JSC National Atomic Company Kazatomprom

International Financial Reporting Standards
Consolidated Financial Statements
for the year ended 31 December 2018 and
Independent Auditor's Report

Content

INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholders 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018;
- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

Overall Group materiality: Kazakhstani Tenge ("KZT") 4,000 million, which represents 5% of profit before tax adjusted for net gain from business combinations and net gain from reversal of impairment losses.

- We conducted full scope audit work at the Company, 11 significant subsidiaries and 8 joint arrangements in Kazakhstan and one subsidiary in Switzerland.
- Our audit scope addressed 99% of the Group's revenues and 95% of the Group's absolute value of underlying profit before tax.

- Impairment loss and its reversal – property, plant and equipment and other non-current assets related to uranium mining activities
- Accounting for business combinations
- Accounting for environmental obligations

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	KZT 4,000 million
How we determined it	5% of profit before tax adjusted for net gain from business combinations and net gain from reversal of impairment losses.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally

accepted benchmark. We further adjusted it for net gain from business combinations and net gain from reversal of impairment losses which are significant one-off items considered separately in our audit. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment loss and its reversal – property, plant and equipment and other non-current assets related to uranium mining activities	
Refer to Notes 4 and 13 to the consolidated financial statements The carrying value of the Group's assets related to uranium mining activities has been impacted by sustained volatility in uranium prices and by changes in the assessment of uranium reserves. The Group management performed an analysis of existence of impairment indications (and indications of reversals) of these assets as at 31 December 2018 which revealed that: • No indications of impairment were identified as of that date: (a) uranium prices increased over 2018, above forecasts in prior year (the Group used pricing forecasts developed by Ux Consulting Company); (b) uranium reserves remained stable in 2018 and for a number of mines increased from 2017 (per JORC report by SRK Consulting Inc). • Impairment indications that gave rise to the impairment losses at Karamurun, Kanzhugan and Zarechnoe in 2017 no longer existed as of 31 December 2018. Accordingly, the Group has recognised full reversal of those previously recorded impairment losses in 2018. No reversal was recognised at Uvanas and South Moinkum as cost of production on these mines remains to be higher than sales price. The Group defines each uranium site or connected sites as separate cash-	Our procedures included: • We obtained, understood and evaluated management's impairment models. We involved our valuation experts to assist in the evaluation of the methodology and assumptions used in the models, such as uranium prices, discount rates, inflation rates, country specific risk rates and foreign exchange rates to external market data. • We compared operating and future capital expenditure and reserve life data to the latest approved mine plans and budgets. • We compared the key assumptions used within the impairment models to the historic performance of the respective CGUs. • We evaluated the forecast uranium prices incorporated into the Group's impairment testing including comparison to available market data. • We evaluated the competency and objectivity of independent expert who produced the reserve estimates used in the valuations by considering their professional qualifications, experience and use of industry accepted methodology. • We performed a sensitivity analysis over the key assumptions in order to assess their potential impact on impairment results and ranges of possible outcomes of the

Key audit matter	How our audit addressed the key audit matter
generating unit (CGU) for the purposes of the impairment analysis and testing. The future cash flows use forward looking estimates which are inherently difficult to determine with precision. There is also a level of judgement applied in determining the other key inputs. We focused on this area because of the significant judgment involved in the impairment analysis and calculation of recoverable amount of each CGU, and the significant carrying value of the assets in scope of the test.	recoverable amounts. We examined management's assessment of the degree to which uranium prices would need to reduce in isolation from other changes in assumptions, before an impairment arises on these CGUs. • We assessed compliance with the requirements of IFRS of the related disclosures in the consolidated financial statements. As a result of performing the above procedures, we have not identified any circumstances that would lead to material adjustments to the carrying value of assets related to uranium mining activities, recorded in the accompanying consolidated financial statements, or to the related disclosures.
Business combinations *Refer to Notes 4 and 45 to the consolidated financial statements* In 2018, the Group had completed the following business combinations: • JV Inkai LLP Effective 1 January 2018 the Group increased its interest in JV Inkai LLP from 40% to 60% and obtained control over the investee. The valuation of the Group's acquired identifiable assets and liabilities was performed by an independent appraiser. The Group recognised net gain of KZT 95,929 million from business combination, comprising bargain purchase gain of KZT 37,283 million, the excess of the fair value of the investment in associate at date of acquisition over its carrying value of KZT 37,461 million, recycled foreign currency translation reserve of KZT 21,174 million and consideration of KZT 11 million, in profit or loss for the year. • Karatau LLP and JV Akbastan JSC In 2018, the Group changed classification of its 50% interests in Karatau LLP and JV Akbastau JSC from joint venture to joint operations, which was accounted for as a business combination. The change in classification was triggered by amendments in the agreements with the other joint venture partner. Acquired	Our procedures included: • We evaluated management judgement as to existence of control, joint control or significant influence that impacted classification of the investments, the accounting methods applied (consolidation or equity method) and timing of the transactions. Our audit work included: review of charter, shareholders' and other agreements, minutes of meetings and correspondence with counterparties and authorities, subsurface use contracts, accounting memorandums, representations by management and lawyers, enquiries of management and others. • We assessed the competence, capabilities and objectivity of the external valuation experts appointed by management and evaluated the reasonableness of their conclusions in relation to the key assumptions used. • We involved our valuation experts to assist in the evaluation of the methodology and assumptions used in the valuation reports, such as uranium prices, discount rates, inflation rates, country specific risk rates and foreign exchange rates to external market data. • We compared the key assumptions used in the valuation reports, such as future

Key audit matter	How our audit addressed the key audit matter
identifiable assets and liabilities were recognised using the acquisition method under IFRS 3 on the basis of valuation reports by an independent appraiser. The Group recognised net gain of KZT 217,583 million from business combination, comprising the excess of the fair value of the investments in joint ventures prior to the business combination over their carrying value, in profit or loss for the year, and a goodwill of KZT 43,329 million in the consolidated statement of financial position. • Baiken-U LLP, Kyzylkum LLP and JV Khorasan-U LLP In December 2018, the Group completed a transaction to acquire 40.05% of the shares of Energy Asia (BVI) Limited and a 16.02% participatory interest in the chartered capital of JV Khorasan-U LLP from Energy Asia Holdings (BVI) Limited. As a result of this transaction, the Group's ownership interest in Baiken-U LLP, Kyzylkum LLP and JV Khorasan-U LLP increased to 52.5%, 50% and 50% respectively – at 31 December 2017 those ownership interests were 14.45%, 33.98% and 33.98%, respectively. As at 31 December 2018, the Group had obtained control over Baiken-U LLP through majority in the voting rights and the representation in the Supervisory Board. The Group has applied provisional amounts for the acquired assets and liabilities as the assessment of fair value for the business combination was not complete at the end of the reporting period. The Group maintained significant influence over Kyzylkum LLP and JV Khorasan-U LLP at 31 December 2018. The Group concluded that as at that date no control was obtained over JV Khorasan-U LLP pending shareholders' approval of changes in the charter of the investee that will enable the Group to exercise the majority of votes. The Group has continued to account for its interests in these entities using the equity method. The purchase consideration for the acquisition of and the value of previously held interests in Baiken-U LLP, Kyzylkum LLP and JV Khorasan-U LLP were KZT 15,480 million above the provisional (carrying) value, of which estimated	production and timing, macroeconomic data to observable market data and reserve reports. • We involved our accounting technical specialists to assist in the review of the accounting treatment for business combinations and the Group's disclosures relating to the business combinations in notes 4 and 45 to the consolidated financial statements against the requirements of the relevant accounting standards. Based on the evidence obtained, we found that the key assumptions and methodologies used were within a reasonable range of expectations. Additionally, we concurred with management's assessment of control, joint control and significant influence.

Key audit matter	How our audit addressed the key audit matter
KZT 15,215 million represented goodwill and KZT 265 million were capitalised to the cost of investments in associates. We focused on this area because any assessment of the purchase price allocation, the fair valuation of assets and liabilities, and the identification and valuation of intangible assets can be inherently subjective and involve significant judgement.	
Accounting for environmental obligations *Refer to Note 4 to the consolidated financial statements* The Group incurs obligations to close, restore and rehabilitate its sites. These obligations are split into two broad categories: (a) for mining (uranium) assets, governed by respective subsurface use contracts, and (b) for non-mining assets, governed by applicable general legislation and Group policies. At 31 December 2018, the Group has recognised provisions for site restoration of KZT 29,607 million. This area was considered significant to the current year audit for the following reasons: • Changes iu local laws and regulations and management's expected approach to restoration and rehabilitation could have a material impact on these provisions. While for uranium sites the quantum and timing of future costs are governed by the respective subsurface use contracts and are based on estimates by an independent engineer, for non-mining sites management assesses the existence, scope and quantum of obligations based on Group internal polices and interpretation of local law. • Management's explicit public statements of intention to remediate may create constructive obligations which need to be provided for, despite above not necessarily being a legal obligation. • The calculation of these provisions requires management judgement in estimating future costs, given the unique nature of each site and the potential associated obligations. These	Our procedures included: • We assessed the work of the Group's internal and external experts in identifying rehabilitation activities against legislative requirements and any public statements of intention and assessed their timing and likely cost. We evaluated their methodology against industry practice and requirements of the applicable subsurface use contracts and our understanding of the business. • We considered the appropriateness and consistency of the data used in the Group's future cost estimates between different uranium sites. We also evaluated the competency and objectivity of the experts based on their professional qualifications, experience and use of industry accepted methodology. • We also assessed whether the Group's current policies and management public statements create a constructive obligation. • We evaluated the key economic assumptions used in the calculation of significant closure and rehabilitation provisions, including the discount rate applied to calculate the net present value of the provision and foreign exchange rates used in translating the future obligations. The assumptions were compared against market observable data including risk free rates. • We assessed the Group's disclosures relating to the environmental obligations in notes 4 and 36 to the consolidated financial statements against the requirements of the

Key audit matter	How our audit addressed the key audit matter
calculations also require management to determine an appropriate rate to discount future costs back to their net present value. • The majority of the Group's assets are long-life, which increases the estimation uncertainty relating to future cash flows. • The judgement required to estimate such costs is further compounded by the fact that the restoration and rehabilitation of each site is relatively unique and there has been limited restoration and rehabilitation activity and historical precedent against which to benchmark estimates of future costs; and • Environmental obligations may not be adequately disclosed in the consolidated financial statements. Closure and rehabilitation provisions was a key audit matter due to the significant size relative to the Group's financial position and the level of judgement applied by us in evaluating management's estimates of the quantum and timing of future costs.	relevant accounting standards and found them to be adequate. As a result, we considered the level of closure and rehabilitation provisioning to be acceptable.

How we tailored our Group audit scope

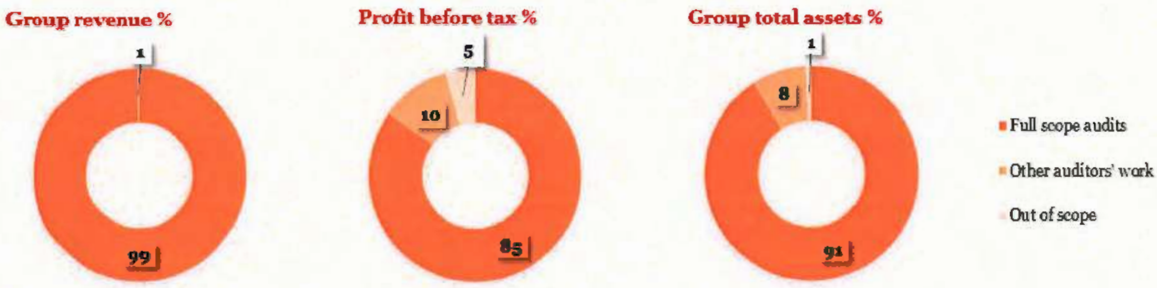
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the industry in which the Group operates.

The Group's major production facilities and uranium sites are located in the Republic of Kazakhstan. The Group's trading activities are carried out primarily out of Kazakhstan, as well as a trading company set up in Switzerland. The Group operates through 6 mining subsidiaries (under 14 subsurface use contracts), of which 5 are audited by PwC network firms, and 8 mining jointly controlled entities and associates (under 12 subsurface use contracts), of which 1 is audited by PwC network firms. The audit scope also included 5 significant non-mining subsidiaries, audited by PwC network firms.

