

JSC National Atomic Company Kazatomprom

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

31 December 2017

Content

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Cash Flows	3
Consolidated Statement of Changes in Equity	4

Notes to the Consolidated Financial Statements

1. Kazatomprom Group and its Operations	5
2. Operating Environment of the Group	5
3. Significant Accounting Policies	6
4. Critical Accounting Estimates and Judgements in Applying Accounting Policies	20
5. Adoption of New or Revised Standards and Interpretations	26
6. New Accounting Pronouncements	27
7. Balances and Transactions with Related Parties	29
8. Revenue	31
9. Cost of Sales	32
10. Distribution Expenses	32
11. General and Administrative Expenses	32
12. Impairment Losses	33
13. Other Income	34
14. Other Expenses	35
15. Personnel Costs	35
16. Finance Income and Costs	36
17. Income Tax Expense	36
18. Earnings per Share	39
19. Intangible Assets	40
20. Property, Plant and Equipment	42
21. Mine Development Assets	444
22. Mineral Rights	455
23. Exploration and Evaluation Assets	455
24. Investments in Associates	46
25. Investments in Joint Ventures	49
26. Other Investments	511
27. Accounts Receivable	52
28. Other Assets	53
29. Inventories	53
30. Term Deposits	544
31. Loans to Related Parties	55
32. Cash and Cash Equivalents	555
33. Share Capital	555
34. Loans and Borrowings	56
35. Provisions	588
36. Accounts Payable	60
37. Other Liabilities	60
38. Contingencies and Commitments	61
39. Non-controlling Interest	64
40. Principal Subsidiaries	66
41. Financial Risk Management	67
42. Fair Value Disclosures	74
43. Presentation of Financial Instruments by Measurement Category	75
44. Events After the Reporting Period	75



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 2017, 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 2017;
- 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 notes.

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. When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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
16 March 2018

Approved:



Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State Licence from the Ministry of Finance
of the Republic of Kazakhstan
№00000005 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 №00000357
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	2017	2016 (Restated)
Revenue	8	336,517	394,315
Cost of sales	9	(263,864)	(283,882)
Gross profit		72,653	110,433
Distribution expenses	10	(4,858)	(6,314)
General and administrative expenses	11	(32,274)	(30,877)
Reversal of impairment of assets	12	543	184
Impairment losses	12	(27,958)	(22,007)
Gain on disposal of subsidiary		-	290
Net foreign exchange gain / (loss)	14	(768)	3,614
Other income	13	115,111	775
Other expenses	14	(6,768)	(6,160)
Finance income	16	5,888	15,825
Finance costs	16	(9,067)	(11,017)
Share of results of associates	24	22,007	38,058
Share of results of joint ventures	25	22,107	36,739
Profit before tax		156,616	129,543
Income tax expense	17	(17,462)	(17,988)
Profit for the year		139,154	111,555
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		383	(97)
Share in other comprehensive income of equity method investments		-	(658)
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit obligations		113	194
Share in other comprehensive income of equity method investments		(189)	(216)
Other comprehensive (loss) / income for the year		307	(777)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		139,461	110,778
Profit for the year attributable to:			
- Owners of the Company		138,527	108,795
- Non-controlling interest		627	2,760
Profit for the year		139,154	111,555
Total comprehensive income attributable to:			
- Owners of the Company		138,837	108,014
- Non-controlling interest		624	2,764
Total comprehensive income for the year		139,461	110,778
Earnings per share from continuing operations, basic and diluted (rounded to Tenge)	18	3,748	2,963

These consolidated financial statements were approved by management on 16 March 2018:

M.B. Yussupov
Chief Financial Officer

Z.G. Kaliyeva
Chief Accountant

JSC National Atomic Company Kazatomprom
Consolidated Statement of Financial Position

<i>In millions of Kazakhstani Tenge</i>	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	19	8,009	7,117
Property, plant and equipment	20	122,175	117,335
Mine development assets	21	43,530	41,682
Mineral rights	22	2,004	2,291
Exploration and evaluation assets	23	5,608	3,471
Investments in associates	24	101,746	107,773
Investments in joint ventures	25	74,818	66,862
Other investments	26	1,726	67,041
Accounts receivable	27	140	-
Deferred tax assets	17	6,836	4,299
Term deposits	30	-	15
Loans to related parties	31	20,302	19,151
Other non-current assets	28	24,125	19,517
		411,019	456,554
Current assets			
Accounts receivable	27	58,085	67,921
Prepaid income tax		5,493	7,391
Value-added tax		24,182	22,235
Inventories	29	169,675	120,095
Term deposits	30	8,472	56,476
Loans to related parties	31	-	13
Cash and cash equivalents	32	239,936	75,052
Other current assets	28	18,396	10,831
		524,239	360,014
Assets of disposal groups classified as held for sale		2,774	3,463
		527,013	363,477
TOTAL ASSETS		938,032	820,031
EQUITY			
Share capital	33	37,051	36,785
Additional paid-in capital		4,785	4,785
Foreign currency translation reserve		(2,229)	18,061
Retained earnings		586,998	495,732
Equity attributable to shareholders of the Company		626,605	555,363
Non-controlling interest		14,571	12,467
TOTAL EQUITY		641,176	567,830
LIABILITIES			
Non-current liabilities			
Loans and borrowings	34	38,910	77,184
Finance lease liabilities		294	120
Accounts payable	36	582	581
Provisions	35	22,688	17,320
Deferred tax liabilities	17	4,443	4,743
Employee benefits		1,247	1,346
Other non-current liabilities	37	7,711	5,199
		75,875	106,493
Current liabilities			
Loans and borrowings	34	82,374	50,581
Finance lease liabilities		125	44
Provisions	35	189	98
Accounts payable	36	112,642	74,654
Other tax and compulsory payments liabilities		4,168	6,198
Employee benefits		173	244
Income tax liabilities		5,618	134
Other current liabilities	37	14,349	11,789
		219,638	143,742
Liabilities of disposal groups classified as held for sale		1,343	1,966
TOTAL LIABILITIES		296,856	252,201
TOTAL EQUITY AND LIABILITIES		938,032	820,031

These consolidated financial statements were approved by management on 16 March 2018:

M.B. Yussupov
Chief Financial Officer

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>	2017	2016
OPERATING ACTIVITIES		
Cash receipts from customers	435,199	485,829
VAT refund	18,849	29,638
Interest received	3,025	6,830
Payments to suppliers	(373,006)	(379,103)
Payments to employees	(43,213)	(42,638)
Cash flows from operating activities	40,854	100,556
Income tax paid	(13,069)	(28,216)
Interest paid	(4,430)	(5,464)
Cash flows from operating activities	23,355	66,876
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(14,913)	(8,975)
Proceeds from disposal of property, plant and equipment	749	190
Advance paid for property, plant and equipment	(5,461)	(5,361)
Acquisition of intangible assets	(628)	(477)
Acquisition of mine development assets	(12,011)	(11,494)
Acquisition of exploration and evaluation assets	(2,775)	(3,264)
Proceeds from exercise of put option (Note 26)	173,719	-
Proceeds from sale of investments in associates and joint ventures	-	82
Proceeds from disposal of subsidiary	2	175
Placement of term deposits and restricted cash	(12,095)	(54,124)
Redemption of term deposits and restricted cash	55,216	9,054
Repayment of loans to related parties	8	12,787
Acquisition of control over subsidiary ventures	(91)	-
Acquisition of investments in associates and joint ventures	(2,687)	(4,647)
Dividends received from associates, joint ventures and other investments	36,486	78,805
Other	56	(96)
Cash flows from investing activities	215,575	12,655
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	52,793	10,072
Repayment of loans and borrowings	(61,410)	(53,430)
Dividends paid to the shareholder (Note 33)	(65,849)	(12,031)
Dividends paid to non-controlling interest	(19)	(134)
Other	(396)	(673)
Cash flows from financing activities	(74,881)	(56,196)
Net increase in cash and cash equivalent	164,049	23,335
Cash and cash equivalents at the beginning of the year	75,052	55,869
Effect of exchange rate fluctuations on cash and cash equivalents	835	(4,152)
Cash and cash equivalents at the end of the year (Note 32)	239,936	75,052

These consolidated financial statements were approved by management on 16 March 2018:

M.B. Yussupov
Chief Financial Officer

Z.G. Kaliyeva
Chief Accountant

JSC National Atomic Company Kazatomprom
Consolidated Statement of Changes in Equity

In millions of Kazakhstani Tenge	Attributable to the shareholder of the Company				Total	Non- controlling interest	Total equity
	Share capital	Foreign currency translation reserve	Retained earnings	Additional paid-in capital			
Balance at 1 January 2016	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
Profit for the year	-	-	138,527	-	138,527	627	139,154
Foreign currency translation difference	-	386	-	-	386	(3)	383
Remeasurements of post-employment benefit obligations	-	-	113	-	113	-	113
Share of other comprehensive loss in equity method investments	-	-	(189)	-	(189)	-	(189)
Total comprehensive income for the year	-	386	138,451	-	138,837	624	139,461
Dividends declared	-	-	(65,849)	-	(65,849)	(205)	(66,054)
Contribution to share capital	266	-	-	-	266	-	266
Change in non- controllable interest	-	-	(2,012)	-	(2,012)	1,685	(327)
Reserves transfers	-	(20,676)	20,676	-	-	-	-
Balance at 31 December 2017	37,051	(2,229)	586,998	4,785	626,605	14,571	641,176

These consolidated financial statements were approved by management on 16 March 2018:

M.B. Yussupov
Chief Financial Officer

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 2017 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 on 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 include 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 and power supply.

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 Company's Development Strategy is focused on a return to the core business of uranium mining and its value chain components in order to ensure long term value growth. Production volumes are optimised according to market conditions and sales capabilities will be enhanced both of which reflect the Group's shift to a market centric focus.

As at 31 December 2017, 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	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)	Production	31.05.2010	29 years	Company	Kazatomprom-SaUran LLP
Zhalpak	Exploration	31.05.2010	8 years	DP Ortalyk LLP	-

At 31 December 2017, the Group comprises more than 40 (2016: 40) 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 2017, aggregate number of employees of the Group exceeded 25 thousand (2016: 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 for 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 a 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 the new monetary policy, which is based on an 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 321.78 per USD 1, compared to Tenge 332.33 per USD 1 as at 31 December 2017 (31 December 2016: Tenge 333.29 per USD 1). Therefore, uncertainty exists in relation to exchange rate of Tenge, future action of the National Bank and the Government of the Republic of Kazakhstan, and the impact of the factors on the economy of the Republic of Kazakhstan.

In January 2016, the international rating agency Standard & Poor has significantly reduced its oil prices forecasts for the period 2016-2019. As the economy of Kazakhstan is largely dependent on the oil and gas sector, Standard & Poor is now expecting stagnation or a very small increase in GDP, according to a press release. Accordingly, in February 2016, Standard & Poor lowered Kazakhstan's long-term credit ratings on liabilities in foreign and national currencies from BBB + to BBB-. In addition, S&P lowered Kazakhstan's short-term ratings on liabilities in foreign and national currencies from "A-2" to "A-3", and the national scale rating from "kzAA +" to "kzAA".

The outlook on the long-term ratings is "stable". The stable outlook reflects the S&P agency opinion about the fixed financial expenses of the authorities regarding the plans for banking sector recapitalisation and about economic activity that will remain relatively stable through 2020.

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 Group's control. Management has assessed the potential impairment of long-term assets of the Group, taking into account the current economic situation and its prospects (Note 4). Future economic situation and regulatory environment may differ from the 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, except 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.

3. Significant Accounting Policies (Continued)

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 applied 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.

The acquisition method of accounting is used to account acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets, liabilities and contingent liabilities acquired 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.

3. Significant Accounting Policies (Continued)

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. 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.

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.

3. Significant Accounting Policies (Continued)

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.

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.

3. Significant Accounting Policies (Continued)

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.

(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.

3. Significant Accounting Policies (Continued)

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.

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 auxiliary 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 (UoP) 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.

3. Significant Accounting Policies (Continued)

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. Since 2017, the Group uses reserve reports prepared by an independent consultant (Note 4).

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.

3. Significant Accounting Policies (Continued)

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. Since 2017, the Group uses reserve reports prepared by an independent consultant (Note 4).

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.

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.

3. Significant Accounting Policies (Continued)

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.

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.

3. Significant Accounting Policies (Continued)

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.

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.

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.

3. Significant Accounting Policies (Continued)

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 recognised in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of 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;
- 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 2017, the principal rate of exchange used for translating foreign currency balances was USD 1 = Tenge 332.33 (2016: USD 1 = Tenge 333.29).

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.

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 sales of electricity, heating power and hot water are recognised by the accrual method at the end of each month for electricity, heating power and hot water supplied during the month based on metering data. Accounting for revenue from sales of electricity, heating power and hot water is split by customer group: households (individuals) and legal entities. Revenue amount is determined based on the tariffs for 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.

