loss) for the year	6,689	10,994	7,888	815	(1,241)	(6,334)
Dividends paid to non-controlling interest during the year	-	-	-	-	-	-
Net cash inflow/(outflow) from:						
- operating activities	7,015	6,060	4,512	4,628	7	(719)
- investing activities	(4,046)	(9,055)	(1,795)	(1,309)	9	(106)
- financing activities	(2,945)	(268)	(247)	(3,963)	-	887
Net cash inflow / (outflow)	24	(3,263)	2,470	(644)	16	62

40. Principal Subsidiaries

These consolidated financial statements include the following subsidiaries:

	Principal activity	Ownership/voting	
		2016	2015
MAEK-Kazatomprom LLP	Production, transfer and sales of electric power and heat, production and sales of potable, technical and distilled water, transportation of sea water and gas	100%	100%
Kazatomprom-Damu LLP (Kazatomprom-Demeu LLP)	Social services, construction and management of social services facilities in subsurface use areas	90%	90%
Bailanys-NAK LLP	Communication services	100%	100%
Korgan Kazatomprom LLP	Security services	100%	100%
APPAK LLP	Exploration, extraction and initial processing of uranium-containing ores	65%	65%
Ulba Metallurgical Plant JSC	Production and processing of uranium materials, production of rare metals and semiconductor materials	90.18%	90.18%
Volkovgeologiya JSC	Exploration and research of uranium reserves, drilling services, monitoring of radiation level and environment conditions	90%	90%
High Technology Institute LLP	Research, project, development and engineering consulting services	100%	100%
Kyzyltu LLP	Exploration, extraction and processing of molybdenum-copper ores with uranium content	76%	76%
JV SARECO LLP	Ore enrichment, hydro-metallurgical production of rare metals concentrates, chemical production of rare metals	51%	51%
MK KazSilicon LLP	Production and sale of metallurgical and polycrystalline silicon, recycling of silicon production waste	100%	100%
Kazakhstan Solar Silicon LLP	Production of silicon of solar quality, silicon slices and photovoltaic slices	100%	100%
Astana Solar LLP	Production of photovoltaic modules	100%	100%
JV KT Rare Metals Company LLP	Project feasibility works for exploration of rare metals	51%	51%
DP Ortalyk LLP	Production services, processing to chemical uranium concentrate and mine development services	100%	100%
RU-6 LLP	Exploration, production and preliminary processing of uranium ore	100%	100%
Kazatomprom-SaUran LLP	Exploration, production and preliminary processing of uranium ore	100%	100%
Geotechnoservice LLP	Development of mining works plans, mining projects, geophysical research	100%	100%
Trade and Transportation Company LLP	Procurement and transportation services	99.9998%	99.9998%
Kazakhstan Nuclear Electric Stations JSC	Implementation of projects on construction of nuclear electric stations and their operation	100%	-
Kazakatom TH AG	Marketing function for sale of uranium, investment and administration of finances, goods and rights	100%	-
Remmontazhservice LLP	Field piping, repairs, production of non-standard equipment and maintenance	-	100%
Kutkarushi Tau-ken LLP	Firefighting services	-	100%
Ecoenergomash LLP	Production of vertical wind power station for complex renewable power supply systems	-	100%
Kazakhstan Nuclear University LLP	Education services	-	100%
TGHP LLP	Exploration, production and preliminary processing of uranium ore	-	100%
Stepnoe RU LLP	Exploration, production and preliminary processing of uranium ore	-	100%

In 2016, the Company incorporated a subsidiary Kazakatom TH AG in Switzerland. All other subsidiaries are incorporated and operate in Kazakhstan.

During 2016, the Parent increased the share capital of the Company by contribution in kind of a subsidiary Kazakhstan Nuclear Electric Stations JSC valued at Tenge 93 million (Note 33).

In 2016, Ecoenergomash LLP and Kazakhstan Nuclear University LLP merged with High Technology Institute LLP; TGHP LLP, Stepnoe RU LLP and Remmontazhservice LLP merged with Kazatomprom SaUran-U LLP; Kutkarushi Tau-ken LLP was liquidated.