Based on our continuing assessment, we included in our group audit scope 25 components, including 8 components audited by other auditors.

In order to achieve appropriate audit coverage of the audit risks and of each individually significant component of the Group, including each segment and group function:

• Significant components were subject to either a full scope audit, specified risk-focused audit procedures of specific account balances, or Group level procedures. Our selection was based on the relative significance of the entities within the Group or specific risks identified. The components within the scope of our work accounted for the following percentages of the Group's measures (1):



(1) Presented as a percentage of the Group's consolidated result at 31 December 2018

Audit instructions set out the significant audit areas, materiality thresholds (which ranged from KZT 81 million to KZT 2,146 million) and specific reporting requirements. The Group audit team directed the work undertaken by component auditors, through a combination of related inter-office and inter-firm reporting, regular interaction on audit and accounting matters, periodic site visits and review of specific audit work papers.

By performing the procedures above at the components in combination with additional procedures performed at Group level, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial statements as a whole that provides a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditor's report thereon. The Group's complete Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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 Annual report, 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 IFRS, 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 Gronp 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.

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

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

The certified auditor responsible for the audit resulting in this independent auditor's report is Azamat Konratbaev.

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
5 March 2019

Approved:

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

Signed:

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

Signed:

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

In millions of Kazakhstani Tenge	Note	For the year ended 31 December 2018	For the year ended 31 December 2017 (restated)
Revenue	9	436,632	277,046
Cost of sales	10	(313,817)	(209,934)
Gross profit		**122,815**	**67,112**
Distribution expenses	11	(10,530)	(4,316)
General and administrative expenses	12	(34,805)	(30,194)
Reversal of impairment losses on non-financial assets	13	15,128	526
Impairment losses on non-financial assets	13	(5,848)	(24,210)
Net impairment losses on financial assets	13	(3,770)	(3,728)
Loss from disposal of subsidiary	46	(511)	-
Net foreign exchange gain/(loss)	15	7,250	(805)
Net gain from business combinations	45	313,517	-
Other income	14	1,242	114,907
Other expenses	15	(5,849)	(6,278)
Finance income	17	3,949	5,815
Finance costs	17	(12,672)	(8,933)
Share of results of associates	25	22,786	22,007
Share of results of joint ventures	26	(4,743)	22,107
Profit before tax		**407,959**	**154,010**
Income tax expense	18	(28,797)	(17,287)
Profit from continuing operations		**379,162**	**136,723**
Profit from discontinued operations	46	1,104	2,431
PROFIT FOR THE YEAR		**380,266**	**139,154**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of entities with foreign functional currency		(21,118)	383
Items that will not be reclassified to profit or loss:			
Net gain from investments in equity securities at fair value through other comprehensive income		14,509	-
Remeasurements of post-employment benefit obligations		23	113
Share in other comprehensive loss of equity method investments		5	(189)
Other comprehensive (loss)/income for the year		**(6,581)**	**307**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**373,685**	**139,461**
Profit for the year attributable to:			
- Owners of the Company		372,176	138,527
- Non-controlling interest		8,090	627
Profit for the year		**380,266**	**139,154**
Total comprehensive income attributable to:			
- Owners of the Company		365,664	138,837
- Non-controlling interest		8,021	624
Total comprehensive income for the year		**373,685**	**139,461**
Earnings per share from continuing operations attributable to the owners of the Company, basic and diluted (rounded to Tenge)	19	1,431	525
Earnings per share attributable to the owners of the Company, basic and diluted (rounded to Tenge)	19	1,435	534

These consolidated financial statements were approved by management on 5 March 2019:

Yussupov M.B.
Chief Financial Officer

Kozha-Akhmet D.A.
Financial Controller

Kaliyeva Z.G.
Chief Accountant

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

In millions of Kazakhstani Tenge	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Intangible assets	20	69,314	8,009
Property, plant and equipment	21	171,352	122,175
Mine development assets	22	118,302	43,530
Mineral rights	23	363,373	2,004
Exploration and evaluation assets	24	23,609	5,608
Investments in associates	25	88,866	101,746
Investments in joint ventures	26	40,442	74,818
Other investments	27	619	1,726
Accounts receivable	28	13	140
Deferred tax assets	18	7,552	6,836
Term deposits	31	13	-
Financial derivative asset	9	1,369	-
Loans to related parties	32	13,245	20,302
Other non-current assets	29	20,847	24,125
		918,916	**411,019**
Current assets			
Accounts receivable	28	94,477	58,085
Prepaid income tax		4,366	5,493
VAT recoverable		29,799	24,182
Inventories	30	170,261	169,675
Term deposits	31	205	8,472
Loans to related parties	32	10,373	-
Cash and cash equivalents	33	128,819	239,936
Other current assets	29	18,322	18,396
		456,622	**524,239**
Assets of disposal groups classified as held for sale	47	5,578	2,774
		462,200	**527,013**
TOTAL ASSETS		**1,381,116**	**938,032**
EQUITY			
Share capital	34	37,051	37,051
Additional paid-in capital		4,420	4,785
Reserves		21	(2,229)
Retained earnings		789,563	586,998
Equity attributable to shareholders of the Company		831,055	626,605
Non-controlling interest		131,955	14,571
TOTAL EQUITY		**963,010**	**641,176**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	35	16,270	38,910
Finance lease liabilities		350	294
Accounts payable	37	777	582
Provisions	36	32,885	22,688
Deferred tax liabilities	18	77,670	4,443
Employee benefits		954	1,247
Other non-current liabilities	38	5,825	7,711
		134,731	**75,875**
Current liabilities			
Loans and borrowings	35	183,420	82,374
Finance lease liabilities		129	125
Provisions	36	187	189
Accounts payable	37	51,534	112,642
Other tax and compulsory payments liabilities		10,711	4,168
Employee benefits		147	173
Income tax liabilities		977	5,618
Other current liabilities	38	30,319	14,349
		277,424	**219,638**
Liabilities of disposal groups classified as held for sale	47	5,951	1,343
TOTAL LIABILITIES		**418,106**	**296,856**
TOTAL EQUITY AND LIABILITIES		**1,381,116**	**938,032**

These consolidated financial statements were approved by management on 5 March 2019:

Yussupov M.B.	Kozha-Akhmet D.A.	Kaliyeva Z.G.
Chief Financial Officer	Financial Controller	Chief Accountant

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

In millions of Kazakhstani Tenge	Note	For the year ended 31 December 2018	For the year ended 31 December 2017
OPERATING ACTIVITIES			
Cash receipts from customers		556,151	435,199
VAT refund		23,403	18,849
Interest received		2,003	3,025
Payments to suppliers		(442,030)	(373,006)
Payments to employees		(45,856)	(43,213)
Cash flows from operating activities		**93,671**	**40,854**
Income tax paid		(28,642)	(13,069)
Interest paid		(6,702)	(4,430)
Net cash from operating activities		**58,327**	**23,355**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(23,578)	(14,913)
Proceeds from disposal of property, plant and equipment		76	749
Advance paid for property, plant and equipment		(881)	(5,461)
Acquisition of intangible assets		(2,606)	(628)
Acquisition of mine development assets		(23,917)	(12,011)
Acquisition of exploration and evaluation assets		(8,215)	(2,775)
Proceeds from exercise of put option	14	-	173,719
Cash and cash equivalents of disposed subsidiary		(1,218)	-
Proceeds from disposal of subsidiary	46	17,942	2
Placement of term deposits and restricted cash		(8,525)	(12,095)
Redemption of term deposits and restricted cash		8,666	55,216
Repayment of loans to related parties		-	8
Acquisition of interest in controlled entities net of cash acquired		(2,852)	(91)
Acquisition of interest in associates and joint ventures		(8,415)	(2,687)
Dividends received from associates, joint ventures and other investments		12,773	36,486
Other		471	56
Net cash (used in)/from investing activities		**(40,279)**	**215,575**
FINANCING ACTIVITIES			
Proceeds from loans and borrowings	35	100,547	52,793
Proceeds from bonds issued	35	70,000	-
Repayment of loans and borrowings	35	(147,734)	(61,410)
Dividends paid to the controlling shareholder	34	(161,661)	(65,849)
Dividends paid to non-controlling interest		(273)	(19)
Other		(151)	(396)
Net cash used in financing activities		**(139,272)**	**(74,881)**
Net (decrease)/increase in cash and cash equivalents		**(121,245)**	**164,049**
Cash and cash equivalents at the beginning of the year		239,936	75,052
Effect of exchange rate fluctuations on cash and cash equivalents		10,128	835
Change in impairment provision for cash and cash equivalents		(21)	-
Cash and cash equivalents at the end of the year	33	**128,819**	**239,936**

These consolidated financial statements were approved by management on 5 March 2019:

Yussupov M.B.
Chief Financial Officer

Kozha-Akhmet D.A.
Financial Controller

Kaliyeva Z.G.
Chief Accountant

In millions of Kazakhstani Tenge	Attributable to the shareholders of the Company						
	Share capital	**Reserves**	**Retained earnings**	**Additional paid-in capital**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2017	**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-controlling interest	-	-	(2,012)	-	(2,012)	1,685	(327)
Transfers between reserves	-	(20,676)	20,676	-	-	-	-
Balance at 31 December 2017	**37,051**	**(2,229)**	**586,998**	**4,785**	**626,605**	**14,571**	**641,176**
Adoption of IFRS 9 (Note 5)	-	2,701	(1,889)	-	812	(21)	791
Adjusted balance at 1 January 2018	**37,051**	**472**	**585,109**	**4,785**	**627,417**	**14,550**	**641,967**
Profit for the year	-	-	372,176	-	372,176	8,090	380,266
Net gain from investments in equity securities at FVOCI (Note 45)	-	14,509	-	-	14,509	-	14,509
Foreign currency translation difference	-	(451)	(20,676)	-	(21,127)	9	(21,118)
Remeasurements of post-employment benefit obligations	-	-	15	-	15	8	23
Share of other comprehensive loss in equity method investments	-	-	91	-	91	(86)	5
Total comprehensive income for the year	-	**14,058**	**351,606**	-	**365,664**	**8,021**	**373,685**
Dividends declared (Note 34)	-	-	(161,661)	-	(161,661)	(635)	(162,296)
Contribution to share capital	-	-	-	(365)	(365)	-	(365)
Transfer of revaluation reserve on investments in equity securities at FVOCI to retained earnings upon disposal	-	(14,509)	14,509	-	-	-	-
Business combinations (Note 45)	-	-	-	-	-	110,019	110,019
Balance at 31 December 2018	**37,051**	**21**	**789,563**	**4,420**	**831,055**	**131,955**	**963,010**

These consolidated financial statements were approved by management on 5 March 2019:

Yussupov M.B.
Chief Financial Officer

Kozha-Akhmet D.A.
Financial Controller

Kaliyeva Z.G.
Chief Accountant

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

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 2018 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. As at 31 December 2017, 100% of the Company's shares were held by the government via National Welfare Fund Samruk-Kazyna (hereinafter "Samruk-Kazyna JSC").

On 13 November 2018, Samruk-Kazyna JSC offered 38,903,491 shares including global depositary receipts, or GDRs, representing 15% of the Company's share capital in a dual-listing offering on the London Stock Exchange (LSE) and the Astana International Exchange (AIX). Each GDR represents an interest in one share. The offer price was USD11.60 per GDR and Tenge 4,322.74 per common share, respectively. As of 31 December 2018, 85% of the Company's shares are held by Samruk-Kazyna JSC and 15% by other shareholders.

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. The Group is also involved in mining of rare and rare-earth metals; manufacture and sale of beryllium and tantalum products and development of high technologies.