3. Significant Accounting Policies (Continued)

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.

Changes in presentation of financial statements

During the year, the Group has changed its classification of revenue from sales of uranium in the statement of profit or loss due to change in management's approach to treatment and interpretation of certain transactions made on swap terms. The Group believes that current interpretation more appropriately reflects the commercial substance of swap transactions in the current market. Swap transactions involve simultaneous conclusion of two linked agreements for sales-purchase of natural uranium, in one of which the Group acts as a buyer and in the other as a seller. The Group believes that the change provides reliable and more relevant information. In accordance with IAS 8, the change has been made retrospectively and comparatives have been restated accordingly. More detailed information on swap transactions and restatement of comparative information is disclosed in Note 4.

The third statement of financial position as of 1 January 2016 is not presented in these consolidated financial statements, as the change did not have a significant impact on the balance sheet items as of that date.

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.

GKZ reserves

Prior to 2017, reserves were estimated based on the results of detailed mine exploration, assessed and approved by the State Reserves Commission (GKZ) of the Kazakhstan Geology Committee. Reserves approved by GKZ are added to the state balance and can be reconsidered by GKZ on the basis of additional exploration. The need for additional exploration occurs when new ore bodies are found during operational exploration at production stage or when detailed exploration evidences presence of uranium reserves that have not been assigned a commercial grade and not added to the state balance. Normally, actual production from uranium deposits is greater or lesser than geological reserves approved by GKZ. Subsurface users cannot independently change reserves volume by grade. Expert conclusion of GKZ is an integral part of a subsurface use contract and serves as a basis for mining plan and working programme. The presence of reserves does not mean that all reserves can be mined economically.

Reserves are removed from GKZ balance annually in the amount of actual production and approved planned losses. The volume of uranium planned for production must agree to the working programme and mine plan. Changes to planned production are prohibited unless mine plan and working programme are revised and appropriately approved. If actual production volumes deviate from approved for less than 20%, no changes are required.

JORC reserves

In 2017, the Group engaged SRK Consulting (UK) Limited (hereinafter SRK) to assess the Group's reserves and resources in accordance with the Australasian Code for reporting on geological exploration works, mineral resources and ore reserves (2012) (hereinafter JORC Code). Reserves and resources valuation was carried out as of 31 December 2017. SRK has reviewed all of the key information on which the most recent (31 December 2017) reported mineral resource and ore reserve statements for the mining assets of JSC NAC Kazatomprom are based.

SRK has not independently re-calculated mineral resource and ore reserve estimates for the Group's operations but has, rather, reviewed the quantity and quality of the underlying data and the methodologies used to derive and classify the estimates as reported by the Group and made an opinion on these estimates including the tonnes of uranium planned to be exploited in the most up to date LoM (life of mine) plans. Based on this review, SRK has then used this knowledge to derive audited mineral resource and ore reserve statements according to the guidelines and terminology proposed in the JORC Code. SRK's audited resource statements are confined to those areas that both have the potential to be mined economically and which are currently being considered for mining only.

SRK has reviewed the estimation methodology used by JSC NAC Kazatomprom and the geological assumptions made and considers these to be reasonable given the information available. SRK has also undertaken various re-calculations of the remaining resource using actual mining statistics from the Group production reports and has in all cases found no material errors or omissions.

SRK report contains an assessment of the tonnes of uranium which has the potential to be extracted by the existing and planned mining operations (the mineral resource), and also the tonnes of uranium currently planned to be extracted as envisaged by the respective LoM plans (the ore reserve). All of the Group's C1 and C2 reserves, approved by the GKZ, were transferred on the basis of the JORC Code, using reasonable assumptions with respect to:

- estimates of future production, which include proved and forecasted reserves, reserves estimates and expansion commitments;
- estimated future commodity prices based on the current market price and the Group's estimates of the long-term average price;
- future cash costs for production, investment and recovery obligations.

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

The Group used reserves data according to the SRK report for calculation of impairment of long-term assets and UoP depreciation for each of the Group's mine. When JORC reserves did not materially differ from GKZ data, new reserves did not have a significant impact on the financial statements. A significant decrease in reserves was considered as an indication of potential impairment of specific mine assets, and for such cash-generating unit the Group performed an impairment test as of 31 December 2017.

The Group has applied JORC reserves data for recalculation of depreciation of production assets (liquidation fund assets, capitalised historical costs, and mining infrastructure assets within property, plant and equipment) from 1 January 2017, prospectively. The recalculation of depreciation for periods before 1 January 2017 was not carried out, since the effect of such recalculation was not material and not possible to estimate without applying a hindsight. Additional depreciation of production assets, recognised in 2017, amounted to 753 million Tenge. JORC reserves did not affect the calculation of UoP depreciation for mine development assets, since these assets are depreciated over lesser volumes that are ready for extraction.

Given the fact that resources per C1 and C2 (GKZ) categories were mainly transferred to JORC mineral resources, management believes that with the extension of the subsoil use contracts and actualisation of mine plans, the differences between reserves data according to GKZ and JORC code will be minimised.

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.

Assets related to uranium production

At 31 December 2016, decrease in uranium market price, in average, from USD 36 per ounce to below USD 20 per ounce during the year was considered by management as an indication of potential impairment of the Group's assets (cash generating units) related to uranium production. Management performed impairment test of the Group's assets (cash generating units) related to uranium production for which impairment indications were determined as of 31 December 2016. Assets related to uranium production included property plant and equipment, mine development assets, mineral rights, exploration and evaluation assets, investments in associates, investments in joint ventures, and other investments.

As a result of the impairment test done in 2016, the Group recognised an impairment loss for South Moinkum and Uvanas CGUs, as the recoverable amount of these cash generating units was below their carrying amount (Note 12). In calculating future cash flows, as of 31 December 2016, the price for uranium oxide in 2017 was forecasted at USD 20.5 per ounce. Actual average price in 2017 was higher than this forecast.

At 31 December 2017, the Group performed an analysis of impairment indications of assets (cash generating units) related to uranium production. Due to the fact that the actual average uranium price in 2017 was higher than forecasted in 2016 and remained stable, and, in general, there is a positive trend in respect of forecasted prices for future periods, the price factor was not considered by management as an indication of impairment of uranium assets.

At 31 December 2017, management considered other external and internal factors for each uranium mine. As a result, impairment indications were identified for the cash generating units Uvanas, Kanzhugan, South Moinkum, Karamurun, Semizbay, Irkol, East Mynkuduk and Zarechnoye. Impairment indications included decrease in reserves following change to JORC assessment and other factors, such as field depletion or high production costs.

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

Management performed impairment test for assets (cash generating units) of the Group related to uranium production for which impairment indications were identified as at 31 December 2017.

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 test the Group recognised impairment losses for Uvanas, Kanzhugan, South Moinkum, Karamurun, Semizbay, Irkol, East Mynkuduk and Zarechnoye, 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 expected at the levels presented below, based on the forecast by an independent source Ux Consulting LLC, published in the fourth quarter of 2017 (Mid Price Midpont), reduced by 10%:

	2018	2019	2020	2021	2022	2023-2030
Average price of U ₃ O ₈ per pound (in USD)	23.45	22.6	22.8	24.6	26.7	31.3-45.6

- forecasted periods and volumes of uranium production correspond to annual production volumes set in the subsurface use contracts; these volumes have been adjusted by management in connection with the plans for production cut and limited to reserves determined in accordance with the JORC code per SRK report;
- operating and capital expenditures for 2018-2022 are consistent with the approved 5-year budget of the Group;
- operating and capital expenditures after 2023 will increase at the long-term inflation rate of 4-6% per annum;
- discount rate is 9.57-12.1 per annum;
- forecast of long-term exchange rate is based on IHS Global Insight.

Presented below is the sensitivity analysis disclosing 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 annual uranium prices over the forecast horizon by:

% decrease	Impairment loss, millions Kazakhstani Tenge
10%	38,368
20%	40,549

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

KazPV projects

At 31 December 2015-2017, the following indications of impairment of assets (cash generating units) related to KazPV project were defined by management: 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.

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. As of 31 December 2016, management assessed deviation from revised operating plans and sales decline as indications of further assets impairment. Based on the assessment performed, taking into account the revised forecast for future volumes and sales prices, the Group fully impaired the assets of the cash generating unit Production of silicon of solar quality, silicon and photovoltaic slices.

At 31 December 2017, the Group reviewed the carrying amounts of KazPV project assets to determine whether there were any indications of further impairment. Based on the calculation of value in use of the cash generating unit Production of photovoltaic modules, an additional impairment charge of Tenge 1,075 million was recognised in 2017. The discount rate was 12.8%.

The Group also impaired inventory under the KazPV project to the net realisable value (Note 12).

Baiterek SRT

At 31 December 2016, management concluded that there were the following indications of impairment of Baiterek SRT (service motorship): extension of construction and low probability of obtaining economic benefits from its use and sale. Based on the analysis performed, management fully impaired the carrying value of Baiterek SRT in the amount of Tenge 3,884 million, included in construction in progress within property, plant and equipment. At 31 December 2017, the Group additionally impaired the carrying value of Baiterek SRT (included in construction in progress) for the amount of Tenge 61 million (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 judgement in the evaluation, including:

- 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 judgement 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. 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 subsurface use contracts, 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 programme 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.

Current asset retirement obligations as of 31 December 2017 were assessed by the independent consultant SRK Consulting based on data provided by the Group. The scope of works, set by the legislation and covered by SRK calculation, included removal of the facilities and infrastructure (production, injection and monitoring wells, technological units of acidification and distribution of solutions (TUZ), pipelines, access roads, technological sites, polygons, buildings and other facilities) and subsequent land rehabilitation.

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 5.4% (2016: 5.13%), 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 subsoil use contracts of the Group. The discount rate used by the Group's companies for calculation of provision as at 31 December 2017 is 9.06% (2016: 7.08%).

At 31 December 2017, the carrying value of site restoration provision was Tenge 19,939 million (2016: Tenge 14,188 million) (Note 35). At 31 December 2017, the carrying value of environment protection provision was Tenge 2,556 million (2016: Tenge 2,733 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 the legislation on use of nuclear energy, an operating entity is required to oversee and to finance decommissioning of nuclear power facilities, restoration of land and disposal of radioactive waste. Although the Group has a legal title to the nuclear reactor BN-350, management has concluded that the Group does not have a legal or constructive obligation to finance its decommissioning, maintenance and dismantlement. In deriving this conclusion management assessed the following factors:

- Based on legal analysis performed, management has concluded that the current legislation does not have a clear mechanism and requirement for decommissioning, maintenance and dismantlement of the reactor;
- The Kazakhstan government has determined the state authorities that are responsible for decommissioning of the reactor including subsequent recycling of related equipment and materials;
- To date, the activities for decommissioning of the reactor according the closure concept have been financed from the state budget or other sources including various international organisations;
- In accordance with the approved nuclear industry development programme for 2011-2014 with perspective to 2020 (hereafter – "Programme"), the Ministry of Energy of the Republic of Kazakhstan was defined as the government authority responsible for implementation of comprehensive measures for decommissioning of the reactor BN-350 including subsequent utilisation of related equipment and materials. In addition, the Programme defines the state budget as the source of financing of these measures;
- The Group received a letter No. 14-05/4512 dated 20 February 2015 from the Ministry of Energy of the Republic of Kazakhstan (the competent authority), which clarified that for the Group to have a legal obligation to finance the decommissioning of the reactor BN-350, a specific government decree, that determines sources of financing and principal measures for decommissioning, would be required. No such decree has been issued to date;

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

- In the beginning of 2018, the Group engaged an independent law firm to assess the existence of legal obligations for retirement, decommissioning and liquidation of MAEK-Kazatomprom LLP or its separate production facilities in accordance with the legislation of the Republic of Kazakhstan. According to the legal opinion, the current legislation obliges MAEK-Kazatomprom LLP to prepare a plan for decommissioning the nuclear facility but does not set any requirements for financing the dismantlement of the BN-350 reactor, as well as related premises and equipment.

Accordingly, management has concluded that the Group is not required to recognise a provision in these consolidated financial statements. The Group has disclosed the dismantlement obligation as a contingent liability in the financial statements (Note 38).

However there is high uncertainty in how the matter will be developed in future. At each reporting date, management will reassess the existence of the obligation taking into account all available facts. If, in future, obligation to finance decommissioning of the reactor BN-350 will be transferred to the Group, the Group will be required to recognise provision in full amount.

Because BN-350 is a unique and complex facility and there are no precedents of dismantling similar facilities in Kazakhstan, the Group needs an independent expert to estimate the dismantlement cost. The Group has engaged an independent expert recently to assess the cost of dismantlement. At the time of approval of these consolidated financial statements, the valuation has not yet been completed. Accordingly, the estimated cost of dismantling BN-350 is not disclosed in the consolidated financial statements.