According to the privatisation plan, the Group plans sale of JV KT Rare Metals Company LLP and Kyzyltu LLP in 2017. As at 31 December 2016 there was a high probability of sales of these entities. Accordingly, the Group recognised assets and liabilities of disposal groups as held for sale.

41. Financial Risk Management

Accounting policies and disclosures in respect of financial instruments are applied to the following classes of financial instruments:

<i>In millions of Kazakhstani Tenge</i>	Note	2016	2015
Financial assets			
Other investments	26	67,041	67,041
Trade accounts receivable	27	67,859	107,220
Other accounts receivable	27	62	328
Restricted cash	28	3,552	7,037
Dividends receivable from related parties	28	5,916	8,769
Loans to employees	28	839	1,174
Term deposits	30	56,491	12,202
Loans to related parties	31	19,164	33,568
Current bank accounts	32	62,323	53,246
Demand deposits	32	12,685	2,570
Cash in hand	32	44	53
Total financial assets		295,976	293,208
Financial liabilities			
Bank loans	34	127,442	172,326
Non-bank loans	34	323	295
Trade accounts payable	36	73,846	101,505
Other accounts payable	36	1,389	702
Finance lease liabilities		164	-
Historical costs liabilities	37	3,327	4,133
Issued financial guarantees	37	179	378
Preferred shares	37	265	265
Dividends payable to other participants	37	255	245
Total financial liabilities		207,190	279,849

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. Risk management policies and systems are regularly analysed for the need of revision due to changes in market conditions and the Group operations. The Group sets standards and training and management procedures to create streamlined and effective system of controls where all employees understand their roles and responsibilities. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's policy for management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets. Financial assets, which potentially expose the Group to credit risk, consist mainly of trade and other receivables, cash and cash equivalents, term deposits and loans to employees and related parties.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the statement of financial position.

41. Financial Risk Management (Continued)

The credit risk on cash and cash equivalents and term deposits is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The table below shows credit ratings of banks where the Group had placements as at 31 December 2016:

<i>In millions of Kazakhstani Tenge</i>	Rated Standard & Poor's B	Rated Standard & Poor's C	Other	Total
Restricted cash	3,547	5	-	3,552
Term deposits	56,491	-	-	56,491
Current bank accounts	43,340	17,017	1,966	62,323
Demand deposits	2,184	10,501	-	12,685
Total	105,562	27,523	1,966	135,051

The table below shows credit ratings of banks where the Group had placements as at 31 December 2015:

<i>In millions of Kazakhstani Tenge</i>	Rated Standard & Poor's B	Rated Standard & Poor's C	Other	Total
Restricted cash	7,037	-	-	7,037
Term deposits	12,202	-	-	12,202
Current bank accounts	49,755	-	3,491	53,246
Demand deposits	2,570	-	-	2,570
Total	71,564	-	3,491	75,055

The Group's exposure to credit risk in respect of trade accounts receivable is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The Group is exposed to concentrations of credit risk. Approximately 52% of the Group's revenue for 2016 (77% of trade accounts receivable at 31 December 2016) is attributable to sales transactions with seven main customers (2015: 52% of revenues and 77% of trade accounts receivable with seven main customers). The Group defines counterparties as having similar characteristics if they are related entities.

The Group applies a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group does not require collateral in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

<i>In millions of Kazakhstani Tenge</i>	2016	2015
China	24,600	37,789
USA	13,727	24,744
European Union	10,650	22,403
Kazakhstan	9,334	10,556
Japan	3,622	8,829
Russia	128	602
Canada	1,690	-
Other	4,108	2,297
Total	67,859	107,220

41. Financial Risk Management (Continued)

The most significant clients of the Group are China Nuclear Energy Industry Corporation, TradeTech Energy LLC, Exelon Generation Company LLC, Electricite de France, and Urangesellschaft mbH, CNNC International (HK) Limited, ITC Nuclear Fuel Service (Cayman) LTD (2015: China Nuclear Energy Industry Corporation, TradeTech Energy LLC, Exelon Generation Company LLC, Electricite de France, and Urangesellschaft mbH). As at 31 December 2016, the cumulative balance receivable from these clients was Tenge 42,366 million (2015: Tenge 79,950 million).