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 in a number of associates and joint ventures which make a significant contribution to its profit (Notes 25 and 26). The Group's revised 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 2018, 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	Kazatomprom-SaUran LLP	-
Uvanas	Production	27.11.1996	25 years	Kazatomprom-SaUran LLP	-
Mynkuduk, East lot	Production	27.11.1996	25 years	Kazatomprom-SaUran LLP	-
Moinkum, lot 1 (South) (south part)	Production	26.09.2000	20 years	Kazatomprom-SaUran LLP	-
Mynkuduk, Central lot	Production	08.07.2005	28 years	DP Ortalyk LLP	-
Mynkuduk, West lot	Production	08.07.2005	30 years	Appak LLP	-
North and South Karamurun	Production	15.11.1996	25 years	RU-6 LLP	-
Moinkum, lot 3 (Central) (north part)	Production	31.05.2010	31 years	Company	Kazatomprom-SaUran LLP
Inkai, block 1	Production	13.07.2000	45 years	JV Inkai LLP	-
Inkai, blocks 2, 3	Exploration	25.06.2018	4 years	Company	-
Zhalpak	Exploration	31.05.2010	12 years	DP Ortalyk LLP	-
North Khorasan, block 2	Production	01.03.2006	48 years	Baiken-U LLP	-
Budenovskoe, block 2	Production	08.07.2005	35 years	Karatau LLP	
Budenovskoe, block 1	Production	20.11.2007	30 years	JV Akbastau JSC	-
Budenovskoe, blocks 3, 4	Production	20.11.2007	31 years	JV Akbastau JSC	-

At 31 December 2018 the Group comprises more than 30 entities (2017: 40), including associates and joint ventures, located in 6 regions of the Republic of Kazakhstan: South Kazakhstan (from 19 June 2018 – Turkestan) region, East Kazakhstan region, Kyzylorda region, Akmola region, Pavlodar region and Almaty region. At 31 December 2018 the aggregate number of employees of the Group exceeded 21 thousand (2017: 25 thousand) people.

1. Kazatomprom Group and its Operations (Continued)

Presented below are significant changes in the Group structure during the year.

JV Inkai LLP

In December 2017, the Group and Cameco completed restructuring of JV Inkai LLP (Note 45). Under the terms of the agreement, effective from 1 January 2018 the Group increased its interest in JV Inkai LLP from 40% to 60% and obtained control over the investee. The Group has accounted for its increased ownership of JV Inkai LLP using the acquisition method under IFRS 3 on the basis of a valuation report by an independent appraiser (Note 45). The Group consolidates JV Inkai LLP from 1 January 2018.

JV Akbastau JSC and Karatau LLP

In 2018, the Group and Uranium One Inc. signed a number of agreements related to Karatau LLP and JV Akbastau JSC (Note 45). As a result, these joint ventures were classified as joint operations under IFRS 11 with effect from 1 January 2018. The Group ceased recognition of investments in joint ventures and recognised its share in joint operations by proportionate consolidation of the entities' assets, liabilities, revenue and expenses during the year ended 31 December 2018. The Group has accounted for this change in classification as a business combination under IFRS 3 and IFRS 11.

Baiken-U LLP, Kyzylkum LLP, JV Khorasan-U LLP

In December 2018, the Group completed a transaction to acquire 40.05% of the shares of Energy Asia (BVI) Limited and a 16.02% participatory interest in the chartered capital of JV Khorasan-U LLP from Energy Asia Holdings (BVI) Limited. As a result of this transaction, the Group's ownership interest in Baiken-U LLP, Kyzylkum LLP and JV Khorasan-U LLP increased to 52.5%, 50% and 50% respectively (Note 45) – at 31 December 2017 those ownership interests were 14.45%, 33.98% and 33.98%, respectively.

As at 31 December 2018, the Group had obtained control over Baiken-U LLP through majority of the voting rights and representation in the Supervisory Board. The Group has applied provisional amounts for the acquired assets and liabilities as the assessment of fair value for the business combination was not complete at the end of the reporting period.

The Group maintained significant influence over Kyzylkum LLP and JV Khorasan-U LLP at 31 December 2018. The Group concluded that as at that date no control was obtained over JV Khorasan-U LLP pending shareholders' approval of changes in the charter of the investee that will enable the Group to exercise the majority of votes. The Group has continued to account for its interests in these entities using the equity method.

MAEK-Kazatomprom LLP

On 25 June 2018, the Group signed an agreement with Samruk-Kazyna JSC for sale of 100% interest in MAEK-Kazatomprom LLP (Note 46). The disposal was completed in July 2018 upon receipt of government consent. In these consolidated financial statements MAEK-Kazatomprom LLP is presented as a discontinued operation.

Sale of assets under Privatisation plan

In accordance with the Government Decree of the Republic of Kazakhstan No. 1141 «On privatisation program 2016-2020» dated 30 December 2015 the Group has an intention to dispose of certain non-core assets, including the KazPV project: «Astana Solar» LLP, «Kazakhstan Solar Silicon» LLP and «MK KazSilicon» LLP. The disposal of these entities is expected in 2019, and accordingly the Group has presented assets and liabilities of this disposal group as held for sale at 31 December 2018 (Note 47).

On 25 June 2018, the Group signed an agreement with Samruk-Kazyna JSC for the sale of its 100% interest in Kazakhstan Nuclear Electric Stations JSC (Note 41). The disposal was completed in June 2018.

In October 2018, the Group completed the sale of its 100% interest in JV Sareco LLP (Note 41) to Tau-Ken Samruk JSC, a related entity of Samruk-Kazyna JSC.

2. Operating Environment of the Group

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

Ongoing political tension in the region and volatility of exchange rates have caused and may continue to cause negative impacts on the economy of the Republic of Kazakhstan, including decreases in liquidity and creation of difficulties in attracting international financing.

On 20 August 2015, the National Bank and the Government of the Republic of Kazakhstan issued a resolution to discontinue supporting the exchange rate of Tenge and to implement new monetary policy, which is based upon an inflation targeting regime, cancellation of exchange rate trading band and transition to a free floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at the date of issuance of these consolidated financial statements the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 376.65 per USD 1, compared to Tenge 384.20 per USD 1 as at 31 December 2018 (31 December 2017: 332.33 Tenge per USD 1). Uncertainty exists in relation to the exchange rate of Tenge, future action of the National Bank and the Government of the Republic of Kazakhstan, and the impact of other factors on the economy of the Republic of Kazakhstan.

In September 2018, Standard & Poors, the international rating agency affirmed the long-term foreign and local currency sovereign credit rating of Kazakhstan (BBB-) and the short-term foreign and local currency sovereign credit ratings (A-3), and the Kazakhstan national scale (kzAAA). The outlook is stable (long-term ratings). The stable outlook is supported by the government's strong balance sheet, built on past budgetary surpluses accumulated in the National Fund of the Republic of Kazakhstan and also by liquid external assets exceeding relatively low government debt over the next two years.

An increase in oil production, low unemployment and rising wages supported a modest growth of the economy in 2018. This operating environment has a significant impact on the Group's operations and financial position. 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 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 is unable to predict the extent and duration of changes in the Kazakhstani economy, nor quantify their impact, if any, on the Group's financial position in future. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

3. Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied until 31 December 2017 are presented in Note 48.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. Significant Accounting Policies (Continued)

Presentation currency

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

Consolidation

(i) Consolidated financial statements

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or 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 acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting 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 consolidated statements of changes in equity.

3. Significant Accounting Policies (Continued)

(iii) Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts.

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

(iv) Associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. 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.

3. Significant Accounting Policies (Continued)

(vi) Disposals of subsidiaries, associates or joint ventures

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

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

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 statements 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 2018 the principal rate of exchange used for translating foreign currency balances was USD 1 = 384.20 Tenge (2017: USD 1 = 332.33 Tenge).

Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, returns and value added taxes, export duties, other similar mandatory payments.

3. Significant Accounting Policies (Continued)

(i) Revenue from sales of goods (uranium, tantalum, beryllium, niobium and other products)

Sales are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

No element of financing is deemed present as the sales are made with an average credit term of 30-90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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.

(ii) Sales of services (transportation, drilling and other)

The Group may provide services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

3. Significant Accounting Policies (Continued)

(iv) Barter transactions and mutual cancellations

A portion of sales and purchases are settled by mutual cancellations, barter or non-cash settlements. These transactions are generally in the form of direct settlements by dissimilar goods and services from the final customer (barter), cancellation of mutual balances or through a chain of non-cash transactions involving several companies.

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on the management's estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

Interest income

Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example, fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Income taxes

Income taxes have been provided for in the consolidated 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 consolidated 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.

3. Significant Accounting Policies (Continued)

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.

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, where required.

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:

	Useful lives in years
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.

3. Significant Accounting Policies (Continued)

Mine development assets

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

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

	Useful lives in years
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.

3. Significant Accounting Policies (Continued)

Mineral rights

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

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

The estimate of proved reserves is based on reserve reports, which are integral part of each subsoil use contract. 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 or extension of a subsurface use 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 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.

3. Significant Accounting Policies (Continued)

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.

The estimates used for impairment reviews are based on detailed life of mine plans 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 and sales quantities;
- future commodity prices (assuming the current market prices will revert to the Group'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 statements 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.

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 consolidated statements 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.

3. Significant Accounting Policies (Continued)

Non-current assets or disposal groups classified as held for sale in the current period's consolidated statements of financial position are not reclassified or re-presented in the comparative statements 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 statements of financial position.

Discontinued operations

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

Financial instruments

Key measurement terms

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.

3. Significant Accounting Policies (Continued)

(i) Transaction costs

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.

(ii) Amortised cost

Amortised cost ("AC") 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 allowance for expected credit losses *("ECL")*. 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 consolidated statement of financial position.

(iii) The effective interest method

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 gross 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. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for 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. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

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.

Financial assets – classification and subsequent measurement

(i) Measurement categories

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

(ii) Business model

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

3. Significant Accounting Policies (Continued)

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

(iv) Cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

Refer to Note 42 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 42.

For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 42 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

3. Significant Accounting Policies (Continued)

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include (i) court decision, (ii) liquidation of entity from which financial asset was acquired, (iii) overdue period of 3 years and more.

Derivative financial instruments

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 financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Financial assets – derecognition

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.

Financial assets – modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3. Significant Accounting Policies (Continued)

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

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.

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 AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

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.

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.

3. Significant Accounting Policies (Continued)

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.

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 statements 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.

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.

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.

Finance lease liabilities

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term, if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

3. Significant Accounting Policies (Continued)

Loans and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC 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. 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.

Preference shares

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of profit or loss and other comprehensive income as interest expense.

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 36).

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 amounts 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, including updated cost estimates revised subsoil use terms and estimated lives of operations, and are subject to formal reviews on a regular basis. Although the final cost to be incurred is uncertain, the Group estimates its costs based on feasibility and engineering studies using current restoration standards and techniques for conducting restoration and retirement works.

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

3. Significant Accounting Policies (Continued)

Financial guarantees

Financial guarantees 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 original or modified 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 amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the consolidated statement of financial position as an asset.

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.

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 adjusted for share split.

3. Significant Accounting Policies (Continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Changes in presentation of financial statements

Discontinued operation

As disclosed in Note 46, in these consolidated financial statements MAEK-Kazatomprom LLP was classified as a discontinued operation. Earnings and cash flows from discontinued operations are presented separately from continuing operations both for current and comparative periods. Comparative information was restated accordingly.

The financial information in relation to restatement made is presented below:

In millions of Kazakhstani Tenge	2017 (as originally presented)	Adjustment	2017 restated
Revenue	336,517	(59,471)	277,046
Cost of sales	(263,864)	53,930	(209,934)
Gross profit	**72,653**	**(5,541)**	**67,112**
Distribution expenses	(4,858)	542	(4,316)
General and administrative expenses	(32,274)	2,080	(30,194)
Impairment losses	(27,415)	3	(27,412)
Net foreign exchange loss	(768)	(37)	(805)
Other income	115,111	(204)	114,907
Other expenses	(6,768)	490	(6,278)
Finance income	5,888	(73)	5,815
Finance costs	(9,067)	134	(8,933)
Share of results of associates	22,007	-	22,007
Share of results of joint ventures	22,107	-	22,107
Profit before tax	**156,616**	**(2,606)**	**154,010**
Income tax expense	(17,462)	175	(17,287)
Profit from continuing operations	**139,154**	**(2,431)**	**136,723**
Profit from discontinued operation	-	2,431	2,431
PROFIT FOR THE YEAR	**139,154**	**-**	**139,154**

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:

Fair value measurement for business combinations *(estimates)*

In accordance with IFRS 3 Business Combinations, the Group measures the identifiable assets and the liabilities and contingent liabilities acquired through a business combination at their acquisition-date fair values. Fair values are determined on the basis of external appraisal report (unless the accounting for the business combination is not complete at the end of the reporting period, in that case provisional values are used).

The determination of fair values involves significant assumptions and judgement over future cash flows and other inputs used in the valuation.