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.

Had estimated useful lives been different by 10% from management's estimates, depreciation for the year ended 31 December 2017 would be higher or lower by Tenge 1,065 million (2016: Tenge 1,029 million).

Estimated depreciation rates of uranium mining assets

Property, plant and equipment related to uranium production, mine development 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 costs, processing and reclamation costs, discount rates and foreign exchange rates, that may adversely impact 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 2017 the carrying amount of assets related to uranium production was Tenge 67,041 million (2016: Tenge 63,672 million).

Had estimated depreciation rates been different by 10% from management's estimates, depreciation for the year ended 31 December 2017 would be higher or lower by Tenge 1,209 million (2016: higher or lower by Tenge 1,219 million).

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

Tax and transfer pricing legislation

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

Swap transactions

The Group sells part of its uranium products on swap terms. In a swap transaction, the Group agrees terms and signs two separate agreements with the same counterparty simultaneously, one for delivery, and another for purchase of the same volume of uranium for the same price at two different delivery points. Effectively, this results in exchange of own uranium (produced or purchased from the Group's entities) with purchased uranium. Normally, under swap, the Group delivers physical uranium to one destination point, and purchases the same volume of uranium at the third party converter for further resale to end customers. As a result, the Group saves on transportation costs for uranium delivery from Kazakhstan to end customers.

Until 2017, the Group accounted for sales revenue and related costs from swap transactions on a gross basis (i.e. separately sales to the first destination point and subsequent sales from the converter to third parties, as well as costs of own uranium sold and purchased uranium sold, without netting these turnovers). Management believed that accounting on a gross basis reflected the commercial substance of uranium deliveries, each of which was considered as a standalone transaction to fulfil the Group's long- and short-term obligations to unrelated customers, and would have happened on its own without the swap deal in place. In addition, management considered the following factors: the agreements are not legally related, execution under each agreement is not tied to the execution under another agreement, and each agreement is settled in cash separately.

In 2017, management has reconsidered its approach to treatment of and accounting for swap transactions. Despite the fact that swap agreements are not formally related to each other, management concluded that these transactions are in fact linked and would not have occurred on isolated basis, driven by the existing market demand and supply forces. In management's view, supply of the same volume of homogeneous product (uranium) for the same price represents an exchange of products, which should be presented on net basis in the financial statements, reflecting the economic substance of the transaction. Interpretation of terms and approach to the accounting for swap transactions requires management judgment. Management concluded that presentation of swap transactions on net basis reflects more appropriately their economic substance in the current market conditions. Accordingly, management decided to present revenues and costs from swap transactions in 2017 on net basis and for comparability purposes in 2016 comparative information as well. This restatement did not affect the balance sheet items as of 31 December 2016 and 2015. The effect of the restatement for 2016 is presented below:

<i>In millions Kazakhstani Tenge</i>	2016 Before restatement	Restatement	2016 After restatement
Sales revenue	418,901	(24,586)	394,315
Cost of sales	(308,468)	24,586	(283,882)
Gross profit	110,433	-	110,433
Net profit	111,555	-	111,555

The netting adjustment to sales revenue and cost of sales in 2015 amounted to Tenge 13,806 million.

In 2017, the Group reduced sales revenue from swap transactions for Tenge 52,241 million, cost of sales for Tenge 47,596 million and the inventory balance for Tenge 4,645 million. Adjustment to inventory was caused by the fact that part of purchased uranium was not sold to third parties as of 31 December 2017, thus inventory cost was adjusted to cost per ton of own uranium.

Besides, in 2017, the Group netted off revenue and expenses from sales of enriched uranium in the amount of Tenge 4,935 million. Management concluded that in this transaction the Group acted as an agent rather than principal, and therefore only commission income of Tenge 27 million was recognised in these financial statements.

5. Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2017. Adoption of these new standards and interpretations did not have any material impact on the consolidated financial statements.

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for the periods beginning on or after 1 January 2017).

5. Adoption of New or Revised Standards and Interpretations (Continued)

Recognition of deferred tax assets for unrealised losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for the periods beginning on or after 1 January 2017). The amendment clarifies the recognition of deferred tax assets for debt instruments' unrealised losses. The company should recognise the tax asset for unrealised losses arising from the discounting of cash flows on debt instruments using market interest rates, even if the company implies to hold the instrument to maturity and after receiving the principal amount, payment of taxes is not expected. The economic benefits associated with the deferred tax asset arise with the ability of the debt instrument holder to receive profit without paying taxes (taking into account the effect of discounting).

Annual improvements to International Financial Reporting Standards, 2014-2016 – Amendments to IFRS 12 (issued on 8 December 2016 and effective for the periods beginning on or after 1 January 2017).

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 2018 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 and those to be measured subsequently at fair value through profit or loss.
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent only payments of principal and interest. If a debt instrument is held for cash collection and foresee only principal and interest payments, it may be carried at amortised cost. 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.

Based on the analysis of the Group's financial assets, liabilities and existing circumstances as of 31 December 2017, management expects that the adoption of new standard from 1 January 2018 will not have a significant impact on consolidated financial statements.

6. New Accounting Pronouncements (Continued)

The table below summarises the classification of financial assets based on previous valuation categories, in accordance with IAS 39, and new valuation categories, in accordance with IFRS 9 dated 1 January 2018:

In millions of Kazakhstani Tenge	Category		Balance IAS 39 (balance as of 31 December 2017)	Impact				Balance IFRS 9 (balance as of 1 January 2018)
	IAS 39	IFRS 9		Valuation	Expected credit losses	Other	Obligatory Reclassification Voluntary	
Cash and cash equivalents	Loans and receivables	Valued at amortised cost	239,936	-	-	-	-	239,936
Term deposits	Loans and receivables	Valued at amortised cost	8,472	-	-	-	-	8,472
Loans given	Loans and receivables	Valued at amortised cost	20,302	-	-	-	-	20,302
Other investments	Held to maturity	Valued at amortised cost	1,726	-	-	-	-	1,726
Accounts receivable	Loans and receivables	Valued at amortised cost	58,085	-	-	-	-	58,085

Significant changes regarding financial liabilities are not expected.

The new standard requires to disclose additional information and changes in presentation of indicators. It is expected that this will change the nature and scope of information disclosed by the Group in respect of financial instruments, especially in the year of the new standard application.

Applying IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective depending on the approach chosen. For organisations who chose temporary exemption - annual periods beginning from 1 January 2018 or after that date. For organisations that chose the overlap approach - annual period from which the organisation first implemented IFRS 9. The amendment to IFRS 4 contains additional guidance for the application of IFRS.

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. The Group is currently assessing the impact of the amendment on the financial statements.

In accordance with the IFRS 15 transitional statements, the Group selected a simplified method to reflect the transition impact to the new standard, as of 1 January 2018, in the consolidated financial statements for the year ended 31 December 2018, which will be the first year of IFRS 15 adoption.

The Group plans to use the practical exemption provided for the simplified transition method. The Group applies IFRS 15 retrospectively, only for outstanding contracts at the date of initial application (1 January 2018).

6. New Accounting Pronouncements (Continued)

As IFRS 15 adoption will lead to minor changes in accounting policies, it will not result adjustments recognition in the consolidated financial statements. Based on the analysis of the Company's regular revenue streams, the terms of individual contracts, the facts and circumstances existing as of 31 December 2017, and taking into account the application of the simplified transition method, management of the Group expects that the adoption of the new standard from 1 January 2018 will not have a significant impact on the consolidated financial statements.

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.

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).

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).

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.

Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

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).

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

IFRIC 23 Uncertainty about income taxation methods (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

Amendments to IFRS 9 Financial Instruments and IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Unless otherwise stated above, it is expected that these new standards and interpretations will not materially affect the Group's consolidated financial statements.

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.

7. Balances and Transactions with Related Parties (Continued)

At 31 December 2017, 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	3,189	13,707	20,302	39,196
Joint ventures	2,981	-	-	21,989
Entities under common control	186	-	-	8,778
Associates of the Parent	49	-	-	1,607
Other	340	-	-	16,246
Total	6,745	13,707	20,302	87,816

The income and expense items with related parties for the year ended 31 December 2017 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	16,243	21,244	66,026	-	2,621	1,254
Joint ventures	13,233	22,942	49,169	-	517	11
Entities under common control	17,630	-	110,543	-	-	-
Parent	-	-	-	65,849	-	-
Associates of the Parent	108	-	193	-	-	-
Other	2,428	-	31,449	-	2	-
Total	49,642	44,186	257,380	65,849	3,140	1,265

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

7. Balances and Transactions with Related Parties (Continued)

In 2016, the Group and SGHK LLP established a joint venture JV Budenovskoe LLP with 51% and 49% share, respectively. In 2017, the Group made an additional contribution to the charter capital of JV Budenovskoe LLP in the form of an asset, the right to subsoil use. At the contribution date, the asset was valued at Tenge 11,686 million, accordingly, the Group's additional contribution amounted to Tenge 11,686 million, in proportion to its share. In the consolidated financial statements the Group recognised other income at 49% (i.e. non-Group's interest) of the estimated value of the subsoil use right in the amount of Tenge 5,726 million (Note 13). The Group does not have unpaid contributions to the charter capital of JV Budenovskoe LLP.

Other related parties include Baiken-U LLP. 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>	2017		2016	
	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits</i>				
Salaries and bonuses	660	43	503	29
Total	660	43	503	29

8. Revenue

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Sales of uranium products	207,788	268,101
Sales of utilities	57,922	57,555
Sales of beryllium products	13,224	13,359
Sales of tantalum products	12,871	11,749
Sales of purchased goods	11,655	10,461
Drilling services	9,950	10,532
Sales of other services	8,119	8,159
Sales of materials and other goods	7,199	6,521
Transportation services	5,555	5,148
Research and development	748	443
Sales of photovoltaic cells	381	26
Sales of metallurgical silicon	-	17
Other	1,105	2,244
Total revenue	336,517	394,315

9. Cost of Sales

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Materials and supplies	182,950	204,881
Wages and salaries	31,889	30,620
Processing and other services	14,796	15,845
Depreciation and amortisation	15,558	15,113
Taxes other than income tax	10,552	9,511
Transportation expenses	2,570	2,558
Maintenance and repair	2,393	2,358
Utilities	1,477	1,541
Rent expenses	238	306
Research and development	53	54
Other	1,388	1,095
Total cost of sales	263,864	283,882

10. Distribution Expenses

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Shipping, transportation and storing	2,868	4,301
Wages and salaries	693	624
Commissions	242	314
Materials and supplies	173	235
Rent	89	132
Other	793	708
Total distribution expenses	4,858	6,314

11. General and Administrative Expenses

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Wages and salaries	17,870	16,718
Consulting and information services	3,164	4,147
Impairment of receivables on uranium repackaging	2,990	-
Rent	1,099	1,083
Taxes other than income tax	1,089	877
Depreciation and amortisation	771	827
Corporate events	640	176
Business trip expenses	599	647
Maintenance and repair	504	511
Training expenses	372	349
Materials and supplies	252	280
Communication	230	143
Tax fines and penalties	184	1,443
Security	146	134
Utilities	146	130
Impairment of accounts receivable	113	474
Bank charges	91	117
Research expenses	32	89
Stationery	58	59
Insurance	56	58
Entertainment expenses	52	53
Other employee benefits	83	(119)
Other	1,733	2,681
Total general and administrative expenses	32,274	30,877

12. Impairment Losses

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

<i>In millions of Kazakhstani Tenge</i>	Note	2017	2016
Inventories	29	424	85
Property, plant and equipment	20	41	51
Other receivables		-	1
Other		78	47
Total reversal of impairment of assets		543	184

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

<i>In millions of Kazakhstani Tenge</i>	Note	2017	2016
Investments in associates	24	6,556	-
Inventories	29	5,125	2,060
Mine development assets	21	4,954	1,393
Term deposits	26	3,391	-
VAT recoverable		3,136	1,581
Property, plant and equipment	20	2,663	12,286
Intangible assets	19	1,599	110
Other non-current assets	28	498	4,577
Investments in joint ventures	25	32	-
Other receivables		4	-
Total impairment losses on assets		27,958	22,007

At 31 December 2017, 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
Karamurun	-	698	-	-	-	-	698
Uvanas	-	10	-	-	557	-	567
Kanzhugan	-	4,246	-	-	-	-	4,246
South Moinkum	-	-	-	-	639	-	639
Central Moinkum	-	-	-	-	677	-	677
Production of silicon of solar quality, silicon slices and photovoltaic slices	-	-	-	1,534	253	-	1,787
Production of photovoltaic modules	1,075	-	-	-	806	-	1,881
Long-term deposit at Kazinvestbank JSC (Note 28)	-	-	337	-	-	-	337
Baiterek SRT	61	-	-	-	-	-	61
JV Zarechnoe LLP (Note 24)	-	-	6,556	-	-	-	6,556
Goodwill of TTK LLP (Note 19)	-	-	-	-	-	1,515	1,515
Deposits at bank RBK JSC (Note 26)	-	-	3,391	-	-	-	3,391
Other	1,527	-	197	1,602	2,193	84	5,603
Total impairment losses	2,663	4,954	10,481	3,136	5,125	1,599	27,958

South Moinkum, Uvanas, Kanzhugan, Karamurun, Zarechnoe, Semizbay

Management considered decrease in reserves under JORC and other circumstances as indications of impairment of these cash generating units (Note 4). The recoverable amount of the cash generating units was determined as value of use. The applied discount rate was 12.1%.