The average credit period taken on sales of goods is 30 days. No interest is charged on receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at the refinancing rate set by the National Bank of the Republic of Kazakhstan (2016: 5.5%; 2015: 5.5%) on the outstanding balance. Allowances against doubtful debts are recognised against trade receivables between 30 days and 120 days and over 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

As at reporting date, the ageing of the trade receivables was as follows:

	2016		2015	
	Trade accounts receivable	Other accounts receivable	Trade accounts receivable	Other accounts receivable
<i>In millions of Kazakhstani Tenge</i>				
Not past due and not impaired	66,551	62	105,320	328
Past due but not impaired				
Past due for 0-30 days	784	-	998	-
Past due for 31-120 days	346	-	762	-
Past due for more than 120 days	178	-	140	-
Total past due but not impaired	1,308	-	1,900	-
Past due and impaired				
Past due for more than 120 days	1,761	467	1,729	454
Total past due and impaired	1,761	467	1,729	454
Provision for impairment	(1,761)	(467)	(1,729)	(454)
Total	67,859	62	107,220	328

Balances not past due and not impaired relate to a number of independent customers for whom there is no recent history of delay in payments. The provision for impairment is recognised for receivables with delays in collection.

41. Financial Risk Management (Continued)

During the reporting period, the movement on the provision for doubtful debts was as follows:

<i>In millions of Kazakhstani Tenge</i>	Trade accounts receivable	Other accounts receivable
Provision at 1 January 2015	1,328	380
Provision for the year	633	77
Reversal	(11)	-
Amounts written-off	(222)	(3)
Translation to presentation currency	1	-
Provision at 31 December 2015	1,729	454
Provision for the year	410	59
Reversal	(172)	-
Amounts written-off	(206)	(45)
Transfer to assets held for sale	-	(1)
Provision at 31 December 2016	1,761	467

Credit risk exposure in respect of loans to related parties (Note 31) and loans to employees (Note 28) arises from possibility of non-repayment of extended funds. For loans to joint ventures and associates and employees the Group manages the credit risk by requirement to provide collateral in lieu of borrowers' property. Borrowers do not have a credit rating.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the corporate finance and treasury department of the Group. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowing, trade and other payables and debt securities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations which excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Below is a summary of the Group's undrawn borrowing facilities and available cash and cash equivalents, including term deposits, which are the important instruments in managing the liquidity risk:

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Current deposits	69,161	11,590
Current bank accounts	62,323	53,246
Undrawn borrowing facilities	44,758	54,807
Total	176,242	119,643

The table below shows liabilities at the reporting date by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

41. Financial Risk Management (Continued)

The following are the contractual maturities of financial liabilities at 31 December 2016:

<i>In millions of Kazakhstani Tenge</i>	Carrying value	Contractual cash flows	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	127,442	137,222	368	16,917	37,040	77,380	5,517
Non-bank loans	323	323	-	-	-	-	323
Trade accounts payable	73,846	73,846	-	73,272	-	574	-
Other accounts payable	1,389	1,389	-	1,389	-	-	-
Historical costs liabilities	3,327	3,815	-	136	737	2,942	-
Finance lease liabilities	164	164	-	44	-	120	-
Issued financial guarantees	179	179	-	-	-	179	-
Preferred shares	265	265	-	-	265	-	-
Dividends payable to other participants	255	255	-	255	-	-	-
Total	207,190	217,458	368	92,013	38,042	81,195	5,840

The following are the contractual maturities of financial liabilities at 31 December 2015:

<i>In millions of Kazakhstani Tenge</i>	Carrying value	Contractual cash flows	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	172,326	186,736	486	13,693	44,063	120,620	7,874
Non-bank loans	295	295	-	-	-	-	295
Trade accounts payable	101,505	101,505	-	100,920	-	585	-
Other accounts payable	702	702	-	702	-	-	-
Historical costs liabilities	4,133	4,758	-	190	831	3,234	503
Issued financial guarantees	1,665	1,665	-	1,287	-	378	-
Preferred shares	265	265	-	-	-	-	265
Dividends payable to other participants	245	245	245	-	-	-	-
Total	281,136	296,171	731	116,792	44,894	124,817	8,937

Maximum contractual cash outflows under guarantees is disclosed in Note 38.

Market risk

The Group takes on exposure to market risks. Market risk is the risk that changes in market prices will have a negative impact on the Group's income or the value of its financial instrument holdings. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. The objective of market risk management is to monitor and control market risk exposures within acceptable limits, while optimising the return on investments. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

41. Financial Risk Management (Continued)

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the functional currency. Borrowings are denominated in currencies that match the cash flows generated by operating entities in the Group. Therefore, in most cases, economic hedging is achieved without derivatives. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by planning future expenses taking into consideration the currency of payment. The Group is mainly exposed to the risk of USD currency fluctuations. The Group's exposure to currency risk was as follows:

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Denominated in US Dollars		
Trade accounts receivable	58,376	96,261
Other account receivables	-	216
Loans to related parties*	19,151	31,133
Current bank accounts	43,577	44,621
Demand deposits	11,978	1,020
Term deposits	54,304	11,432
Total assets	187,386	184,683
Bank loans	(106,031)	(139,730)
Trade accounts payable	(11,487)	(11,937)
Historical costs liabilities	(2,813)	(4,133)
Total liabilities	(120,331)	(155,800)
Net exposure to currency risk	67,055	28,883

* - loans to related parties are denominated in Tenge, but are subject to indexation for changes in USD/Tenge exchange rate.

A 13% weakening and 13% strengthening of Tenge against USD as at 31 December 2016 (2015: 60% and 20%) would increase (decrease) equity and profit or loss by the amounts shown below.

<i>In millions of Kazakhstani Tenge</i>	2016	2015
US Dollar strengthening by 13% (2015: 60%)	6,974	13,864
US Dollar weakening by 13% (2015: 20%)	(6,974)	(4,621)

13% (2015: 60%) weakening and 13% (2015: 20%) strengthening of Tenge against USD represents the reasonably possible change in market risk estimated by analysing annual standard deviations based on the historical market data for 2016.

Price risk on the uranium products

The Group is exposed to the effect of fluctuations in the price of uranium, which is quoted in USD on the international markets. The Group prepares an annual budget based on future uranium prices.

41. Financial Risk Management (Continued)

Uranium prices historically fluctuate and are affected by numerous factors outside of the Group's control, including, but not limited to:

- demand for uranium used as fuel by nuclear electric stations;
- depleting levels of secondary sources such as recycling and blended down highly enriched stocks available to close the gap of the excess demand over supply;
- impact of regulations by International Atomic Energy Agency;
- other factors related specifically to uranium industry.

At the end of the reporting period there was no significant impact of commodity price risk on the Group's financial assets and financial liabilities, except for impairment of uranium producing assets in amount of Tenge 2,060 thousand (2015: nil) (Note 12).

Interest rate risk

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (floating rate debt). At the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or a floating rate would be more favourable to the Group over the expected period until maturity. As at 31 December 2016, approximately 18% (2015: 20%) of the Groups borrowings have a fixed interest rate.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

<i>In millions of Kazakhstani Tenge</i>	2016	2015
<i>Fixed rate instruments</i>		
Restricted cash	3,552	7,037
Term deposits	56,491	12,202
Loans to related parties	19,164	33,568
Demand deposits	12,685	2,570
Bank loans	(23,572)	(34,339)
Non-bank loans	(323)	(295)
Net position	67,997	20,743
<i>Floating rate instruments</i>		
Bank loans	(104,193)	(137,987)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss. However, fixed rate financial assets and financial liabilities are exposed to fair value risk from change in interest rates. Reasonably possible changes in interest rates do not significantly affect fair values of those financial assets and financial liabilities.