The purchase price related to a business combination is allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts reported assets and liabilities and future net earnings due to the impact on future depreciation and amortisation expense and impairment tests.

Fair value measurements applied in accounting for business combinations had a significant impact on the Group's profit for the year ended 31 December 2018. The net gain from business combinations in 2018 totalled Tenge 313,517 million (2017: nil).

Further information on business combinations is presented in Note 45.

Ore reserves *(estimates)*

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.

In 2018 and 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 2018 and 31 December 2017, respectively. SRK has reviewed all of the key information upon which the most recent (31 December 2018 and 31 December 2017, respectively) 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 life of mine plans. Based on this review, SRK has derived mineral resource and ore reserve statements according to the guidelines and terminology proposed in the JORC Code. SRK's resource statements are confined to those areas that both have the potential to be mined economically and which are currently being considered for mining.

SRK report contains an assessment of the tonnes of uranium contained in ore which has the potential to be extracted by the existing and planned mining operations (the mineral resource), and also the tonnes of uranium contained in ore currently planned to be extracted as envisaged by the respective LoM plans (the ore reserve). 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 mines.

Impairment of non-financial assets *(estimates)*

At the end of each reporting period, management assesses whether there is any indication of impairment of individual assets (or 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.

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

The calculation of value in use requires management 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 production and sales, discount rates, growth rates, operating costs and other factors. The impairment review and calculations are based upon 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 which would decrease the carrying value of the respective asset.

Goodwill

Refer to Note 20 for details of the Group's impairment testing for goodwill at 31 December 2018.

Assets related to uranium production

Assets related to uranium mines include property, plant and equipment, mine development assets, mineral rights, exploration and evaluation assets, investments in associates, investments in joint ventures, and other investments.

For the purpose of impairment testing 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 (termed as 'cash-generating units'). The Group has identified each mine (contract territory) as a separate cash-generating unit unless several mines are technologically connected with single processing plant in which case the Group considers such mines as one cash-generating unit.

At 31 December 2018:

At 31 December 2018, management performed an analysis of impairment indications of assets (cash-generating units) related to uranium production. No indications of impairment were identified as of that date: (a) uranium prices increased over 2018, above forecasts in prior year; (b) uranium reserves remained stable in 2018 and for number of mines increased per the JORC report by SRK, as explained below.

The Group considered whether there have been favourable events or changes in circumstances that would indicate impairment losses previously recognised no longer exist or may have decreased. Decrease in reserves at 31 December 2017 and other factors (refer below) were considered as impairment indications that resulted in impairment losses on Kanzhugan, Karamurun, Zarechnoe and Semizbay mines being recognised in 2017. As these indications reversed at 31 December 2018, the Group reestimated the recoverable amount and recognised reversal of impairment losses on these cash generating units (Note 13). No reversal was recognised on Uvanas and South Moinkum CGUs as cost of production on these mines remains to be higher than sales price.

The principal assumptions used by management for calculation of value in use as at 31 December 2018 are:

- average annual uranium prices are based upon the forecast by an independent source Ux Consulting LLC, published in the fourth quarter of 2018 (Mid Price Midpoint), reduced by 10%:

	2019	2020	2021	2022	2023-2030
Average price of U_3O_8 per pound (in USD)	28.92	30.37	31.21	31.76	32.47-47.39

- forecasted periods and volumes of uranium production and sales have regard to annual production volumes set in the subsurface use contracts and the life of mine plans;
- operating and capital expenditures for 2019-2023 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 2.0% per annum;
- discount rates of 11.87-12.92% per annum; and
- forecast long-term exchange rate at Tenge 370 per US Dollar 1.

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

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

- decrease in average forecast annual uranium prices across the forecast horizon for 10% or 20% does not result in impairment loss;
- forecast production decrease by 10% also does not result in impairment loss.

At 31 December 2017:

At 31 December 2017, the Group identified that impairment indications of assets (or cash-generating units) related to uranium production existed for Uvanas, Kanzhugan, South Moinkum, Karamurun, Semizbay, Irkol, East Mynkuduk and Zarechnoye. The impairment indications included a decrease in reserves following change to JORC assessment and other factors, such as field depletion or high production costs.

Management performed impairment tests for these assets (cash-generating units) and at 31 December 2017 recognised impairment losses for Uvanas, Kanzhugan, South Moinkum, Karamurun, Semizbay and Zarechnoye, as the recoverable amounts were less than their carrying amounts (Note 13).

The principal assumptions used by management for calculation of value in use as at 31 December 2017 were:

- average annual uranium prices are based upon the forecast by Ux Consulting LLC, published in the fourth quarter of 2017 (Mid Price Midpoint), reduced by 10%:

	2018	2019	2020	2021	2022	2023-2030
Average price of U_3O_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 and sales corresponded to annual production volumes set in the subsurface use contracts; these volumes had 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 were consistent with the approved 5-year budget of the Group;
- operating and capital expenditures after 2022 increased at the long-term inflation rate of 4-6% per annum;
- discount rate was 9.57-12.1 per annum;
- forecast of long-term exchange rate was 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, million Tenge
10%	38,368
20%	40,549

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

Provision for asset retirement obligations *(estimates)*

Mining assets

In accordance with 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 landfill sites after closure of mining activities. Provision is made based upon the net present values of estimated site restoration and retirement costs as soon as the obligation arises from past mining activities.

The provision for asset retirement obligations is estimated based upon 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 research in accordance with the applicable restoration and retirement standards and techniques.

Asset retirement obligations for mining assets as of 31 December 2018 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 asset 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 of 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 the amount and timing of future cash flows. The discount rate is applied to the nominal costs the management expects to spend on mining site restoration in the future. Management's estimates based on current prices are inflated using the expected long-term inflation rate of 5.30% in 2018 (2017: 5.40%), and subsequently discounted using rate that 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 the provision as at 31 December 2018 is 7.45% (2017: 9.06%).

At 31 December 2018, the carrying value of the site restoration provision was Tenge 29,607 million (2017: Tenge 19,939 million) (Note 36). Management estimates that reasonably possible changes in key assumptions would not lead to significant changes in the recorded site restoration provision.

Decommissioning, maintaining and dismantling of reactor BN-350

On 3 July 2018, the Group sold its 100% interest in MAEK Kazatomprom LLP to Samruk-Kazyna JSC (Note 46). That entity has a utilities business and owns a non-operating BN-350 nuclear reactor. In accordance with the sales and purchase agreement, in relation to its period of ownership of MAEK, the Group:

- is not liable for any liabilities associated with the reactor unless caused by the Group's gross negligence or intentional guilty actions; and
- may be responsible for financial and environmental liabilities that may be identified in future periods relating to the utilities business.

Management believes that the Group has no obligations under this agreement at 31 December 2018 and, accordingly, no liability is recognised in these consolidated financial statements.

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

Decommissioning of the Ulba plant facility

Management has assessed whether the Group has an obligation for decommissioning and dismantling of the production facility of Ulba Metallurgical Plant JSC (Note 41) and concluded that the Group has no legal obligation to decommission this facility at the end of its useful life.

In addition, management considered the extent to which the Group's policies and statements may have created a constructive obligation to decommission this production facility and concluded that no liability should be recorded as:

- Radiation contamination of the facility is limited and the costs involved in remediation are not significant.
- In the event of discontinuance of production activities, the Group will not have an obligation to liquidate buildings and other infrastructure. In addition, the possibility exists of redeployment of the production facilities to altemative uses.
- Timely inspections, surveys, repair work to reduce physical damage and maintain the normal level of performance of structures and engineering equipment can extend the useful life of the facility for an indefinite period. These factors together with the extended periods over which the Group's uranium reserves are available to be mined mean that it is not practical to estimate a reliable closure date for the UMP production facility.

In the event of future changes in environmental legislation or its interpretation, as well as the Group's policy, obligations may arise which could require recognition as liabilities in the financial statements.

Tax and transfer pricing legislation *(judgements)*

Kazakhstan tax and transfer pricing legislation is subject to varying interpretations (Note 39).

Swap transactions *(judgements)*

The Group sells part of its uranium products under swap transactions with separate agreements with the same counterparty simultaneously, being for delivery and purchase of the same volume of uranium for the same price at different delivery points. Effectively, this results in the exchange of own uranium (produced or purchased from the Group's entities) with purchased uranium. Normally, under a swap transaction, the Group delivers physical uranium to one destination point, and purchases the same volume of uranium at a third party converter for sale to end customers. Swap transactions are entered into primarily to reduce transportation costs for uranium delivery from Kazakhstan to end customers.

Despite the fact that swap agreements are not formally related to each other, management concluded that these transactions are in substance linked and would not have occurred on an 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 a net basis in the consolidated financial statements, reflecting the economic substance of the transaction. Interpretation of terms and approach to the accounting for swap transactions requires judgement.

In 2017, the Group did not recognise sales revenue from swap transactions of Tenge 57,177 million, cost of sales of Tenge 52,532 million and adjusted the inventory balance by Tenge 4,645 million. In 2018, the Group did not recognise sales revenue from swap transactions of Tenge 65,052 million, cost of sales of Tenge 68,112 million and adjusted the inventory balance by Tenge 1,585 million.

5. Adoption of New or Revised Standards and Interpretations

Adoption of IFRS 9 Financial Instruments

The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in opening retained earnings as of the date of initial application of the standards. Consequently, the revised requirements of IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures are consistent with disclosures made in the prior year.

The significant new accounting policies applied in the current period are described in Note 3. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 48.

The following table reconciles the carrying amounts of each class of financial asset as previously measured in accordance with IAS 39 and the new amounts determined upon adoption of IFRS 9 on 1 January 2018.

In millions of Kazakhstani Tenge	Measurement category IAS 39	Measurement category IFRS 9	Carrying value under IAS 39 – 31 December 2017	Effect of adopting IFRS 9 Remeasurement ECL	Effect of adopting IFRS 9 Remeasurement Other	Carrying value under IFRS 9 - 1 January 2018
Cash and cash equivalents	L&R	AC	**239,936**	(201)	-	239,735
Corporate bonds	AFS	AC	598	-	-	598
Total investments in debt securities			**598**	-	-	**598**
Term deposits with original maturities of more than three months	L&R	AC	8,472	(109)	-	8,363
Total term deposits			**8,472**	**(109)**	-	**8,363**
Corporate shares	AFS	FVOCI	1,128	-	2,701	3,829
Total investments in equity securities			**1,128**	-	**2,701**	**3,829**
Trade and other receivables	L&R	AC	58,085	(394)	-	57,691
Loans to related parties	L&R	AC	20,302	(57)	-	20,245
Restricted cash	L&R	AC	4,619	(98)	-	4,521
Other	L&R	AC	18,396	(132)	-	18,264
Total other financial assets			**101,402**	**(681)**	-	**100,721**
Other items				(919)		
				(1,910)	**2,701**	

(a) Cash and cash equivalents

All classes of cash and cash equivalents as disclosed in Note 33 were reclassified from loans and receivables ("L&R") measurement category under IAS 39 to AC measurement category under IFRS 9 at the adoption date of the standard. The ECLs for cash and cash equivalents balances were insignificant.

5. Adoption of New and Revised Standards (Continued)

(b) Investments in equity securities

The Group has elected to irrevocably designate some investments in a portfolio of non-trading equity securities as at FVOCI as permitted under IFRS 9. IFRS 9 does not provide an exemption to measure investments in unquoted equity securities at cost. The Group remeasured all such investments at fair value on adoption of IFRS 9 and classified as FVTPL or designated as at FVOCI.

Reconciliation of provision for impairment at 31 December 2017 and credit loss allowance at 1 January 2018

The following table reconciles the prior period's closing provision for impairment measured in accordance with the incurred loss model under IAS 39 to new credit loss allowance measured in accordance with the expected loss model under IFRS 9 at 1 January 2018:

In millions of Kazakhstani Tenge	Provision under IAS 39 or IAS 37 at 31 Dec 2017	Effect: Reclassi-fication to FVTPL	Effect: Reclassi-fication to FVOCI	Effect: Remeasu-rement from incurred to expected loss	Credit loss allowance under IFRS 9 at 1 January 2018
Loans and receivables measurement category					
- Due from other banks	-	-	-	(109)	(109)
- Cash and cash equivalents	-	-	-	(201)	(201)
- Trade receivables	(1,731)	-	-	(394)	(2,125)
- Loans given to related parties	(11,545)	-	-	(57)	(11,602)
- Other current assets	(4,367)	-	-	(132)	(4,499)
- Other non-current assets	(6,018)	-	-	(98)	(6,116)
- Guarantees obligations	-	-	-	(541)	(541)
- Other items	-	-	-	(378)	(378)

At 31 December 2017, all of the Group's financial liabilities were carried at AC. There were no changes to the classification and measurement of financial liabilities.