12. Impairment Losses (Continued)

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 SRT	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 and Uvanas

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

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 determined as value in use. The applied discount rate was 12.35%.

Baiterek SRT

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

13. Other Income

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Gain on exercise of put option (Note 26)	107,714	-
Gain on transfer of subsoil use right to charter capital (Note 7)	5,726	-
Fines and penalties	1,041	-
Gain on disposal of property, plant and equipment	425	-
Gain on disposal of non-current assets	113	224
Property received free of charge	46	165
Gain on disposal of joint ventures	-	268
Other	46	118
Total other income	115,111	775

14. Other Expenses

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Social expenses	2,996	3,573
Non-recoverable VAT	1,629	533
Loss on disposal of non-current assets	791	-
Loss on suspension of production	717	846
EXPO organisation expenses	131	-
Depreciation and amortisation	66	231
Loss on disposal of property, plant and equipment	-	268
Other fines and penalties	-	84
Other	438	625
Total other expenses	6,768	6,160

Net foreign exchange loss

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Foreign exchange (loss) / gain on financing activities, net	(1,811)	2,341
Foreign exchange gain on operating activities, net	1,043	1,273
Total foreign exchange (loss) / gain, net	(768)	3,614

EXPO organisation expenses relate to the Group's share in financing of the international specialised exhibition Astana EXPO-2017. The expenses incurred by the Group in the amount of Tenge 862 million were partially offset by compensation received from the partners (Cameco Kazakhstan LLP, Uranium One Inc., Areva) in the amount of Tenge 731 million. In addition, the Group incurred expenses for organisation of EXPO of Tenge 295 million included in general and administrative expenses (Note 11).

15. Personnel Costs

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Wages and salaries	55,666	53,861
Social tax and social contributions	6,163	5,739
Total personnel costs	61,829	59,600

16. Finance Income and Costs

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Finance income		
Interest income	4,553	5,290
Gain from remeasurement of financial assets	1,115	1,640
Gain from remeasurement of financial liabilities	80	1,314
Dividend income	-	7,308
Other	140	273
Total finance income	5,888	15,825
Finance costs		
Interest expense on loans and borrowings	5,514	6,278
Unwinding of discount on provisions	1,267	1,100
Loss from remeasurement of financial assets	1,223	2,673
Loss on conversion of foreign currency	294	349
Unwinding of discount on other financial liabilities	285	288
Dividend expense on preference shares	53	53
Other	431	276
Total finance costs	9,067	11,017

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>	2017	2016
Current income tax	20,299	20,224
Deferred income tax	(2,837)	(2,236)
Total income tax expense	17,462	17,988

(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 2017 and 2016 is 20%.

17. Income Tax Expense (Continued)

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

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Profit before tax	156,616	129,543
Theoretical tax charge at statutory tax rate of 20% (2016: 20%):	31,323	25,909
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income which is exempt from taxation	(253)	(2,280)
Unrecognised deferred tax asset on impairment losses	2,331	2,447
Disposal of investments	(21,543)	-
Non-deductible expenses	8,086	1,532
Transfer pricing adjustment	509	693
Elimination of unrecognised profits in finished goods	106	(8)
Share of results of associates	(4,401)	(7,612)
Share of results of joint ventures	(4,421)	(7,347)
Utilisation of previously unrecognised tax losses	(789)	(780)
Current period tax losses for which no deferred tax asset is recognised	188	676
Excess profit tax	5,609	-
Prior periods adjustments	717	4,758
Income tax expense	17,462	17,988

Prior period adjustments in 2016 included 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 utilising provision for corporate income tax accrued in 2015 (Note 38), and correction of corporate income tax of Tenge 1,538 million for 2013-2015.

The excess profit tax in 2017 arises from the transfer of subsoil use right to the charter capital of JV Budenovskoe LLP (Note 7).

Disposal of investments in 2017 relates to non-taxable gain from exercise of put option in the amount of Tenge 107,714 million (Note 26).

As at 31 December 2017 and 2016, 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.

17. Income Tax Expense (Continued)

(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% (2016: 20%).

<i>In millions of Kazakhstani Tenge</i>	1 January 2017	Credited / (charged) to profit or loss	31 December 2017
Tax effect of deductible / (taxable) temporary differences			
Property, plant and equipment and intangible assets	(6,412)	678	(5,734)
Accounts receivable	854	(156)	698
Loans and borrowings	(311)	146	(165)
Accounts payable	(192)	192	-
Provisions	961	179	1,140
Accrued liabilities	799	91	890
Tax losses carried forward	1,270	(3)	1,267
Taxes	768	(254)	514
Other assets	1,709	1,946	3,655
Other liabilities	110	18	128
	(444)	2,837	2,393
Recognised deferred tax asset	4,299	2,537	6,836
Recognised deferred tax liabilities	(4,743)	300	(4,443)

Management estimates that deferred tax assets of Tenge 3,105 million (2016: Tenge 3,085 million) and deferred tax liabilities of Tenge 5,734 million (2016: Tenge 6,412 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 2016 is:

<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)

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 deferred tax assets in respect of unused tax loss carry forwards of Tenge 4,002 million (2016: Tenge 4,603 million) and impairment losses in amount of Tenge 10,862 million (2016: Tenge 8,531 million).

The tax loss carry forwards expire as follows:

<i>In millions of Kazakhstani Tenge</i>	2017	2016
2018-2022	-	-
2023	-	715
2024	660	734
2025	2,478	2,478
2026	676	676
2027	188	-
Total unrecognised deferred tax asset on tax losses	4,002	4,603

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>	2017	2016
Profit for the year attributable to owners of the Company	138,527	108,795
Weighted average number of ordinary shares (in thousands)	36,962	36,715
Basic and diluted earnings per share, in Tenge	3,748	2,963

19. Intangible Assets

<i>In millions of Kazakhstani Tenge</i>	Licences and patents	Software	Goodwill	Other	Total
At 1 January 2016					
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
Additions	788	161	1,515	2	2,466
Additions under finance leases	136	-	-	-	136
Disposals	-	(42)	-	(103)	(145)
Amortisation charge	(396)	(215)	-	(82)	(693)
Impairment	-	-	(1,515)	(84)	(1,599)
Recovery of impairment	-	13	-	-	13
Loss of control over subsidiary	-	-	-	(12)	(12)
Transfers from property, plant and equipment (Note 20)	-	750	-	(36)	714
Transfers from assets held for sale	-	-	-	12	12
At 31 December 2017					
Cost	1,851	2,371	11,625	944	16,791
Accumulated amortisation and impairment	(860)	(1,104)	(6,459)	(359)	(8,782)
Carrying value	991	1,267	5,166	585	8,009

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

Goodwill impairment test

(i) Central Mynkuduk

At 31 December 2017 and 2016, 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 12.1% (2016: 10.46%). Production volumes are consistent with those agreed with the competent authority and SRK report (Note 4) and are based on the production capacity of the cash generating unit. Key assumptions used in calculations include forecast prices and period direct costs. Sales prices used in developing forecast cash flows were determined using an independent official source Ux Consulting LLC published in the fourth quarter of 2017. Direct costs are based on approved budgets for 2018-2022 and 4% (2016: 4%) 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.

19. Intangible Assets (Continued)

(ii) MKS Transshipment Base

In December 2017, the Group purchased from MKS Company LLP an operating unit for reloading and storage of contaminated chemical cargo in Shieli (hereinafter referred to as the MKS Transshipment Base). The acquisition of the MKS Transshipment Base was connected with the need to transfer the existing transshipment base outside Shieli settlement, as well as with the Group's plans to increase the transshipment volume in the region. The cost of acquisition of the MKS Transshipment Base was Tenge 4,276 million.

When making an investment decision to acquire the MKS Transshipment Base, the Group's management examined an option of constructing a new transshipment base. Management concluded that the cost of constructing a new transshipment facility would be substantially higher than the cost of acquiring the MKS Transshipment Base, mainly due to the need to build a railway track connecting section.

In assessing the return on investment of the MKS Transshipment Base, management used cash flow models based on the Group's long-term development plans. The transshipment volumes are based on mine development plans of the Group, its joint ventures and associated companies. Mine development plans are based on the assessment of mineral reserves, carried out in accordance with the requirements of Kazakhstan legislation. According to the assessment, management concluded that the acquisition cost of MKS Transshipment Base is fully recoverable over its useful life.

Management concluded that the MKS Transshipment Base represents a business unit rather than a group of assets, and therefore, its acquisition should be accounted for as a business acquisition in accordance with IFRS 3. The Group accounted for the acquisition of the MKS Transshipment Base as follows (according to IFRS 3):

- Acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value at the date of the acquisition;
- The difference between the acquisition cost and the fair value of net assets acquired is attributable to goodwill.

The Group did not incur significant costs related to the acquisition transaction.

Details of the assets and liabilities acquired and goodwill arising are as follows:

<i>In millions of Kazakhstani Tenge</i>	Provisional fair value
Property, plant and equipment	2,761
Fair value of identifiable net assets	2,761
Less: non-controlling interest	-
Goodwill arising from the acquisition	1,515
Total purchase consideration	4,276
Less: non-cash consideration	(4,276)
Outflow of cash and cash equivalents on acquisition	-

The provisional fair value of the acquired assets was determined based on the valuation performed by an independent professional appraiser. The goodwill is primarily attributable to the expectation of significant synergies from operations of the MKS Transshipment Base with the Group's mining entities.

Under IFRS, the Group should test goodwill for impairment at least once a year. For the purposes of the impairment test, the MKS Transshipment base was identified as a separate cash generating unit.

The revenues of the MKS Transshipment Base are mainly formed by transshipment services to the Group, joint ventures and associates. Accordingly, for the impairment test purposes, transshipment volumes are based on the production volumes used in the impairment models of the corresponding uranium mines of the Group. For impairment test purposes as at 31 December 2017, the Group considered the results of reserves assessment performed by SRK in accordance with the requirements of the JORC Code (2012) (Note 4).

The results of the independent assessment of proven and probable reserves differed from the assessment of mineral resources and mine plans that were used at the time of the acquisition decision.

19. Intangible Assets (Continued)

In particular, exploration mines which are included in the Group's long-term development plans were not taken into account for the purposes of the assessment. Accordingly, for the impairment test purposes at 31 December 2017, the Group revised production volumes of uranium mines and related transshipment volumes of the MKS Transshipment Base. The recoverable amount of the MKS Transshipment Base was estimated at Tenge 2,491 million. Accordingly, the goodwill was impaired for Tenge 1,515 million and related property plant and equipment for Tenge 270 million. Impairment is recognised immediately as an expense and is not subsequently reversed.

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 2016							
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 from / to 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
Additions	9	3,470	3,211	1,190	629	12,211	20,720
Transfers	-	2,716	3,163	240	95	(6,214)	-
Depreciation charge	-	(4,636)	(5,237)	(1,149)	(502)	-	(11,524)
Impairment loss (Notes 4, 12)	-	(1,624)	(289)	(33)	(6)	(711)	(2,663)
Reversal of impairment losses recognised in prior periods	-	-	20	1	7	13	41
Disposals	(10)	(274)	(63)	(18)	(19)	(48)	(432)
Transfer from / to inventories	-	-	10	-	-	(29)	(19)
Transfers from / to intangible assets (Note 19)	-	-	36	-	-	(750)	(714)
Transfers from / to non-current assets held for sale	-	2	(1)	(7)	-	-	(6)
Changes in estimates	-	(566)	-	-	-	-	(566)
Translation to presentation currency	-	-	-	2	1	-	3
At 31 December 2017							
Cost	360	100,308	81,301	15,699	6,015	49,519	253,202
Accumulated depreciation and impairment	-	(35,928)	(48,520)	(9,179)	(3,553)	(33,847)	(131,027)
Carrying amount	360	64,380	32,781	6,520	2,462	15,672	122,175

20. Property, Plant and Equipment (Continued)

As a result of the impairment test in 2017, the Group recognised impairment loss on property, plant and equipment in the amount of Tenge 2,663 million (2016: Tenge 12,286 million), including impairment of construction in progress in the amount of Tenge 711 million (2016: Tenge 9,551 million). In 2016, impairment of construction in progress mainly consisted of impairment of equipment under installation in the amount of Tenge 4,909 million related to the Production of silicon of solar quality, silicon slices and photovoltaic slices CGU, and impairment of Baiterek SRT in the amount of Tenge 3,884 million (Note 12).