Future cash flows sensitivity analysis for floating rate instruments

An increase (decrease) of 60 (8) basis points (2015: increase of 50 and decrease of 12 basis points) in interest rates at the reporting date would have (decreased) increased equity and profit or loss by the amounts shown below, represents management's assessment of reasonably possible changes in the interest rates based upon current interest rates and the current economic environment. This analysis assumes that all other variables, in particular foreign currency rates, remain constant and that balances due were outstanding for the year.

<i>In millions of Kazakhstani Tenge</i>	2016	2015
Increase of 60 basis points (2015: 50 basis points)	(500)	(552)
Decrease of 8 basis points (2015: 12 basis points)	67	132

41. Financial Risk Management (Continued)

Fair values versus carrying amounts

With the exception of instruments specified in the following table, the Group believes that the carrying value of financial assets and financial liabilities are recognised in the financial statements approximate their fair value due to their short-term nature:

<i>In millions of Kazakhstani Tenge</i>	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Bank loans	127,442	118,005	172,326	165,435
Non-bank loans	323	165	295	140
Historical costs liabilities	3,327	2,321	4,133	3,720
Total	131,092	120,491	176,754	169,295

In assessing fair values, management used the following major methods and assumptions: (a) for interest free financial liabilities and financial liabilities with fixed interest rate, financial liabilities were discounted at effective interest rate which approximates the market rate; (b) for financial liabilities with floating interest rate, the fair value is not materially different from the carrying amount because the effect of the time value of money is immaterial.

Capital management

The Group's policy is to maintain a strong capital base so as to safeguard the Group's ability to continue as a going concern, to maintain investor, creditor and market confidence, to provide returns for shareholder, to maintain an optimal capital structure to reduce the cost of capital, and to sustain future development of the business. Capital includes all capital and reserves of the Group as recorded in the consolidated statement of financial position. The Group monitors the following indicators:

- financial stability, or measures of loan management, determining the degree of borrowing funds utilisation; and
- profitability, determining cumulative effects of liquidity, asset and capital management as a result of business activities.

The Group's internal quantitative capital management targets are similar to externally imposed requirements.

The Group follows the Shareholder's policy on borrowings and financial stability in order to identify common principles and rules of fundraising for non-financial organisations.

In order to evaluate the financial stability of the Group, the following key financial ratios are used, which have not changed since 2015:

- the debt to equity ratio of not greater than 1;
- the debt ratio to earnings before interest, taxes, depreciation and amortization (Debt/EBITDA) of not greater than 3.5.

The Group has complied with all externally imposed capital requirements throughout 2016 and 2015, including covenants (Note 34).

42. Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

42. Fair value disclosures (Continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed

Estimates of all assets and liabilities not measured at fair value but for which fair value is disclosed, except bonds, are level 3 of the fair value hierarchy. Estimate of bonds is level 1 measurement.

The fair values in level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

Financial assets carried at amortised cost

The fair value of floating rate instruments is normally their carrying amount. Estimate of all financial assets carried at amortised cost is level 3 measurement. 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 risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

Liabilities carried at amortised cost

Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The discount rates used ranged from 3.3% p.a. to 6.3% p.a. depending on the length and currency of the liability.

43. Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category. All of the Group's financial assets fall in the loans and receivables category except other investments. Other investments belong to available-for-sale measurement category.

All of the Group's financial liabilities were classified in other financial liabilities category.

44. Events After the Reporting Period

On 22 February 2017, the National Bank made a state registration of the Company's 265,983 ordinary shares issue with par value of Tenge 1,000. Thus, as of the date of these consolidated financial statements the total number of authorised ordinary shares is 37,050,944, including (1) 36,784,961 issued (paid) shares, and (2) 265,983 shares to be paid.