Adoption of IFRS 15 Revenue from Contracts with Customers

The Group elected to apply the practical expedient available for the simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018). The adoption of IFRS 15 resulted in no adjustment to the consolidated financial statements.

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

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

6. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2019, and which the Group has not early adopted.

IFRS 16, Leases (issued on 13 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 statement of profit or loss and other comprehensive income. 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.

The group will apply the estimate to the calculation of the asset in the form of the right of use on the lease, previously classified as an operating lease in accordance with subparagraph (ii) of paragraph (b) of paragraph C8 of IFRS 16 Leases, in an amount equal to the lease liability. The transition to the new standard will have an impact on the Group's subsidiaries, which previously classified the leased assets as operating leases, since the Group applied the leasing rules when accounting for leased assets.

As at 31 December 2018 the Group has non-cancellable lease commitments of Tenge 261 million. Of these commitments, approximately Tenge 44 million relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss. A reconciliation of the operating lease commitments to the recognised liability is as follows:

In millions of Kazakhstani Tenge	**31 December 2018 / 1 January 2019**
Total future minimum lease payments for non-cancellable operating leases	218
- Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	-
- Future variable lease payments that are based on an index or a rate	-
- Effect of discounting to present value	(76)
Total lease liabilities	**142**

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately Tenge 142 million on 1 January 2019, lease liabilities of Tenge 142 million.

- 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).
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

7. Segment Information

Operating segments are components that engage in business activities that may eam revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The CODM has been identified as the Management Board of the Group headed by the CEO.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is a vertically integrated business involved in the production chain of end products – from geological exploration, mining of uranium and nuclear fuel production, to marketing and auxiliary services (transportation and logistics, procurement, research and other). The Group is organised on the basis of three main business segments:

- Uranium – uranium mining and processing from the Group's mines, purchases of uranium from joint ventures and associates, external sales and marketing of produced and purchased uranium. This segment includes the Group's share in the net results of joint ventures and associates engaged in uranium production, as well as the Group's head office (JSC NAC Kazatomprom);

- Energy – production and sales of electricity, heating power, industrial, drinking and hot water in Mangistau region. Energy segment sales were made to external parties only. Energy segment comprised results and operations of MAEK-Kazatomprom LLP (Note 46);

- UMP (Ulba Metallurgical Plant JSC) – production and sales of products containing beryllium, tantalum and niobium, hydrofluoric acid and by-products, processing of uranium on tolling basis for the Group's uranium entities and production and marketing of uranium powders and tablets to external markets.

The revenues and expenses of some of the Group's subsidiaries, which primarily provide services to the uranium segment (such as drilling, transportation, security and geological), are not allocated to the results of this operating segment. These Group's businesses are not included within reportable operating segments as their financial results do not meet the quantitative threshold. The results of these and other minor operations are included in the "Other" caption.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because of the differences in the production processes, the nature of products produced and required marketing and investment strategies.

Segment financial information reviewed by the CODM includes:

- information about income and expenses by business units (segments) based on IFRS figures on a quarterly basis;

- assets and liabilities as well as capital expenditures by segment on a quarterly basis;

- operating data (such as production and inventory volumes) and revenue data (such as sales volumes per type of product, average sales price) are also reviewed by the CODM on a monthly and quarterly basis.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM evaluates performance of each segment based on gross and net profit. Segment financial information is prepared on the basis of IFRS financial information and measured in a manner consistent with that in these consolidated financial statements.

Revenues from other segments include transfers of raw materials, goods and services from one segment to another, amount is determined based on market prices for similar goods.

7. Segment Information (Continued)

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the years ended 31 December 2018 and 2017 is set out below:

	Uranium		Energy		UMP		Other		Eliminations		Total	
In millions of Kazakhstani Tenge	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External revenue	366,040	205,187	-	-	39,181	32,793	31,411	39,066	-	-	436,632	277,046
Revenues from other segments	*739*	*416*	-	-	*3,796*	*4,691*	*47,768*	*41,232*	*(52,303)*	*(46,339)*	-	-
Cost of sales	(258,202)	(151,318)	-	-	(28,554)	(28,946)	(77,012)	(75,293)	49,951	45,623	(313,817)	(209,934)
Gross profit	**108,577**	**54,285**	-	-	**14,423**	**8,538**	**2,167**	**5,005**	**(2,352)**	**(716)**	**122,815**	**67,112**
Impairment losses, net of impairment reversals	8,343	(21,888)	-	-	(5,409)	(814)	2,576	(6,349)	-	1,639	5,510	(27,412)
Gain from business acquisition	313,517	-	-	-	-	-	-	-	-	-	313,517	-
Gain on exercise of put option	-	107,714	-	-	-	-	-	-	-	-	-	107,714
Share of results of associates and joint ventures	25,695	40,395	-	-	(204)	(150)	(7,448)	3,869	-	-	18,043	44,114
Net foreign exchange gain / (loss)	6,818	2,701	-	-	2,115	34	(1,683)	(3,534)	-	(6)	7,250	(805)
Finance income	3,529	9,799	-	-	234	304	1,416	225	(1,230)	(4,513)	3,949	5,815
Finance expense	(8,806)	(8,856)	-	-	(396)	(364)	(4,058)	(2,862)	588	3,149	(12,672)	(8,933)
Income tax (expense) / benefit	(26,274)	(16,726)	-	-	(2,069)	(1,363)	(454)	292	-	510	(28,797)	(17,287)
Profit / (loss) for the year from continuing operations	**396,519**	**146,700**	-	-	**3,141**	**1,424**	**(17,745)**	**(9,842)**	**(2,753)**	**(1,559)**	**379,162**	**136,723**
Profit for the year from discontinued operations	-	-	1,104	2,431	-	-	-	-	-	-	1,104	2,431
Profit for the year	**396,519**	**146,700**	**1,104**	**2,431**	**3,141**	**1,424**	**(17,745)**	**(9,842)**	**(2,753)**	**(1,559)**	**380,266**	**139,154**
Depreciation and amortisation charge	(34,968)	(11,783)	-	-	(1,475)	(1,368)	(4,613)	(4,711)	251	3,416	(40,805)	(14,446)

7. Segment Information (Continued)

Segment information for the reportable segments for the years ended 31 December 2018 and 2017 is set out below (continued):

	Uranium		Energy		UMP		Other		Eliminations		Total	
In millions of Kazakhstani Tenge	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Investments in associates and joint ventures	102,562	144,978	-	2,818	6,885	5,287	19,861	23,481	-	-	129,308	176,564
Total reportable segment assets	**1,283,841**	**742,378**	**-**	**38,585**	**75,519**	**72,738**	**92,558**	**105,262**	**(76,380)**	**(23,705)**	**1,375,538**	**935,258**
Assets of disposal groups classified as held for sale	-	-	-	-	-	-	5,578	2,774	-	-	5,578	2,774
Total assets	**1,283,841**	**742,378**	**-**	**38,585**	**75,519**	**72,738**	**98,136**	**108,036**	**(76,380)**	**(23,705)**	**1,381,116**	**938,032**
Total reportable segment liabilities	**452,966**	**232,913**	**-**	**18,008**	**12,024**	**9,033**	**23,659**	**82,844**	**(76,494)**	**(47,285)**	**412,155**	**295,513**
Liabilities of disposal groups classified as held for sale	-	-	-	-	-	-	5,951	1,343	-	-	5,951	1,343
Total liabilities	**452,966**	**232,913**	**-**	**18,008**	**12,024**	**9,033**	**29,610**	**84,187**	**(76,494)**	**(47,285)**	**418,106**	**296,856**
Capital expenditure	**52,202**	**24,262**	**-**	**3,770**	**3,173**	**2,507**	**4,024**	**7,688**	**-**	**-**	**59,399**	**38,227**

Capital expenditure represents additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefits assets and rights arising under insurance contracts.

7. Segment Information (Continued)

(e) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 9. Information about finance income and costs is disclosed in Note 17.

(f) Geographical information

The Group's main assets are located in the Republic of Kazakhstan. Distribution of the Group's sales between countries on the basis of the customer's country of domicile was as follows:

In millions of Kazakhstani Tenge	2018	2017
China	127,629	131,635
India	79,612	16,482
United Kingdom (including Jersey and Cayman Islands)	72,569	4,785
Kazakhstan	34,018	41,688
USA	34,282	19,153
Canada	27,935	-
France	22,131	22,201
Japan	7,061	15,064
Ukraine	5,051	35
Russia	4,871	3,217
Netherlands	4,112	-
Germany	2,305	4,053
South Korea	700	9,636
Other countries	14,356	9,097
Total consolidated revenues	**436,632**	**277,046**

Major customers

The Group has a group of customers under common control that accounts for more than 10% of the Group's consolidated revenue. This revenue in the amount of Tenge 111,012 million (2017: 123,754 Tenge million) is reported under the Uranium segment.

8. 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, management has regard 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, when they are not individually significant, if the Group's services are provided on standard terms available for all customers, or where there is no choice of supplier of such services as electricity transmission services and telecommunications.

At 31 December 2018, the outstanding balances with related parties were as follows:

In millions of Kazakhstani Tenge	Accounts receivable and other assets (Notes 28, 29)	Dividends receivable (Note 29)	Loans given (Note 32)	Accounts payable and other liabilities (Notes 37, 38)
Associates	2,580	8,659	23,618	12,560
Joint ventures	4,719	-	-	2,041
Entities under common control	199	-	-	563
Parent	-	-	-	479
Associates of the Parent	18	-	-	4,046
Total	**7,516**	**8,659**	**23,618**	**19,689**

8. Balances and Transactions with Related Parties (Continued)

Transactions with related parties for the year ended 31 December 2018 were as follows:

In millions of Kazakhstani Tenge	Sale of goods and services	Dividends received (Notes 25, 26)	Purchase of goods and services	Dividends to the Parent (Note 34)	Finance income	Finance costs
Associates	13,678	7,885	58,130	-	4,081	613
Joint ventures	7,896	-	11,765	-	16	-
Entities under common control	9,107	-	27,431	-	5,735	980
Parent	-	-	-	161,661	-	58
Associates of the Parent	110	-	3,787	-	-	-
Other	918	-	32,265	-	1	-
Total	**31,709**	**7,885**	**133,378**	**161,661**	**9,833**	**1,651**

At 31 December 2017, the outstanding balances with related parties were as follows:

In millions of Kazakhstani Tenge	Accounts receivable and other assets (Notes 28, 29)	Dividends receivable (Note 29)	Loans given (Note 32)	Accounts payable and other liabilities (Notes 37, 38)
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**

Transactions with related parties for the year ended 31 December 2017 were as follows:

In millions of Kazakhstani Tenge	Sale of goods and services	Dividends received (Notes 25, 26)	Purchase of goods and services	Dividends to the Parent (Note 34)	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	-	44,694	-	-	-
Parent	-	-	-	65,849	-	-
Associates of the Parent	108	-	193	-	-	-
Other	2,428	-	31,449	-	2	-
Total	**49,642**	**44,186**	**191,531**	**65,849**	**3,140**	**1,265**

In 2018 and 2017 other related parties included Baiken-U LLP (Notes 27 and 45).

Key management personnel is represented by personnel with authority and responsibility in planning, management and control of the Group's activities, i.e. members of the Management Board and the Board of Directors of the Company. The table below represents remuneration of key management personnel, in particular members of the Management Board and Independent Directors of the Company.

	2018		2017	
In millions of Kazakhstani Tenge	Expense	Accrued liability	Expense	Accrued liability
Short-term benefits				
Salaries and bonuses	932	67	660	43
Total	**932**	**67**	**660**	**43**

9. Analysis of Revenue by Category

All of Group's revenue represents revenue from contracts with customers where performance obligations are satisfied at a point of in time.