Depreciation expense of Tenge 10,231 million (2016: Tenge 10,302 million) was charged to cost of sales, Tenge 74 million (2016: Tenge 87 million) to distribution expenses, Tenge 476 million (2016: Tenge 571 million) to administrative expenses and Tenge 66 million (2016: Tenge 231 million) to other expenses. The remaining depreciation expense in the amount of Tenge 677 million (2016: Tenge 590 million) is included to finished goods and work-in-process.

At 31 December 2017, construction in progress included construction of desalination plants of MAEK-Kazatomprom LLP of Tenge 6,845 million, overhaul of units and equipment of MAEK-Kazatomprom LLP of Tenge 1,120 million, technical modernisation of UMP JSC of Tenge 1,912 million, technological road to Zhalpak field of Tenge 1,751 million and IT projects of JSC NAC Kazatomprom of Tenge 1,969 million.

IT projects of JSC NAC Kazatomprom include capitalised costs of Digital Mine project of Tenge 1,018 million and SAP ERP implementation of Tenge 951 million. Implementation of the Digital Mine is planned at one of the Group's entities in 2018. In 2019, the Group plans to replicate the system at all other mining entities. In 2017, under SAP ERP implementation project, the Group developed design solutions for target business processes and carried out preparatory work for testing the system. In 2018, the Group will continue implementation and automation of target business processes on the basis of SAP ERP in the corporate center and five subsidiaries.

At 31 December 2017, the Group had contractual capital expenditure commitments in respect of property, plant and equipment totalling Tenge 1,890 million (2016: Tenge 5,383 million).

Borrowing costs capitalised in the reporting period were Tenge 212 million (2016: Tenge 631 million). The average capitalisation rate in 2017 was 3.22% (2016: 4.32%).

As at 31 December 2017, the gross carrying value of fully depreciated property, plant and equipment still in use was Tenge 10,582 million (2016: Tenge 9,474 million).

21. Mine Development Assets

<i>In millions of Kazakhstani Tenge</i>	Field preparation	Site restoration costs	Ion exchange resin	Total
At 1 January 2016				
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
Additions	11,308	-	-	11,308
Transfers to exploration and evaluation assets (Note 23)	-	-	(32)	(32)
Transfers from inventory	896	-	764	1,660
Depreciation charge	(10,052)	(726)	(245)	(11,023)
Impairment loss	(4,955)	-	-	(4,955)
Reversal of impairment losses recognised in prior periods	39	5	-	44
Changes in accounting estimates	-	4,846	-	4846
At 31 December 2017				
Cost	65,843	11,728	5,359	82,930
Accumulated depreciation and impairment	(35,487)	(2,462)	(1,451)	(39,400)
Carrying amount	30,356	9,266	3,908	43,530

The site restoration costs are capitalised when the Group recognises provision for site restoration. The carrying value of the provision and site restoration assets is reassessed at each reporting period end (Notes 4 and 35).

22. Mineral Rights

In millions of Kazakhstani Tenge

At 1 January 2016	
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
Additions	90
Amortisation charge	(191)
Change in accounting estimate	(186)
At 31 December 2017	
Cost	9,183
Accumulated amortisation and impairment	(7,179)
Carrying amount	2,004

23. Exploration and Evaluation Assets

In millions of Kazakhstani Tenge

	Tangible assets	Intangible assets	Total
Carrying value			
At 1 January 2016	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
Additions	3,626	17	3,643
Disposals	(83)	(24)	(107)
Transfers from mine development assets (Note 21)	32	-	32
Proceeds from test production	(1,644)	-	(1,644)
Changes in accounting estimates	-	213	213
At 31 December 2017	4,678	930	5,608

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>	2017	2016
Carrying value at 1 January	107,773	121,938
Contributions to charter capital	-	7
Share of results of associates	22,007	38,058
Dividends received from associates	(21,244)	(48,286)
Disposals	-	(69)
Classified as joint ventures	-	(3,216)
Effect of translation to presentation currency	(234)	(659)
Impairment	(6,556)	-
Carrying value at 31 December	101,746	107,773

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

	Country of incorporation	Principal activities	2017		2016	
			% 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%	38,504	49.00%	39,843
JV Inkai LLP	Kazakhstan	Extraction, processing and export of uranium products	40%	40,389	40.00%	37,686
JV South Mining Chemical Company LLP	Kazakhstan	Extraction, processing and export of uranium products	30%	5,029	30.00%	8,258
JV Zarechnoe JSC	Kazakhstan	Extraction, processing and export of uranium products	49.98%	1,947	49.98%	8,692
Kaustik JSC	Kazakhstan	Supply of caustic soda	40%	3,775	40.00%	3,462
JV Betpak Dala LLP	Kazakhstan	Extraction, processing and export of uranium products	30%	1,949	30.00%	2,316
JV Khorasan-U LLP	Kazakhstan	Extraction, processing and export of uranium products	33.98%	5,259	33.98%	4,418
JV SKZ Kazatomprom LLP	Kazakhstan	Production of sulphuric acid	9.89%	720	9.89%	737
JV Rosburmash LLP	Kazakhstan	Geological exploration	49%	553	49.00%	459
Kyzylkum LLP	Kazakhstan	Extraction, processing and export of uranium products	30%	3,621	30.00%	1,902
Total investments in associates				101,746		107,773

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).

During 2016 and 2017, JV Betpak Dala LLP did not carry out operating activities. According to the participants' decision, the entity is planned for liquidation in the first half of 2018.

JSC National Atomic Company Kazatomprom
Notes to the Consolidated Financial Statements – 31 December 2017

24. Investments in Associates (Continued)

Summarised financial information for 2017 in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' 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	6,519	7,877	39,270	28,850	27,585	7,935	19,391	6,306	143,733
Non-current assets	-	29,700	62,572	130,998	36,450	15,663	23,986	26,755	326,124
Total assets	6,519	37,577	101,842	159,848	64,035	23,598	43,377	33,061	469,857
Current liabilities	(21)	(3,072)	(15,152)	(43,551)	(42,686)	(5,679)	(26,862)	(6,948)	(143,971)
Non-current liabilities	-	(22,269)	(7,875)	(11,720)	(2,562)	(876)	(892)	(15,807)	(62,001)
Total liabilities	(21)	(25,341)	(23,027)	(55,271)	(45,248)	(6,555)	(27,754)	(22,755)	(205,972)
Net assets	6,498	12,236	78,815	104,577	18,787	17,043	15,623	10,306	263,885
Group's share of net assets of associates	1,949	3,671	38,620	41,831	5,636	8,518	5,308	1,644	107,177
Unrealised profit in the Group	-	-	(184)	(1,442)	(607)	(57)	(49)	-	(2,339)
Impairment	-	-	-	-	-	(6,556)	-	-	(6,556)
Other movements	-	(50)	-	-	-	42	-	(1,034)	(1,042)
Goodwill	-	-	68	-	-	-	-	4,438	4,506
Carrying value of investments in associates	1,949	3,621	38,504	40,389	5,029	1,947	5,259	5,048	101,746
Total revenue	-	17,604	65,426	37,449	51,181	14,657	28,138	19,749	234,204
Profit / (loss) for the year	(1,221)	5,730	19,148	9,036	18,724	797	1,741	1,413	55,368
Other comprehensive income	-	-	-	-	-	-	-	308	308
Total comprehensive income / (loss)	(1,221)	5,730	19,148	9,036	18,724	797	1,741	1,413	55,368
Dividends received	-	-	10,834	-	9,023	1,089	-	298	21,244

JSC National Atomic Company Kazatomprom
Notes to the Consolidated Financial Statements – 31 December 2017

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 associates' financial statements prepared in accordance with IFRS, adjusted by the Group for equity accounting purposes.

<i>In millions of Kazakhstani Tenge</i>	JV Belpak 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
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	20,479	30,077	3,631	4,233	128	97,487
Dividends received	689	-	25,359	11,013	10,416	466	-	343	48,286

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>	2017	2016
Carrying value at 1 January	66,862	43,519
Contributions to charter capital	8,413	4,640
Share of results of joint ventures	22,107	36,739
Share of other comprehensive (loss) / income of joint ventures	44	(216)
Dividends received from joint ventures	(22,942)	(21,066)
Impairment of investments in joint ventures	(32)	-
Classified as joint ventures (Note 24)	-	3,216
Disposals	-	(76)
Effect of translation to presentation currency	366	106
Carrying value at 31 December	74,818	66,862

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	2017		2016	
			% 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%	17,887	50.00%	19,398
Karatau LLP	Kazakhstan	Extraction, processing and export of uranium products	50.00%	14,637	50.00%	15,791
Semizbay-U LLP	Kazakhstan	Extraction, processing and export of uranium products	51.00%	10,037	51.00%	11,218
Ulba TVS LLP	Kazakhstan	Construction of heat assembly units plant and production, marketing and sale of heat assembly units	51.00%	5,287	51.00%	3,223
Uranenergo LLP	Kazakhstan	Transfer and distribution of electricity, grid operations	58.90%	2,818	58.02%	4,432
JV UKR TVS CJSC	Ukraine	Production of nuclear fuel	33.33%	21	33.33%	21
SKZ-U LLP	Kazakhstan	Production of sulphuric acid	49.00%	1,625	49.00%	289
TsOU CJSC	Russia	Production of advanced uranium products	50.00%	16,787	50.00%	12,445
Kazatomprom-Sorbent LLP	Kazakhstan	Supply of ion exchange resin	-	-	51.00%	-
KAS GmbH	Germany	Development and implementation of high technology and innovative projects	-	-	50.00%	-
Ulba Conversion LLP	Kazakhstan	Construction and operation of conversion plant in Kazakhstan	50.96%	-	50.96%	45
KRKAS JSC	Kazakhstan	Design and technical documentation of nuclear reactors and nuclear stations	-	-	50.00%	-
JV Budenovskoe LLP	Kazakhstan	Extraction, processing and export of uranium products	51%	5,719	51.00%	-
Total investments in joint ventures				74,818		66,862

JSC National Atomic Company Kazatomprom
Notes to the Consolidated Financial Statements – 31 December 2017

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 ventures' financial statements prepared in accordance with IFRS, adjusted by the Group for equity accounting purposes.

In millions of Kazakhstani Tenge	Karatau LLP		Akbastau JSC		Semizbay-U LLP		TsOU CJSC		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Current assets	14,306	13,785	18,326	26,232	11,921	11,845	13,179	16,228	18,166	14,768	75,898	82,858
Including cash	743	3,965	3,027	16,793	177	359	12,239	7,455	7,299	6,219	23,485	34,791
Non-current assets	26,108	24,689	21,503	19,527	15,104	20,804	124,690	115,798	46,225	35,615	233,630	216,433
Total assets	40,414	38,474	39,829	45,759	27,025	32,649	137,869	132,026	64,391	50,383	309,528	299,291
Current liabilities	(9,132)	(2,753)	(2,199)	(1,411)	(12,088)	(15,413)	(23,381)	(18,180)	(7,597)	(9,363)	(54,397)	(47,120)
Including financial liabilities net of trade and other accounts payable and provisions	(4,470)	-	-	-	(9,497)	(12,217)	(6,050)	(5,157)	(4,590)	(5,921)	(24,607)	(23,295)
Non-current liabilities	(829)	(835)	(1,156)	(1,388)	(2,883)	(2,866)	(80,914)	(88,957)	(19,936)	(24,440)	(105,718)	(118,486)
Including financial liabilities net of trade and other accounts payable and provisions	-	-	-	-	(47)	(258)	(80,914)	(88,957)	(19,926)	(24,425)	(100,887)	(113,640)
Total liabilities	(9,961)	(3,588)	(3,355)	(2,799)	(14,971)	(18,279)	(104,295)	(107,137)	(27,533)	(33,803)	(160,115)	(165,606)
Net assets	30,453	34,886	36,474	42,960	12,054	14,370	33,574	24,889	36,858	16,580	149,413	133,685
Group's share of net assets of joint ventures	15,227	17,443	18,237	21,480	6,147	7,328	16,787	12,444	19,243	9,110	75,641	67,805
Share in accumulated unrecognised losses	-	-	-	-	-	-	-	1	(2,376)	292	(2,376)	293
Goodwill	-	-	-	-	4,105	4,105	-	-	(1,397)	(1,392)	2,708	2,713
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Unrealised profit in the Group	(590)	(1,652)	(350)	(2,082)	(215)	(215)	-	-	-	-	(1,155)	(3,949)
Carrying value of investments in joint ventures	14,637	15,791	17,887	19,398	10,037	11,218	16,787	12,445	15,470	8,010	74,818	66,862
Total revenue	43,615	48,720	31,939	40,534	20,789	24,388	58,495	65,951	16,055	18,442	170,893	198,035
Depreciation and amortisation	(4,630)	(4,414)	(3,422)	(3,870)	(4,557)	(3,827)	(2)	(2)	(1,250)	(1,209)	(13,861)	(13,322)
Interest income	72	54	523	380	67	32	4,848	305	305	2,601	5,815	3,067
Interest expense	(206)	(120)	(300)	-	(742)	(893)	(4,721)	-	(634)	(765)	(6,603)	(1,778)
Income tax	(5,593)	(6,580)	(3,865)	(5,491)	16	(1,304)	5	(9,264)	(171)	(1,388)	(9,608)	(24,027)
Profit / (loss) for the year	19,289	23,723	15,045	21,531	(1,725)	4,115	7,892	36,622	(1,150)	3,564	39,351	89,555
Dividends received	11,861	11,689	10,766	9,377	315	-	-	-	-	-	22,942	21,066

25. Investments in Joint Ventures (Continued)

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

In 2017, the Group liquidated Kazakhstan-Russian Company Nuclear Stations JSC, Kazatomprom-Sorbent LLP and KAS LLC.