Analysis of revenue by category under revenue recognition guidance effective prior to 1 January 2018:

In millions of Kazakhstani Tenge	2018	2017
Sales of uranium products	368,325	207,788
Sales of beryllium products	17,364	13,224
Sales of tantalum products	14,333	12,871
Sales of purchased goods	9,424	11,655
Sales of materials and other goods	8,465	8,516
Sales of other services	8,342	8,018
Drilling services	6,803	9,950
Transportation services	2,887	3,895
Research and development	291	748
Sales of photovoltaic cells	398	381
Total revenue	**436,632**	**277,046**

Sales contract with Yellow Cake plc

On 10 May 2018, the Group and Yellow Cake plc signed a framework agreement relating to the sale and purchase of U3O8, including the initial delivery by the Group of 3,112 tons in July 2018 and an option for Yellow Cake plc to purchase additional quantities in each of the years 2019 through 2027. The Group has an option to purchase from Yellow Cake plc quantities of U3O8 at a discount to market price when the uranium spot price exceeds a certain threshold (above USD 37.5 per pound of U3O8).

The contract contains an embedded derivative being the option held by the Group to repurchase uranium at a discount to market price if market price reaches a certain level, as described above. The Group recognised this derivative as a financial asset at fair value though profit or loss. The initial value of the derivative estimated by the Group at Tenge 819 million represented part of consideration received for the uranium sale. Subsequent revaluation of the derivative is recognised in profit or loss under IFRS 9. The fair value of the derivative at 31 December 2018 was Tenge 1,369 million. The revaluation gain of Tenge 413 million was recognised within finance income (Note 17). Foreign exchange gain comprised Tenge 137 million. This derivative falls under the level 3 of the fair value hierarchy.

Furthermore, this agreement contemplates the delivery by the Group of further uranium shipments in the quantity representing the aggregate price of up to US Dollar 100 million annually, at market related prices, for at least another nine years, subject to various conditions.

10. Cost of Sales

In millions of Kazakhstani Tenge	2018	2017
Materials and supplies	202,817	143,771
Depreciation and amortisation	39,866	13,623
Wages and salaries	24,024	22,830
Taxes other than income tax	22,033	10,552
Processing and other services	10,354	5,052
Transportation expenses	3,490	2,570
Maintenance and repair	3,021	2,144
Utilities	1,581	1,432
Rent expenses	233	238
Research and development	80	53
Other	6,318	7,669
Total cost of sales	**313,817**	**209,934**

11. Distribution Expenses

In millions of Kazakhstani Tenge	2018	2017
Shipping, transportation and storing	7,275	2,868
Wages and salaries	950	484
Commissions	637	242
Materials and supplies	221	169
Rent	106	85
Depreciation and amortisation	67	65
Other	1,274	403
Total distribution expenses	**10,530**	**4,316**

12. General and Administrative Expenses

In millions of Kazakhstani Tenge	2018	2017
Wages and salaries	17,809	16,556
Consulting and information services	4,488	3,150
Social contribution - Turkestan region	2,000	-
Impairment of accounts receivable	1,743	19
Taxes other than income tax	1,526	723
Rent	1,166	1,086
Depreciation and amortisation	808	696
Business trip expenses	687	568
Maintenance and repair	575	502
Training expenses	440	347
Tax fines and penalties	340	184
Materials and supplies	297	217
Corporate events	252	621
Communication	238	215
Research expenses	230	32
Utilities	163	145
Security	148	146
Insurance	145	50
Bank charges	89	83
Entertainment expenses	75	49
Stationery	73	58
Impairment of receivables on uranium repackaging	-	2,990
Other	1,513	1,757
Total general and administrative expenses	**34,805**	**30,194**

13. Impairment Losses and Reversal of Impairment Losses

The Group recognised in profit or loss the reversal of previously recognised impairments for the following assets:

In millions of Kazakhstani Tenge	Note	2018	2017
Financial assets		**905**	**-**
Investments in associates	25	6,556	-
Inventories	30	4,341	416
Mine development assets	22	3,933	-
Property, plant and equipment	21	292	76
Other assets		6	34
Non-financial assets		**15,128**	**526**
Total reversal of impairment losses		**16,033**	**526**

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

In millions of Kazakhstani Tenge	Note	2018	2017
Financial assets		**4,675**	**3,728**
Property, plant and equipment	21	2,533	2,651
VAT recoverable		1,607	3,136
Inventories	30	1,238	5,118
Mine development assets	22	165	4,954
Investments in joint ventures	26	21	32
Intangible assets	20	4	1,598
Investments in associates	25	-	6,556
Other assets		280	165
Non-financial assets		**5,848**	**24,210**
Total impairment losses		**10,523**	**27,938**

At 31 December 2018: impairment reversals were recognised for the following cash generating units (or assets):

In millions of Kazakhstani Tenge	Property, plant and equipment	Financial assets	Mine develop-ment assets	Investments in associates	Inventories	Other assets	Total
Karamurun	-	-	554	-	-	-	554
Kanzhugan	-	-	3,364	-	-	-	3,364
Central Moinkum	-	-	-	-	1,480	-	1,480
South Moinkum	-	-	-	-	477	-	477
East Mynkuduk	-	-	-	-	13	-	13
Uvanas	-	-	12	-	853	-	865
Zhalpak	-	-	-	-	396	-	396
Production of photovoltaic modules	-	-	-	-	715	-	715
JV Zarechnoye LLP (Note 25)	-	-	-	6,556	-	-	6,556
Intangible assets	-	-	-	-	-	5	5
Other	292	905	3	-	407	1	1,608
Total reversal of impairment losses	**292**	**905**	**3,933**	**6,556**	**4,341**	**6**	**16,033**

13. Impairment Losses and Reversal of Impairment Losses (Continued)

At 31 December 2018: impairment losses were recognised for the following cash generating units (assets):

In millions of Kazakhstani Tenge	Property, plant and equipment	Mine development assets	Financial assets	VAT recoverable	Inventories	Other assets	Total
Production of photovoltaic modules	1,526	-	-	1,607	-	-	3,133
South Moinkum	-	165	-	-	-	-	165
Uvanas	-	-	-	-	50	-	50
North Inkai	-	-	-	-	456	-	456
Deposits at Tsesna Bank	-	-	4,224	-	-	-	4,224
Baiterek SRT	342	-	-	-	-	-	342
Investments in joint ventures	-	-	-	-	-	21	21
Intangible assets	-	-	-	-	-	4	4
Other	665	-	451	-	732	280	2,128
Total impairment losses	**2,533**	**165**	**4,675**	**1,607**	**1,238**	**305**	**10,523**

Karamurun, Kanzhugan and Zarechnoye

As disclosed in Note 4, management identified that impairment indications that gave rise to the impairment losses at Karamurun, Kanzhugan and Zarechnoye in 2017 no longer existed as of 31 December 2018. Accordingly, the Group has recognised full reversal of those previously recorded impairment losses in 2018 (after taking account of depreciation and amortisation that would have been charged if no impairment had occurred).

At 31 December 2017: impairment losses were recognised for the following cash-generating units (or assets):

In millions of Kazakhstani Tenge	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	-	-	337	-	-	-	337
Baiterek SRT	61	-	-	-	-	-	61
JV Zarechnoye LLP (Note 25)	-	-	6,556	-	-	-	6,556
Goodwill of TTK LLP (Note 20)	-	-	-	-	-	1,515	1,515
Deposits at bank RBK JSC (Note 27)	-	-	3,391	-	-	-	3,391
Other	1,515	-	197	1,602	2,186	83	5,583
Total impairment losses	**2,651**	**4,954**	**10,481**	**3,136**	**5,118**	**1,598**	**27,938**

13. Impairment Losses and Reversal of Impairment Losses (Continued)

South Moinkum, Uvanas, Kanzhugan, Karamurun, Zarechnoye, Semizbay

Management considered that a decrease in reserves under JORC and other circumstances were indications of impairment of these cash-generating units (Note 4). The recoverable amount of the cash-generating units was determined on a value in use basis. The recoverable amount of Karamurun mine was Tenge 2,706 million, Uvanas and Kanzhugan mines was nil. The applied discount rate was 12.1%.

Production of photovoltaic modules

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 fully impaired in 2016. The recoverable amount of the cash-generating unit was nil and determined as value in use. The applied discount rate was 12.8%.

14. Other Income

In millions of Kazakhstani Tenge	2018	2017
Fines and penalties	169	961
Gain on exercise of put option	-	107,714
Gain on transfer of subsoil use right to charter capital	-	5,726
Gain on disposal of property, plant and equipment	-	422
Other	1,073	84
Total other income	**1,242**	**114,907**

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.

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

15. Other Expenses and Net Foreign Exchange Gain / (Loss)

In millions of Kazakhstani Tenge	2018	2017
Non-recoverable VAT	2,614	1,629
Loss on suspension of production	799	717
Social expenses	730	2,521
Depreciation and amortisation	64	62
Loss on disposal of non-current assets	-	791
Other	1,642	558
Total other expenses	**5,849**	**6,278**

Net foreign exchange gain / (loss)

In millions of Kazakhstani Tenge	2018	2017
Foreign exchange (loss) / gain on financing activities, net	(14,467)	(1,848)
Foreign exchange gain on operating activities, net	21,717	1,043
Total foreign exchange (loss) / gain, net	**7,250**	**(805)**

16. Personnel Costs

In millions of Kazakhstani Tenge	2018	2017
Wages and salaries	57,379	55,666
Social tax and social contributions	6,034	6,163
Total personnel costs	**63,413**	**61,829**

17. Finance Income and Costs

In millions of Kazakhstani Tenge	2018	2017
Interest income calculated using the effective interest rate		
Loans at AC	1,280	2,307
Term deposits	1,083	2,447
Cash and cash equivalents	985	908
Other similar income		
Financial derivative asset (Note 9)	413	-
Other	188	153
Total finance income	**3,949**	**5,815**
Finance costs		
Interest expense on loans and borrowings	8,558	5,491
Unwinding of discount on provisions	2,385	1,267
Loss on conversion of foreign currency	1,130	290
Dividend expense on preference shares	53	53
Loss from remeasurement of financial assets	30	1,223
Unwinding of discount on other financial liabilities	-	286
Other	516	323
Total finance costs	**12,672**	**8,933**

18. Income Tax Expense

(a) Components of income tax expense

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

In millions of Kazakhstani Tenge	2018	2017
Current income tax	31,412	20,292
Deferred income tax	(2,615)	(3,005)
Total income tax expense	**28,797**	**17,287**

(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 profits in 2018 and 2017 is 20%.

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

In millions of Kazakhstani Tenge	2018	2017
Profit before tax	**407,959**	**154,010**
Theoretical tax charge at statutory tax rate of 20%	81,592	30,802
Tax effect of items which are not deductible or assessable for taxation purposes:		
Unrecognised deferred tax asset on impairment losses	5,583	2,331
Non-deductible expenses	6,023	8,087
Current period tax losses for which no deferred tax asset is recognised	1,120	188
Share of results of joint ventures	949	(4,421)
Transfer pricing adjustment	191	509
Prior periods adjustments	(938)	717
Income which is exempt from taxation	(1,012)	(253)
Share of results of associates	(4,557)	(4,401)
Net gain from business combinations not subject to tax	(62,703)	-
Excess profit tax	-	5,609
Non-taxable gain from exercise of put option	-	(21,543)
Other items	2,549	(338)
Income tax expense	**28,797**	**17,287**

Disposal of investments in 2017 relates to non-taxable gain from the exercise of a put option in the amount of Tenge 107,714 million (Note 14).

As at 31 December 2018 and 2017, the Group did not recognise a 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.

18. 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%.

In millions of Kazakhstani Tenge	1 January 2018	Credited / (charged) to profit or loss	Business combinations (Note 45)	Discontinued operations	31 December 2018
Tax effect of deductible / (taxable) temporary differences					
Property, plant and equipment, intangible assets and mineral rights	(5,734)	(1,189)	(77,135)	2,330	(81,728)
Accounts receivable	698	(371)	(122)	(251)	(46)
Loans and borrowings	(165)	131	2	-	(32)
Provisions	1,140	115	179	(38)	1,396
Accrued liabilities	890	17	302	(126)	1,083
Tax losses carried forward	1,267	(654)	233	(402)	444
Taxes	514	501	234	(216)	1,033
Other assets	3,655	4,100	136	(243)	7,648
Other liabilities	128	(35)	5	(14)	84
	2,393	**2,615**	**(76,166)**	**1,040**	**(70,118)**
Recognised deferred tax asset	**6,836**	**(315)**	**1,091**	**(60)**	**7,552**
Recognised deferred tax liabilities	**(4,443)**	**2,930**	**(77,257)**	**1,100**	**(77,670)**

Management estimates that deferred tax assets of Tenge 1,840 million in 2018 (2017: Tenge 3,105 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 2017 is:

In millions of Kazakhstani Tenge	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)**

18. Income Tax Expense (Continued)

In the context of the Group's structure, tax losses 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 5,022 million in 2018 (2017: Tenge 4,002 million) and impairment losses of Tenge 16,445 million in 2018 (2017: Tenge 10,862 million).

The tax loss carry forwards expire as follows:

In millions of Kazakhstani Tenge	2018	2017
2024	560	660
2025	2,478	2,478
2026	676	676
2027	188	188
2028	1,120	-
Total unrecognised deferred tax asset on tax losses	**5,022**	**4,002**

19. Earnings per Share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Company by the number of ordinary shares in issue during the year (Note 34). The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share. Earnings per share from continuing operations is calculated as follows:

	2018	2017
Profit from continuing operations for the year attributable to owners of the Company (in millions of Kazakhstani Tenge)	371,072	136,096
Profit for the year for the year attributable to owners of the Company (in millions of Kazakhstani Tenge)	372,176	138,527
Number of ordinary shares (in thousands)	259,357	259,357
Earnings per share from continuing operations attributable to the owners of the Company, basic and diluted (rounded to Tenge)	**1,431**	**525**
Earnings per share attributable to the owners of the Company, basic and diluted (rounded to Tenge)	**1,435**	**534**

20. Intangible Assets

In millions of Kazakhstani Tenge	Licences and patents	Software	Goodwill	Other	Total
At 1 January 2017					
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 / (to) property, plant and equipment (Note 21)	-	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**
Additions	489	144	-	-	633
Additions from business combinations (Note 45)	142	325	58,543	-	59,010
Additions under finance leases	443	-	-	-	443
Amortisation charge	(257)	(330)	-	(80)	(667)
Impairment	(4)	-	-	-	(4)
Recovery of impairment	-	3	-	2	5
Loss of control over subsidiary	(9)	(14)	-	-	(23)
Transfers from property, plant and equipment (Note 21)	-	1,831	-	78	1,909
Transfers to assets held for sale	-	(1)	-	-	(1)
At 31 December 2018					
Cost	2,571	4,532	70,168	1,022	78,293
Accumulated amortisation and impairment	(776)	(1,307)	(6,459)	(437)	(8,979)
Carrying value	**1,795**	**3,225**	**63,709**	**585**	**69,314**

20. Intangible Assets (Continued)

Goodwill impairment test

(i) Central Mynkuduk, JV Akbastau JSC, Karatau LLP and Baiken-U LLP

Goodwill of Tenge 5,166 million at 31 December 2018 and 2017 is attributable to one cash-generating unit related to subsurface use operations at Central Mynkuduk mine. Goodwill of Tenge 58,543 million at 31 December 2018 is attributable to cash-generating units related to subsurface use operations at JV Akbastau JSC, Karatau LLP and Baiken-U LLP (Note 45). The recoverable amount was determined on a value in use basis from forecast cash flows over the term of subsurface use contracts. Forecast cash flows are based on the approved volume of proven reserves, estimated volumes of production and sales over a life of mine plan approved by management, using a discount rate of 12.33% (2017: 12.1%). 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 units. Key assumptions used in calculations include forecast prices, period direct costs and capital expenditures. Sales prices used in developing forecast cash flows were determined using an independent official source Ux Consulting LLC published in the fourth quarter of 2018. Direct costs are based on approved budgets for 2019-2023 and growth of 2-3% which approximates long-term average growth rates. The estimated values in use significantly exceed the carrying amounts of the cash-generating units and therefore even reasonably possible changes in key assumptions would not lead to impairment losses being recognised.

(ii) MKS Transhipment Base

In December 2017, the Group purchased an operating unit for reloading and storage of contaminated chemical cargo in Shieli province in Kazakhstan (hereinafter referred to as the MKS Transhipment Base). The cost of acquisition of the MKS Transhipment Base was Tenge 4,276 million. Management concluded that the MKS Transhipment Base represented a business rather than a group of assets, and therefore, its acquisition was accounted for as a business acquisition in accordance with IFRS 3. Goodwill of Tenge 1,515 million was impaired to profit or loss in 2017 (Note 13).

21. Property, Plant and Equipment

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

In millions of Kazakhstani Tenge	Land	Buildings	Machinery and equipment	Vehicles	Other	Construction in progress	Total
At 1 January 2017							
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, 13)	-	(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 20)	-	-	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**
Additions	135	14,922	5,435	1,105	680	15,018	37,295
Additions from business combinations (Note 45)	1	27,989	21,191	1,585	713	4,102	55,581
Transfers	-	2,667	2,960	348	430	(6,405)	-
Depreciation charge	-	(4,807)	(6,321)	(1,366)	(711)	-	(13,205)
Impairment loss (Notes 4, 13)	(39)	(703)	(759)	(488)	(18)	(526)	(2,533)
Reversal of impairment losses recognised in prior periods	-	10	72	-	20	190	292
Disposals	(12)	(25)	(69)	(56)	(25)	(18)	(205)
Disposal of subsidiary	(52)	(5,540)	(10,299)	(472)	(1,109)	(8,298)	(25,770)
Transfer from / (to) inventories	-	-	(32)	6	(16)	46	4
Transfers from / (to) intangible assets (Note 20)	-	-	-	-	1	(1,910)	(1,909)
Transfers from / (to) non-current assets held for sale	-	(25)	(1)	2	(20)	2	(42)
Changes in estimates	-	(66)	(107)	-	-	-	(173)
Transfer to mine development assets (Note 22)	-	-	-	-	-	(162)	(162)
Translation to presentation currency	-	-	-	3	1	-	4
At 31 December 2018							
Cost	393	132,633	78,953	22,703	4,911	19,498	259,091
Accumulated depreciation and impairment	-	(33,831)	(34,102)	(15,516)	(2,503)	(1,787)	(87,739)
Carrying amount	**393**	**98,802**	**44,851**	**7,187**	**2,408**	**17,711**	**171,352**

Depreciation expense of Tenge 12,030 million in 2018 (2017: Tenge 10,231 million) was charged to cost of sales, Tenge 71 million (2017: Tenge 74 million) to distribution expenses, Tenge 426 million (2017: Tenge 476 million) to administrative expenses and Tenge 182 million (2017: Tenge 66 million) to other expenses. The remaining depreciation expense in the amount of Tenge 496 million in 2018 (2017: Tenge 677 million) is included to finished goods, work-in-process and other lines.

21. Property, Plant and Equipment (Continued)

At 31 December 2018, construction in progress included technical modemisation of UMP JSC of Tenge 3,966 million, construction of technological road to Zhalpak field of Tenge 1,295 million and IT projects of JSC NAC Kazatomprom of Tenge 4,408 million.

IT projects of JSC NAC Kazatomprom include capitalised costs of Digital Mine project of Tenge 1,599 million (2017: Tenge 1,018 million) and SAP ERP implementation of Tenge 2,184 million (Tenge 951 million). Implementation of the Digital Mine is completed at one of the Group's entities during 2018. In 2019, the Group plans to replicate the system at all other mining entities. In 2018, the Group completed implementation of SAP ERP at the head office and one of the subsidiaries and recognised an intangible asset of Tenge 782 million tenge.

At 31 December 2018, the Group had contractual capital expenditure commitments in respect of property, plant and equipment totalling Tenge 2,091 million (2017: Tenge 1,890 million).

Borrowing costs capitalised in the reporting period were Tenge 110 million in 2018 (2017: Tenge 212 million). The average capitalisation rate in 2018 was 3.41% (2017: 3.22%).

At 31 December 2018, the gross carrying value of fully depreciated property, plant and equipment still in use was Tenge 16,732 million (2017: Tenge 10,582 million).

Depreciation and amortisation charged on long-term assets for the years ended 31 December are as following:

In millions of Kazakhstani Tenge	2018	2017
Property, plant and equipment	13,205	11,524
Mine development assets	19,251	11,023
Intangible assets	667	693
Mineral rights	12,578	191
Total accrued depreciation and amortisation	**45,701**	**23,431**

Depreciation and amortisation charged to profit or loss for the years ended 31 December are as following:

In millions of Kazakhstani Tenge	2018	2017
Cost of sales	39,866	13,623
General and administrative expenses	808	696
Distribution expenses	67	65
Other expenses	64	62
Total depreciation and amortisation charged to profit or loss	**40,805**	**14,446**

22. Mine Development Assets

In millions of Kazakhstani Tenge	Field preparation	Site restoration costs	Ion exchange resin	Total
At 1 January 2017				
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 24)	-	-	(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	-	4,846
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**
Additions	18,896	-	876	19,772
Additions from business combinations (Note 45)	53,549	823	6,196	60,568
Transfers from inventory	4,140	-	602	4,742
Transfer from property, plant and equipment (Note 21)	1	-	161	162
Depreciation charge	(17,356)	(1,235)	(660)	(19,251)
Reversal of impairment losses recognised in prior periods	3,930	3	-	3,933
Impairment loss	(165)	-	-	(165)
Changes in accounting estimates	-	5,011	-	5,011
At 31 December 2018				
Cost	154,565	14,754	13,710	183,029
Accumulated depreciation and impairment	(61,214)	(886)	(2,627)	(64,727)
Carrying amount	**93,351**	**13,868**	**11,083**	**118,302**

Estimated site restoration costs are capitalised when the Group recognises a provision for site restoration. The carrying value of the provision and site restoration assets is reassessed at each reporting period end (Notes 4 and 36).

23. Mineral Rights

In millions of Kazakhstani Tenge	
At 1 January 2017	
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**
Additions	7
Additions from business combinations (Note 45)	373,942
Transfer to assets held for sale	(2)
Amortisation charge	(12,578)
At 31 December 2018	
Cost	376,215
Accumulated amortisation and impairment	(12,842)
Carrying amount	**363,373**

24. Exploration and Evaluation Assets

In millions of Kazakhstani Tenge	**Tangible assets**	**Intangible assets**	**Total**
At 1 January 2017	**2,747**	**724**	**3,471**
Additions	3,626	17	3,643
Disposals	(83)	(24)	(107)
Transfers from mine development assets (Note 22)	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**
Additions	2,663	152	2,815
Additions from business acquisitions (Note 45)	13,131	2,357	15,488
Transfer to assets held for sale	(4)	-	(4)
Disposal of subsidiary	(37)	(2)	(39)
Transfer to inventory	(251)	(8)	(259)
At 31 December 2018	**20,180**	**3,429**	**23,609**

25. Investments in Associates

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

In millions of Kazakhstani Tenge	2018	2017
Carrying value at 1 January	101,746	107,773
Share of results of associates	22,786	22,007
Additions from business combinations (Note 45)	6,522	-
Reversal of impairment / (impairment)	6,556	(6,556)
Disposals (Note 45)	(40,389)	-
Dividends received from associates	(7,885)	(21,244)
Effect of translation to presentation currency	-	(234)
Other	(470)	-
Carrying value at 31 December	**88,866**	**101,746**

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

	Country of incorpora-tion	Principal activities	2018 % ownership interest held / % of voting rights	2018 In millions of Tenge	2017 % ownership interest held / % of voting rights	2017 In millions of Tenge
JV KATKO LLP	Kazakhstan	Extraction, processing and export of uranium products	49%	49,704	49%	38,504
JV South Mining Chemical Company LLP	Kazakhstan	Extraction, processing and export of uranium products	30%	7,290	30%	5,029
JV Zarechnoye JSC	Kazakhstan	Extraction, processing and export of uranium products	49.98%	9,705	49.98%	1,947
Kaustik JSC	Kazakhstan	Supply of caustic soda	40%	3,517	40%	3,775
JV Betpak Dala LLP	Kazakhstan	Extraction, processing and export of uranium products	-	-	30%	1,949
JV Khorasan-U LLP	Kazakhstan	Extraction, processing and export of uranium products	50%	11,458	33.98%	5,259
JV SKZ Kazatomprom LLP	Kazakhstan	Production of sulphuric acid	9.89%	710	9.89%	720
JV Rosburmash LLP	Kazakhstan	Geological exploration	49%	346	49%	553
ZhanaKorgan-Transit LLP	Kazakhstan	Transportation	40%	140	-	-
Kyzylkum LLP	Kazakhstan	Extraction, processing and export of uranium products	50%	5,996	30%	3,621
JV Inkai LLP	Kazakhstan	Extraction, processing and export of uranium products	-	-	40%	40,389
Total investments in associates				**88,866**		**101,746**

In 2018, JV Betpak Dala LLP was liquidated.