The Group implements jointly with the Chinese company China General Nuclear Power Corporation (CGNPC) the project on construction of the fuel assembly plant (TVS) for Chinese nuclear power plants with the capacity of 200 tons per annum per enriched uranium. In December 2015, the subsidiaries of JSC NAC Kazatomprom and CGNPC established a joint venture Ulba-TVSS LLP (UMP JSC - 51%, CGNPC-URC - 49%), an operating entity responsible for construction and further operation of the plant. Areva NP (from 2018 - Framatome) was selected as the main supplier of fuel production technology. Current works include preparation of construction design and estimate documentation and manufacturing of the main technological equipment for the TVS production line. After construction and installation works are completed, certification of the fuel assembly line will commence. Commissioning of the TVS plant is planned in 2019.

26. Other Investments

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Investment available-for-sale		
Baiken-U LLP	1,022	1,022
Toshiba Nuclear Energy Holdings (US) Inc.	-	48,892
Toshiba Nuclear Energy Holdings (UK) Ltd.	-	17,112
Other	704	15
Total other investments	1,726	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 gave 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 provided 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, 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 would have been determined by an independent international appraiser. The Call Option was not exercised by Toshiba Corporation at the date of the Put Option exercise.

Since the acquisition of interest in TNEH-US and TNEH-UK to September 2017, the Group received dividends from TNEH US and TNEH UK for the total amount of USD 101 million.

On 29 March 2017, Westinghouse Electric Company LLC (a subsidiary of TNEH-US and TNEH-UK) filed for bankruptcy for protection against creditors, asset restructuring and subsequent sale on competitive basis in order to settle its debts to creditors.

On 2 October 2017, the Group delivered a written Put Exercise notice to Toshiba Corporation of its exercise of the put right in accordance with the put option agreement. During October-November 2017, according to the Kazakhstan legislation, the Group received necessary corporate approvals for exercise of the put option right, sale of shares in TNEH-US and TNEH-UK and withdrawal from the shareholders list.

26. Other Investments (Continued)

On 25 December 2017, the Group entered into a share transfer agreement with Toshiba Corporation, whereby the Group transferred the right and the title to all its shares in TNEH-US and TNEH-UK to Toshiba Corporation, and received cash payment of USD 522,180 thousand (Tenge 173,719 million).

The Group recognised gain from exercise of put option of Tenge 107,714 million for the difference between the consideration received and the carrying amount of the investments accounted at cost. Starting from 25 December 2017, the Group is no longer a shareholder of TNEH-US and TNEH-UK.

Baiken-U LLP

Investment in Baiken-U LLP represents 5% interest in equity of the investee. 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 this investment.

Other

Other investments include bonds issued by Special Financial Company DSFK LLP (DSFK) with the carrying value of Tenge 598 million. These bonds were received as a result of restructuring of the Group's deposits held at the bank RBK JSC of Tenge 3,989 million. Bonds mature in 15 years from the issue date and carry annualised interest rate of 0.01%. The bonds are partially secured by the guarantee issued by the parent company of DSFK for the period of 5 years. The bonds were recognised by the Group at the fair value, estimated by the Group's parent company, based on the value of the guarantee and the discount rate of 13% per annum. The Group recognised an impairment loss on term deposits of Tenge 3,391 million (Note 12).

Other investments also include 9.95% interest in EAL with the carrying value of Tenge 91 million, which was acquired with the acquisition of PSIL in 2017 (Note 38).

27. Accounts Receivable

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Other receivables	141	-
Provision for impairment of other receivables	(1)	-
Total non-current accounts receivable	140	-
Trade accounts receivable	53,217	64,524
Trade accounts receivable from related parties	5,997	5,096
Total gross trade accounts receivable	59,214	69,620
Provision for impairment of trade receivables	(1,246)	(1,697)
Provision for impairment of trade receivables from related parties	(52)	(64)
Total net trade accounts receivable	57,916	67,859
Other accounts receivable	595	510
Other accounts receivable from related parties	7	19
Total gross other accounts receivable	602	529
Provision for impairment of other receivables	(433)	(467)
Total net other accounts receivable	169	62
Total current accounts receivable	58,085	67,921

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>	2017	2016
Non-current		
Advances for non-current assets	10,430	5,450
Long-term inventories	7,349	7,149
Restricted cash	4,377	3,470
Loans to employees	898	839
Prepaid expenses	674	694
Advances to related parties	397	345
VAT recoverable	-	1,570
Total other non-current assets	24,125	19,517

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Current		
Dividends receivable from related parties	13,707	5,916
Advances for goods and services	2,813	2,948
Due from employees	414	451
Advances to related parties for goods and services	396	498
Prepaid expenses	355	373
Prepaid taxes other than income tax	291	185
Restricted cash	242	82
Prepaid insurance	162	335
Other receivables from related parties	-	16
Other	16	27
Total other current assets	18,396	10,831

Financial assets within other current and non-current assets include restricted cash, loans to employees and dividends receivable. Other current and non-current assets are non-financial assets. Non-current inventories include stock of enriched uranium which is held by the Group since inception for future use after commissioning of new facilities for production of uranium pellets. Management does not plan to use these inventories in operational activity during the year after the reporting date.

In accordance with the terms of its subsurface use contracts, the Group transfers cash to long-term bank deposits to finance site restoration activities. As at 31 December 2017, the balance of restricted cash on the long-term bank deposits related to financing of future site restoration activities amounted to Tenge 4,377 million (2016: Tenge 3,467 million).

In 2016, the Group recognised impairment of long-term deposit of Tenge 4,189 million held at Kazinvestbank JSC (Note 12). Pursuant to the decision dated 26 December 2016, the National Bank of the Republic of Kazakhstan revoked the banking license of Kazinvestbank JSC.

29. Inventories

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Finished goods and goods for resale	140,533	88,595
Work-in-process	17,563	15,908
Raw materials	14,520	14,476
Spare parts	819	730
Materials in processing	762	1,440
Fuel	889	656
Other materials	2,842	2,522
Provision for obsolescence and write-down to net realisable value	(8,253)	(4,232)
Total inventories	169,675	120,095

29. Inventories (Continued)

Movements in the provision for obsolescence are as follows:

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Balance at 1 January	(4,232)	(2,647)
Accrual of provision during the year	(5,125)	(2,060)
Reversal of provision during the year	424	85
Inventory write off during the year	680	378
Transfer to assets held for sale	-	2
Translation to presentation currency	-	10
Balance at 31 December	(8,253)	(4,232)

Finished goods include undelivered uranium of KZT 8,770 million. The Group plans to complete delivery of uranium in the first half of 2018. Additional packaging costs incurred on this delivery of Tenge 2,990 million were recognised as period expenses in 2017 (Note 11).

30. Term Deposits

<i>In millions of Kazakhstani Tenge</i>	Currency	2017	2016
Non-current			
Tsesna Bank JSC	Tenge	-	15
Total non-current term deposits		-	15
Current			
Bank CentreCredit JSC	US Dollar	3,166	2,868
Tsesna Bank JSC	US Dollar	2,426	15,360
ATF Bank JSC	US Dollar	1,994	25,597
Tsesna Bank JSC	Tenge	240	48
Sberbank JSC	Russian Rouble	173	70
ATF Bank JSC	Tenge	135	532
Nurbank JSC	Tenge	108	100
Bank CentreCredit JSC	Tenge	92	1,102
SB Alfa Bank JSC	Russian Rouble	69	5
Fortebank JSC	Tenge	59	58
Eurasian Bank JSC	Tenge	10	82
Bank RBK JSC	US Dollar	-	4,833
Halyk Bank Kazakhstan JSC	US Dollar	-	3,666
Eurasian Bank JSC	US Dollar	-	1,911
Halyk Bank Kazakhstan JSC	Tenge	-	175
Sberbank JSC	US Dollar	-	69
Total current term deposits		8,472	56,476

Interest rates on term deposits held by the Group as at 31 December 2017 vary from 0.01% to 10.5% per annum (2016: from 0% to 18% 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>	2017	2016
Non-current		
Kyzylkum LLP	20,302	19,151
Total non-current loans to related parties	20,302	19,151
Current		
JV KRKAS JSC	-	13
Total current loans to related parties	-	13

The weighted average annual interest rate on loans to related parties in 2017 was 8.5% (2016: 8.47%). In 2010, the Group provided an interest-bearing long-term loan to Kyzylkum LLP with maturity to 2024. The loan is collateralised by the property of Kyzylkum LLP. JV Khorasan-U LLP is a co-lender of the loan to Kyzylkum LLP.

32. Cash and Cash Equivalents

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Current bank accounts	234,845	62,323
Demand deposits	5,053	12,685
Cash in hand	38	44
Total cash and cash equivalents	239,936	75,052

33. Share Capital

At 31 December 2016, the total number of authorised and paid ordinary shares is 37,050,944 (2016: 36,784,961).

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.

On 22 February 2017, the National Bank registered an increase in the Company's common shares by 265,983 shares with par value of Tenge 1,000 per share for the total amount of Tenge 266 million. On 17 May 2017, the declared shares were placed (paid).

During 2016, the parent company contributed to the Company 100% of 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>	2017	2016
Dividends payable at 1 January		-
Dividends declared during the year	65,849	12,031
Dividends paid during the year	(65,849)	(12,031)
Dividends payable at 31 December	-	-
Dividends per share declared during the year, in Tenge	1,790	328

34. Loans and Borrowings

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Non-current		
Bank loans	38,557	76,861
Non-bank loans	353	323
Non-current loans and borrowings	38,910	77,184
Current		
Bank loans	82,374	50,581
Total current loans and borrowings	82,374	50,581

During 2016-2017 the Group obtained short term bank loans for the purpose of replenishment of working capital.

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 was to refinance bonds issued in 2010 and repaid in 2015. 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	2017	2016
Bank loans				
Syndicated loan	US Dollar	2019	55,126	92,127
Societe Generale	US Dollar	2018	23,319	-
The Bank of Tokyo-Mitsubishi UFJ. Ltd	Euro	2024	16,977	17,178
Citibank Kazakhstan JSC	US Dollar	2018	9,816	-
Kazkommertsbank JSC	Tenge	2020	4,233	4,233
Natixis Bank	US Dollar	2022	3,420	4,330
Citibank Kazakhstan JSC	Euro	2018	3,344	-
Fortebank JSC	Tenge	2018	3,335	-
Halyk Bank JSC	Tenge	2018	1,361	-
Citibank Kazakhstan JSC	US Dollar	2017	-	7,736
Alfa-Bank JSC	US Dollar	2015-2016	-	1,838
Total bank loans			120,931	127,442
Non-bank loans				
Kozhema-Katko-Demeu	Tenge	2024	353	323
Total non-bank loans			353	323

In 2017, the Group's weighted average interest rate on fixed interest rate loans was 6.29% (2016: 5.39%) and on floating interest rate loans was 3.47%% (2016: 2.81%).

34. Loans and Borrowings (Continued)

Reconciliation of debt

The table below shows an analysis of the debt amount and changes in the Group's liabilities arising from financing activities for each of the periods presented:

<i>In millions Kazakhstani Tenge</i>	Loans and borrowings	Financial lease liabilities	Total
Net debt at 1 January 2016	172,621	-	172,621
Proceeds from loans and borrowings	10,072	-	10,072
Repayment of loans and borrowings	(53,430)	(23)	(53,453)
Interest accrued	6,253	4	6,257
Interest paid	(5,460)	(4)	(5,464)
Foreign currency translation	(2,340)	-	(2,340)
Other non-cash changes	49	187	236
Net debt at 31 December 2016	127,765	164	127,929
Proceeds from loans and borrowings	52,793	-	52,793
Repayment of loans and borrowings	(61,410)	(69)	(61,479)
Interest accrued	4,944	17	4,961
Interest paid	(4,414)	(16)	(4,430)
Foreign currency translation	1,810	-	1,810
Other non-cash changes	(204)	323	119
Net debt at 31 December 2016	121,284	419	121,703

Loan covenants

The Group's loan agreements with banks include covenants, pursuant to which the Group must comply with applicable laws and regulations, cannot create or permit any security over its assets or dispose assets, unless allowed by the loan agreements, and must obtain the lenders' approval for any acquisitions, mergers and disposals. The Group may also sell uranium for non-military purposes only to customers residing in countries which signed the Nuclear Non-Proliferation Treaty and are members of the International Agency on Nuclear Energy.

In addition, the Group must maintain certain key financial covenants based on the Group's consolidated financial information, such as the debt to equity ratio and debt to EBITDA ratio. Management believes that the Group complies with all applicable covenants as of 31 December 2017.

Significant non-cash transactions

No significant loans in the form as direct financing of suppliers were provided by banks during 2016-2017.

35. Provisions

<i>In millions of Kazakhstani Tenge</i>	Compensation for occupational diseases	Environment protection	Site restoration	Other	Total
At 1 January 2016					
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 the year	(58)	96	-	3	41
Unwinding of discount	32	185	1,049	1	1,267
Recovered	-	-	(8)	-	(8)
Disposals	-	-	(175)	-	(175)
Provision used	(93)	(1)	-	-	(94)
Change in estimates	-	(457)	4,885	-	4,428
At 31 December 2017					
Non-current	254	2,460	19,939	35	22,688
Current	93	96	-	-	189
Total	347	2,556	19,939	35	22,877

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 bases 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 2017, the undiscounted amount of the estimate is Tenge 607 million (2016: Tenge 766 million). This estimate has been recognised at present value using a discount rate of 9.06% (2016: 7.08%), being a risk free rate as the future cash flows reflect risks specific to the liability, and inflation rate of 5.4% (2016: 5.13%).

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 radioactive waste and to decommission and dispose polluted property, plant and equipment. As at 31 December 2017, the undiscounted value of the estimated costs to comply with this legislation was Tenge 64,826 million (2016: Tenge 58,176 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 9.06% (2016: 7.08%), being a risk free rate as the future cash flows reflect risks specific to the liability, and inflation rate of 5.4% (2016: 5.13%).

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 restoration of mine sites

The Group estimates the site restoration costs for each mine operated by the Group. The undiscounted estimated cost of reclamation activities is Tenge 40,939 million (2016: Tenge 23,589 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 2017 has been estimated using a discount rate of 9.06% (2016: 7.08%), 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 mine (Note 4).

Changes in estimates occur due to annual revision of costs for site liquidation including newly drilled wells, sand traps 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 2017, the accumulated amount of such restricted deposits was Tenge 8,903 million (2016: Tenge 7,656 million).

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
- forecasted inflation rate is 5.4% per annum.

36. Accounts Payable

<i>In millions of Kazakhstani Tenge</i>	2017	2016
Non-current		
Trade accounts payable	573	574
Total financial non-current accounts payable	573	574
Other accounts payable	9	7
Total other non-current accounts payable	9	7
Total non-current accounts payable	582	581
Current		
Trade accounts payable to related parties	83,712	54,964
Trade accounts payable	24,979	18,308
Total financial current accounts payable	108,691	73,272
Other accounts payable to related parties	-	74
Other accounts payable	3,951	1,308
Total other accounts payable	3,951	1,382
Total current accounts payable	112,642	74,654

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>	2017	2016
Non-current		
Advances received (Note 38)	3,261	-
Historical costs liabilities	1,749	2,453
Advances received from related parties	1,450	1,579
Deferred income	856	723
Preferred shares	265	265
Issued financial guarantees	96	179
Other	34	-
Total non-current other liabilities	7,711	5,199
Current		
Accrued unused vacation payments and bonuses	4,460	4,020
Advances received from related parties	2,654	1,078
Wages and salaries payable	2,620	1,892
Advances received	2,120	2,220
Social contributions payable	963	872
Historical costs liabilities	818	874
Dividends payable to other participants	253	255
Deferred income	102	90
Other	359	488
Total current other liabilities	14,349	11,789

37. Other Liabilities (Continued)

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 2017 is 3.3% (2016: 3.3%) for historical costs denominated in USD and 7% for historical costs denominated in Tenge (2016: 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.

(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 in 2017 is Tenge 509 million (2016: Tenge 693 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 of payment of additional corporate income tax and penalties for the total amount of Tenge 3,302 million, including corporate income tax for Tenge 2,512 million and penalty of Tenge 790 million. The Group did not agree with the notice and filed an appeal. In connection with the unsuccessful appeal, as of 31 December 2016 the Group recognised the whole amount of assessments of Tenge 2,512 million within income tax expense (Note 17) and the penalty in the amount of Tenge 996 million within general and administrative expenses (Note 11). The amount of taxes and penalties was paid to the budget in full.

(b) Complex tax inspections of the Group entities

In 2014, the Company 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, the Company was issued a notice of additional assessments which were appealed by the Company during 2015-2016. The Group recognised a liability in the amount of Tenge 1,598 million for these assessments including taxes, penalty and interest in 2015. The amount of taxes, fines and penalties was paid to the budget in full.

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, which were appealed by the entity. As of 31 December 2015 Appak LLP recognised tax liability of Tenge 1,274 million and penalty of Tenge 183 million (Note 11). The amount of taxes, fines and penalties was paid to the budget in full.

In 2014, tax authorities completed complex tax inspection of JV KATKO LLP, the Group's associate, for 2009-2012. Based on the results of tax inspection, the entity was issued a notice of additional taxes, fines and penalties, which were subsequently appealed by the entity during 2014-2017. As of 31 December 2015, JV KATKO LLP recognised tax liabilities of Tenge 6,035 million. In March 2017, JV KATKO LLP paid Tenge 4,700 million of tax charges and in June additionally Tenge 630 million of penalty. Administrative fines of Tenge 1,800 were paid in August 2017. Thus, as of 31 December 2017, all amounts of taxes accrued as a result of the comprehensive tax inspection for 2009-2012, as well as the corresponding amounts of fines and administrative penalties were fully paid to the budget.

Privatisation

In accordance with the Government Decree of the Republic of Kazakhstan No. 1141 dated 30 December 2015, the Company is to sell and liquidate subsidiaries and affiliated organisations in accordance with the approved list. The privatisation plan involves the transfer to a competitive environment of organisations that do not correspond to the core activities of the Company in order to optimise its assets structure and to enhance its corporate governance. According to the privatisation plan, in March 2017 the Group sold its interest in JV KT Rare Metals Company LLP. The Group believes that there is a high probability of Kyzyltu sale during 2018. Accordingly, the Group recognised assets and liabilities of Kyzyltu disposal group as held for sale. In 2018, the Group plans to search for potential investors to transfer to the competitive environment Kaustik JSC and KazPV project entities: Astana Solar LLP, Kazakhstan Solar Silicon LLP and MK KazSilicon LLP.

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. As disclosed in Note 4, there is high uncertainty in terms of how the matter will be developed in future and impact decommissioning of BN-350 (including UPN unit). Future events or changes in legislation may lead to 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 the appropriate provision for full amount.

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 under financial guarantees, provided to secure financing of certain related parties, at the reporting date is Tenge 14,732 million (2016: Tenge 21,649 million).

Compliance with covenants

The Group is subject to certain covenants related primarily to its loans and borrowings (Note 34). Non-compliance with covenants may result in negative consequences for the Group including increase in cost of borrowing. The Group was in compliance with covenants at 31 December 2017 and 31 December 2016.

Subsurface use commitments

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

38. Contingencies and Commitments (Continued)

Memoranda with South Kazakhstan and Kyzylorda municipalities

In December 2014, the Group signed memoranda with South Kazakhstan and Kyzylorda municipalities for cooperation under social and economic development of the region for 2015-2016. In accordance with these memoranda the Group transfers social facilities owned by the Group to public ownership and provides financing of Tenge 3.6 billion in 2015-2016. Memoranda also envisaged 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 facilities were transferred to public ownership free of charge together with funds for maintenance in the total amount of Tenge 1.6 billion. In accordance with the memoranda, in 2016 the Group transferred Tenge 3.1 billion, 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.

Significant transactions

(a) Agreement with Cameco

In 2016, the Group and Cameco Corporation (Canada) which owned 60% of interest in JV Inkai LLP (Note 24) signed a restructuring agreement. The agreement stipulates further development of joint projects at JV Inkai LLP for next 30 years, including prolongation of subsoil use contract term and increase of the Group's interest in JV Inkai LLP from 40% to 60%. The agreement also stipulates the terms of establishment of joint affintage production.

In December 2017, the Group and Cameco completed restructuring of JV Inkai LLP. Under the terms of the sales agreement, effective 1 January 2018 the Group increases its interest in JV Inkai LLP from 40% to 60% and obtains control over the investee (Note 44). In addition, according to the sales agreement and the addendum to the subsoil use contract signed on 30 November 2017, the competent authority approved extension of the subsoil use contract until 2045 and increase in production to 4,000 tons of uranium per year.

(b) Agreement with Uranium One Inc.

In October 2017, the Russian Corporation Rosatom, the Ministry of Energy of the Republic of Kazakhstan and the Group signed a memorandum of understanding and enhanced strategic cooperation in the area of nuclear fuel cycle. Under the memorandum, the Group and Uranium One Inc., an entity of the uranium producing division of Rosatom Corporation, signed an agreement on further development of Karatau LLP. In accordance with the Agreement, Uranium One Inc. made an advance payment to the Group in the amount of USD 10 million (Note 37).

The Group and Uranium One Inc are the participants of Karatau LLP and Akbastau JSC and are considering applying the method of accounting for joint operations to these investments, currently accounted for using equity method. For transition to accounting as joint operations in accordance with IFRS 11, the participants plan to sign a number of agreements that will formalise the obligation of participants to purchase all products in proportion to their shares, to apply equal selling price and to provide financing proportional to their shares. The proposed method of accounting of joint operations will allow participants to consolidate assets, liabilities, revenues and expenses of Karatau LLP and Akbastau JSC in proportion to their shares of participation. The overall impact on the consolidated financial statements is difficult to estimate until the Group completes fair value assessment of the investments in Karatau LLP (50% share) and Akbastau JSC (50% share) provided the transition takes place.

In these financial statements, the Group consolidates investments in Karatau LLP (50% interest) and Akbastau JSC (50% interest) using the equity method.

(c) Agreement with Areva

In April 2017, JSC NAC Kazatomprom and Areva signed an agreement on further development of JV KATKO LLP on the basis of South Tortkuduk mine. The agreement envisaged an increase in annual production volume from 1,500 tons to 4,000 tons of uranium starting from 2022 and the entitlement of the Group to the additional 11% compensation from distributable profit of JV KATKO LLP.

38. Contingencies and Commitments (Continued)

(d) Corporate claims

In 2006, JSC NAC Kazatomprom sold 95% and 40% of interest in Baiken-U LLP and Kyzylkum LLP, respectively, as a result the Group lost control over these entities. In 2014, the Group initiated a claim in the British Virgin Islands against the following defendants: Power System International Limited (hereinafter referred to as PSIL), Swinton Investment and Finance S.A. and certain individuals, 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. On 28 September 2017, as a result of negotiations, the parties signed an amicable agreement, under which the defendants transferred to the Group 99.91% of shares in PSIL, which in its turn holds an indirect interest in Kazakhstani uranium mining entities Baiken-U LLP (Note 26) and Kyzylkum LLP (Note 24). The remaining 0.09% shares in PSIL were also transferred to the Group by Nynco Limited in accordance with the order of the High Justice Court of Wales and England. Thus, from October 2017 the Group is the sole shareholder of PSIL, registered in the British Virgin Islands. The Group appointed its representative as the sole director of PSIL.

The acquisition of PSIL was accounted for as an acquisition of asset on the balance of PSIL in the form of an investment representing 9.95% interest in the offshore company EAL, which holds shares in Baiken-U LLP and Kyzylkum LLP. The investment in EAL is recognised at cost of Tenge 91 million (Note 26).

After conclusion of the amicable agreement and transfer of ownership over PSIL to JSC NAC Kazatomprom, the legal proceedings in the British Virgin Islands were terminated. Meanwhile, the Group is engaged in the second stage of the project aimed at return of previously withdrawn assets. In particular, the Group negotiates with the Japanese partners to restore the Group's interest in Baiken-U LLP, Kyzylkum LLP and Khorasan-U LLP. These consolidated financial statements do not provide full disclosure of matter including potential contingencies that have confidential nature. Disclosure of such information may seriously prejudice the position of the Group in negotiation process with the involved parties.

As at 31 December 2017, Kyzylkum LLP is recognised as investment in associate (Note 24) and Baiken-U LLP as other investment (Note 26). Currently, the resolution of this matter is in the progress. Management believes that the Group does not have any material liabilities or contingent liabilities related to 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 2017:

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%	(155)	6,369
Appak LLP	Kazakhstan	35%	35%	(620)	7,121
Total				(775)	13,490

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

39. Non-controlling Interest (Continued)

The summarised financial information of these subsidiaries is as follows:

<i>In millions of Kazakhstani Tenge</i>	Ulba Metallurgical Plant JSC		Appak LLP		JV SARECO LLP	
	2017	2016	2017	2016	2017	2016
Current assets	38,899	41,855	16,200	21,641	-	186
Non-current assets	37,008	35,578	14,367	14,542	-	227
Current liabilities	(3,611)	(4,076)	(8,643)	(15,811)	-	(3,827)
Non-current liabilities	(5,523)	(5,622)	(1,579)	(1,813)	-	-
Equity attributable to the Group	66,773	67,735	20,357	18,570	-	(1,741)
Non-controlling interest	-	41,855	-	-	-	(1,673)
Revenue	37,484	38,977	18,157	23,902	-	34
Expenses	(36,020)	(32,320)	(16,386)	(16,018)	-	(1,275)
Profit / (loss) for the year	1,464	6,657	1,771	7,884	-	(1,241)
Profit attributable to the owners of the Company	1,619	6,013	2,391	5,123	-	(633)
Profit attributable to non-controlling interest	(155)	644	(620)	2,761	-	(608)
Profit / (loss) for the year	1,464	6,657	1,771	7,884	-	(1,241)
Other comprehensive income / (loss)	(34)	32	16	4	-	-
Total comprehensive income / (loss) for the year	1,430	6,689	1,787	7,888	-	(1,241)
Net cash inflow/(outflow) from:						
- operating activities	2,775	7,015	(3,502)	4,512	-	7
- investing activities	314	(4,046)	(1,554)	(1,795)	-	9
- financing activities	(2,204)	(2,945)	3,437	(247)	-	-
Net cash inflow / (outflow)	885	24	(1,619)	2,470	-	16

40. Principal Subsidiaries

These consolidated financial statements include the following subsidiaries:

	Principal activity	Ownership/voting	
		2017	2016
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)	Consulting services on the Group's investment activity	90%	90%
KAP-Technology JSC (Bailany-NAK LLP)	Communication services	100%	100%
Korgan Kazatomprom LLP	Security services	100%	100%
Appak LLP	Exploration, extraction and initial processing of uranium ore	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	100%	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%
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 project on construction and operation of nuclear electric station	100%	100%
Kazakatom TH AG	Marketing function for sale of uranium, investment and administration of finances, goods and rights	100%	100%
Power System International Limited (PSIL)	Commercial and investment activity	100%	-

In 2016, the Company established a subsidiary Kazakatom TH AG in Switzerland. The share capital of Kazakatom TH AG of Tenge 339 million was fully paid, of which Tenge 270 million was paid in 2017.

All other subsidiaries are incorporated and operate in Kazakhstan.

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	2017	2016
Financial assets			
Other investments	26	1,726	67,041
Trade accounts receivable	27	57,916	67,859
Other accounts receivable	27	169	62
Restricted cash	28	4,619	3,552
Dividends receivable from related parties	28	13,707	5,916
Loans to employees	28	898	839
Term deposits	30	8,472	56,491
Loans to related parties	31	20,302	19,164
Current bank accounts	32	234,845	62,323
Demand deposits	32	5,053	12,685
Cash in hand	32	38	44
Total financial assets		347,745	295,976
Financial liabilities			
Bank loans	34	120,931	127,442
Non-bank loans	34	353	323
Trade accounts payable	36	109,264	73,846
Other accounts payable	36	3,960	1,389
Finance lease liabilities		419	164
Historical costs liabilities	37	2,567	3,327
Issued financial guarantees	37	96	179
Preferred shares	37	265	265
Dividends payable to other participants	37	253	255
Total financial liabilities		238,108	207,190

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 Management 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 Management Board and 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 accounts as at 31 December 2017:

<i>In millions of Kazakhstani Tenge</i>	Rated Standard & Poor's B	Rated Standard & Poor's C	Other	Total
Restricted cash	3,451	3	1,164	4,618
Term deposits	8,472	-	-	8,472
Current bank accounts	230,035	2,793	2,017	234,845
Demand deposits	5,008	45	-	5,053
Total	246,966	2,841	3,181	252,988

The table below shows credit ratings of banks where the Group had accounts 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 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 54% of the Group's revenue for 2017 (29% of trade accounts receivable at 31 December 2017) is attributable to sales transactions with seven main customers (2016: 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>	2017	2016
China	17,570	24,600
European Union	18,394	10,650
Kazakhstan	16,128	9,334
USA	3,702	13,727
Japan	1,421	3,622
Russia	243	128
Canada	-	1,690
Other	458	4,108
Total	57,916	67,859

41. Financial Risk Management (Continued)

The most significant clients of the Group are China Nuclear Energy Industry Corporation, Urangesellschaft mbH, CNNC International (HK) Limited, CGNPC Uranium Resources Company Limited, HOKKAIDO Electric Power Company Inc., CAMECO Europe Ltd, A&R Merchants Inc (2016 r.: China Nuclear Energy Industry Corporation, TradeTech Energy LLC, Exelon Generation Company LLC, Electricite de France, Urangesellschaft mbH). As at 31 December 2017, the aggregate balance receivable from these customers was Tenge 39,751 million (2016: Tenge 42,366 million).

The average credit period 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 (2017: 10.25%; 2016: 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:

<i>In millions of Kazakhstani Tenge</i>	2017		2016	
	Trade accounts receivable	Other accounts receivable	Trade accounts receivable	Other accounts receivable
Not past due and not impaired	55,844	169	66,551	62
Past due but nor impaired				
Past due for 0-30 days	582	-	784	-
Past due for 31-120 days	1,326	-	346	-
Past due for more than 120 days	164	-	178	-
Total past due but not impaired	2,072	-	1,308	-
Past due and impaired				
Past due for more than 120 days	1,297	433	1,761	467
Total past due and impaired	1,297	433	1,761	467
Provision for impairment	(1,297)	(433)	(1,761)	(467)
Total	57,916	169	67,859	62

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.

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 2016	1,729	454
Provision for the year	410	59
Reversal	(172)	-
Amounts written-off	(206)	(45)
Translation to presentation currency	-	(1)
Provision at 31 December 2016	1,761	467
Provision for the year	66	4
Reversal	(13)	(1)
Amounts written-off	(517)	(37)
Provision at 31 December 2017	1,297	433

41. Financial Risk Management (Continued)

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 provided 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>	2017	2016
Current deposits	13,525	69,161
Current bank accounts	234,845	62,323
Undrawn borrowing facilities	35,177	44,758
Total	283,547	176,242

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 2017:

<i>In millions of Kazakhstani Tenge</i>	Carrying value	Contractu al 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	120,931	136,644	32,823	12,886	48,982	38,046	3,907
Non-bank loans	353	353	-	-	-	-	353
Trade accounts payable	109,263	109,263	-	108,690	-	573	-
Other accounts payable	3,960	3,960	-	3,951	-	9	-
Historical costs liabilities	2,567	2,803	-	204	614	1,985	-
Finance lease liabilities	419	462	-	22	120	320	-
Issued financial guarantees	96	14,732	-	14,732	-	-	-
Preferred shares	265	265	-	-	265	-	-
Dividends payable to other participants	253	253	-	253	-	-	-
Total	238,107	268,735	32,823	140,738	49,981	40,933	4,260

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

<i>In millions of Kazakhstani Tenge</i>	Carrying value	Contractu al 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	21,649	-	21,649	-	-	-
Preferred shares	265	265	-	-	265	-	-
Dividends payable to other participants	255	255	-	255	-	-	-
Total	207,190	238,928	368	113,662	38,042	81,016	5,840

Maximum contractual cash outflows under guarantees are 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>	2017	2016
Denominated in US Dollars		
Trade accounts receivable	46,474	58,376
Loans to related parties*	20,302	19,151
Current bank accounts	212,119	43,577
Demand deposits	1,937	11,978
Term deposits	7,586	54,304
Total assets	288,418	187,386
Bank loans	(95,016)	(106,031)
Trade accounts payable	(14,410)	(11,487)
Historical costs liabilities	(1,125)	(2,813)
Total liabilities	(110,551)	(120,331)
Net exposure to currency risk	177,867	67,055

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

A 10% weakening and 10% strengthening of Tenge against USD as at 31 December 2017 (2016: 13% and 13%) would increase (decrease) equity and profit or loss by the amounts shown below.

<i>In millions of Kazakhstani Tenge</i>	2017	2016
US Dollar strengthening by 10% (2016: 13%)	14,230	6,974
US Dollar weakening by 10% (2016: 13%)	(14,230)	(6,974)

10% (2016: 13%) weakening and 10% (2016: 13%) 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 2017.

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 power 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 the International Agency on Nuclear Energy;
- 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 14,059 million (2016: Tenge 2,060 millions) (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 2017, approximately 21% (2016: 18%) 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>	2017	2016
<i>Fixed rate instruments</i>		
Restricted cash	4,618	3,552
Term deposits	8,472	56,491
Loans to related parties	20,302	19,164
Demand deposits	5,053	12,685
Bank loans	(26,924)	(23,572)
Non-bank loans	(353)	(323)
Net position	11,168	67,997
<i>Floating rate instruments</i>		
Bank loans	(94,360)	(104,193)

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 70 (8) basis points (2016: increase of 60 and decrease of 8 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>	2017	2016
Increase of 70 basis points (2016: 60 basis points)	(528)	(500)
Decrease of 8 basis points (2016: 8 basis points)	60	67

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>	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Bank loans	120,931	112,028	127,442	118,005
Non-bank loans	353	198	323	165
Historical costs liabilities	2,567	2,019	3,327	2,321
Total	123,851	114,245	131,092	120,491

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 amortisation (Debt/EBITDA) of not greater than 3.5.

The Group has complied with all externally imposed capital requirements during 2017 and 2016, 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.

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 under IAS 39 Financial Instruments: Recognition and Measurement, the Group 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. All of the Group's financial assets fall in the loans and receivables category except other investments. Other investments fall into 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

In December 2017, the Group and Cameco Corporation completed the deal on restructuring of JV Inkai LLP. In accordance with the terms of the sales agreement, the Group increased its interest in JV Inkai LLP from 40% to 60% and from 1 January 2018 obtained control over the investee.

The Group obtained control through its ability to cast a majority of votes in the general meeting of shareholders and the supervisory board when making decisions over the relevant activities of the investee. The subsidiary will increase the Group's share on the market of uranium production and is expected to improve the profitability of operations through increased production and sales.

The acquisition-date fair value of the total purchase consideration and its components are as follows:

In millions Kazakhstani Tenge

Cash consideration paid	11
Total consideration transferred	11
Investment in the acquiree prior to the acquisition	40,389
Total purchase consideration and previously held interest in the acquiree	40,400

44. Events After the Reporting Period (Continued)

Currently, the Group performs valuation of the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed in accordance with IFRS 3 Business Combinations. The valuation is performed by an independent appraiser and has not been completed as of the date of consolidated financial statements.

The consideration transferred by the Group is based on the book value of the share in the charter capital. The Group facilitated the signing of the addendum to the subsoil use contract with the competent authority allowing extension of the contract period and increase in annual production volume (Note 38).

The difference between the consideration transferred and the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities leads to recognition of 'negative goodwill' which is recognised immediately in profit or loss for the year (as 'excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination').

As, at the date of financial statements, no information on fair values was available, presented below is the information on the acquired assets, liabilities assumed and arising goodwill based on the carrying (provisional) values as of 1 January 2018:

<i>In millions Kazakhstani Tenge</i>	Carrying value
Cash and cash equivalents	1,036
Accounts receivable	19,063
Property, plant and equipment	58,822
Mine development assets	60,908
Other assets	20,019
Loans and borrowings	(38,955)
Accounts payable	(4,596)
Other liabilities	(11,720)
Fair (carrying) value of the identifiable net assets of the subsidiary	104,577
Less: non-controlling interest	(41,831)
Negative goodwill arising from the acquisition	(22,346)
Total purchase consideration and previously held interest in the acquiree	(40,400)
Less: non-cash consideration	40,389
Less: cash and cash equivalents of subsidiary acquired	1,036
Increase in cash and cash equivalents on acquisition	1,025

The non-controlling interest represents a share in the net assets of the acquiree attributable to owners of the non-controlling interest. Non-controlling interest was estimated at carrying value.