25. Investments in Associates (Continued)

Summarised financial information for 2018 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.

In millions of Kazakhstani Tenge	Kyzylkum LLP	JV KATKO LLP	JV Inkai LLP	JV South Mining Chemical Company LLP	JV Zarechnoye JSC	JV Khorasan-U LLP	Other	Total
Current assets	10,411	60,478	-	29,386	9,644	20,124	5,145	135,188
Including cash	*8,752*	*34,794*	-	*5,390*	*1,264*	*4,700*	*995*	*55,895*
Non-current assets	29,851	62,657	-	39,261	16,507	25,160	23,772	197,208
Total assets	**40,262**	**123,135**	-	**68,647**	**26,151**	**45,284**	**28,917**	**332,396**
Current liabilities	(12,017)	(6,450)	-	(36,346)	(5,508)	(20,825)	(6,619)	(87,765)
Including financial liabilities net of trade and other accounts payable and provisions	(10,154)	-	-	(529)	(2,743)	(17,441)	(1,799)	(32,666)
Non-current liabilities	(16,303)	(9,778)	-	(7,630)	(1,309)	(1,231)	(14,497)	(50,748)
Including financial liabilities net of trade and other accounts payable and provisions	(15,333)	-	-	(4,469)	-	-	(13,572)	(33,374)
Incl. loan from the Company	*(15,333)*	-	-	-	-	-	-	*(15,333)*
Total liabilities	**(28,320)**	**(16,228)**	-	**(43,976)**	**(6,817)**	**(22,056)**	**(21,116)**	**(138,513)**
Net assets	**11,942**	**106,907**	-	**24,671**	**19,334**	**23,228**	**7,801**	**193,883**
Group's share of net assets of associates	5,971	52,385	-	7,402	9,663	11,614	667	87,702
Unrealised profit in the Group	-	(2,749)	-	(112)	-	(353)	-	(3,214)
Other movements	25	-	-	-	42	197	(392)	(128)
Goodwill	-	68	-	-	-	-	4,438	4,506
Carrying value of investments in associates	**5,996**	**49,704**	-	**7,290**	**9,705**	**11,458**	**4,713**	**88,866**
Total revenue	13,689	71,441	-	54,056	16,646	31,020	16,369	203,221
Depreciation and amortisation	(738)	(13,665)	-	(5,662)	(3,529)	(4,279)	(895)	(28,768)
Finance income	900	12	-	240	82	203	528	1,965
Finance costs	(3,497)	(1,137)	-	(254)	(224)	(48)	(864)	(6,024)
Foreign exchange gain / (loss)	(1,712)	4,190	-	1,909	(362)	417	(527)	3,915
(Impairment) / reversal of impairment	(66)	-		-	4	(3)	-	(65)
Income tax	(1,014)	(7,522)	-	(6,063)	(803)	(1,655)	(365)	(17,422)
Profit / (loss) for the year	136	28,092	-	24,916	2,820	7,656	(726)	62,894
Total comprehensive income / (loss)	**55**	**28,092**	-	**24,844**	**2,820**	**7,656**	**(726)**	**62,741**
Other	27	(2,565)	-	496	57	923	-	(1,062)
Dividends received	-	-	-	5,617	199	-	2,069	7,885

25. 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.

In millions of Kazakhstani Tenge	JV Betpak Dala LLP	Kyzylkum LLP	JV KATKO LLP	JV Inkai LLP	JV South Mining Chemical Company LLP	JV Zarechnoye 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
Including cash	1,623	132	1,359	1,036	1,254	684	2,106	575	8,769
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)
Including financial liabilities net of trade and other accounts payable and provisions	-	-	(360)	(38,955)	(4,625)	(2,813)	(17,499)	(1,611)	(65,863)
Non-current liabilities	-	(22,269)	(7,875)	(11,720)	(2,562)	(876)	(892)	(15,807)	(62,001)
Including financial liabilities net of trade and other accounts payable and provisions	-	(21,179)	-	(45)	-	-	-	(14,614)	(35,838)
Incl. loan from the Company	-	*(21,179)*	-	-	-	-	-	-	*(21,179)*
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
Depreciation and amortisation	-	(734)	(14,331)	(9,597)	(7,458)	(3,510)	(4,418)	(1,892)	(41,940)
Finance income	22	58	511	64	159	25	134	83	1,056
Finance costs	-	(2,234)	(1211)	(177)	(167)	(97)	(81)	(1,514)	(5,481)
Foreign exchange gain / (loss)	-	182	(311)	70	(19)	142	132	112	308
Impairment	-	-	-	(612)	-	27	6	54	(525)
Income tax	(1)	(1,697)	(6,246)	(2,728)	(5,086)	(260)	(421)	(109)	(16,548)
Profit / (loss) for the year	(1,221)	5,685	19,148	9,036	18,724	797	1,741	1,413	55,323
Total comprehensive income / (loss)	**(1,221)**	**5,685**	**19,148**	**9,036**	**18,724**	**797**	**1,741**	**1,413**	**55,323**
Other	-	-	112	(678)	177	502	250	-	363
Dividends received	-	-	10,834	-	9,023	1,089	-	298	21,244

26. Investments in Joint Ventures

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

In millions of Kazakhstani Tenge	2018	2017
Carrying value at 1 January	74,818	66,862
Contributions to charter capital	2,487	8,413
Additions	896	-
Share of other comprehensive income of joint ventures	5	44
Disposals (Note 45)	(32,523)	-
Share of results of joint ventures	(4,743)	22,107
Effect of translation to presentation currency	(232)	366
Impairment of investments in joint ventures	(21)	(32)
Dividends received from joint ventures	-	(22,942)
Other	(245)	-
Carrying value at 31 December	**40,442**	**74,818**

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

			2018		2017	
	Country of incorpora-tion	Principal activity	% owner-ship interest held	In millions of Tenge	% owner-ship interest held	In millions of Tenge
Semizbay-U LLP	Kazakhstan	Extraction, processing and export of uranium products	51.00%	12,675	51.00%	10,037
TsOU JSC	Russia	Production of advanced uranium products	50.00%	10,678	50.00%	16,787
Ulba TVS LLP	Kazakhstan	Construction of heat assembly units plant	51.00%	6,885	51.00%	5,287
JV Budenovskoe LLP	Kazakhstan	Extraction, processing and export of uranium products	51.00%	5,732	51.00%	5,719
Uranenergo LLP	Kazakhstan	Transfer and distribution of electricity, grid operations	79.45%	2,839	58.90%	2,818
SKZ-U LLP	Kazakhstan	Production of sulphuric acid	49.00%	1,633	49.00%	1,625
JV Akbastau JSC	Kazakhstan	Extraction, processing and export of uranium products	-	-	50.00%	17,887
Karatau LLP	Kazakhstan	Extraction, processing and export of uranium products	-	-	50.00%	14,637
JV UKR TVS CJSC	Ukraine	Production of nuclear fuel	33.33%	-	33.33%	21
Ulba Conversion LLP	Kazakhstan	Construction of conversion plant in Kazakhstan	-	-	50.96%	-
Total investments in joint ventures				**40,442**		**74,818**

26. 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		JV Akbastau JSC		Semizbay-U LLP		TsOU JSC		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Current assets	-	14,306	-	18,326	9,851	11,921	8,464	13,179	17,784	18,166	36,099	75,898
Including cash	-	743	-	3,027	812	177	5,192	12,239	10,394	7,299	16,398	23,485
Non-current assets	-	26,108	-	21,503	18,541	15,104	113,872	124,690	53,433	46,225	185,846	233,630
Total assets	-	**40,414**	-	**39,829**	**28,392**	**27,025**	**122,336**	**137,869**	**71,217**	**64,391**	**221,945**	**309,528**
Current liabilities	-	(9,132)	-	(2,199)	(7,522)	(12,088)	(13,469)	(23,381)	(8,473)	(7,597)	(29,464)	(54,397)
Including financial liabilities net of trade and other accounts payable and provisions	-	(4,470)	-	-	(4,600)	(9,497)	(8,856)	(6,050)	(5,340)	(4,590)	(18,796)	(24,607)
Non-current liabilities	-	(829)	-	(1,156)	(4,065)	(2,883)	(87,511)	(80,914)	(17,943)	(19,936)	(109,519)	(105,718)
Including financial liabilities net of trade and other accounts payable and provisions	-	-	-	-	-	(47)	(87,511)	(80,914)	(17,917)	(19,926)	(105,428)	(100,887)
Total liabilities	-	**(9,961)**	-	**(3,355)**	**(11,587)**	**(14,971)**	**(100,980)**	**(104,295)**	**(26,416)**	**(27,533)**	**(138,983)**	**(160,115)**
Net assets	-	**30,453**	-	**36,474**	**16,805**	**12,054**	**21,356**	**33,574**	**44,801**	**36,858**	**82,962**	**149,413**
Group's share of net assets of joint ventures	-	15,227	-	18,237	8,570	6,147	10,678	16,787	24,249	19,243	43,497	75,641
Share in accumulated unrecognised losses	-	-	-	-	-	-	-	-	(5,742)	(2,376)	(5,742)	(2,376)
Goodwill	-	-	-	-	4,105	4,105	-	-	(1,397)	(1,397)	2,708	2,708
Impairment	-	-	-	-	-	-	-	-	(21)	-	(21)	-
Unrealised profit in the Group	-	(590)	-	(350)	-	(215)	-	-	-	-	-	(1,155)
Carrying value of investments in joint ventures	-	**14,637**	-	**17,887**	**12,675**	**10,037**	**10,678**	**16,787**	**17,089**	**15,470**	**40,442**	**74,818**
Total revenue	-	43,615	-	31,939	20,915	20,789	3,410	58,495	14,238	16,055	38,563	170,893
Depreciation and amortisation	-	(4,630)	-	(3,422)	(2,981)	(4,557)	(3)	(2)	(1,200)	(1,248)	(4,184)	(13,859)
Finance income	-	72	-	523	77	67	12,274	193	194	264	12,545	1,119
Finance costs	-	(107)	-	(128)	(543)	(742)	(4,722)	(4,721)	(743)	(665)	(6,008)	(6,363)
Foreign exchange gain / (loss)	-	(100)	-	(172)	(941)	(81)	(16,976)	4,655	-	103	(17,917)	4,405
Impairment	-	(97)	-	-	1,721	(3,639)	-	-	-	(4,134)	1,721	(7,870)
Income tax	-	(5,593)	-	(3,865)	(747)	330	2,961	5	540	(171)	2,754	(9,294)
Profit / (loss) for the year	-	19,289	-	15,045	4,828	(1,725)	(11,755)	7,892	(2,039)	(1,150)	(8,966)	39,351
Other	-	1,062	-	1,732	215	-	-	-	(70)	-	145	2,794
Dividends received	-	11,861	-	10,766	-	315	-	-	-	-	-	22,942

26. Investments in Joint Ventures (Continued)

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

In 2018, Ulba Conversion LLP was liquidated.

Together with the Chinese company China General Nuclear Power Corporation (CGNPC), the Group is involved in the construction of a fuel assembly plant in Kazakhstan to supply Chinese nuclear power plants with up to 200 tons per annum of enriched uranium (Ulba TVS LLP). Construction is expected to be completed in 2019 with operations to commence in 2020. In December 2015, the Company and CGNPC established a joint venture entity with 51% and 49% respective interests, which entity is responsible for construction and operation of the plant.

Management regularly evaluates whether the Group exercises control, joint control or significant influence over investees including subsidiaries, associates and joint ventures. Management applies judgement in this evaluation, including: (a) determination of availability of power that gives to the Group ability to direct the relevant activities of the investees that significantly affect their returns, and (b) determination of ability to use its power over the investees to affect the amount of the investor's returns. Management concluded that the Group does not have the ability to use its power to exercise control over Uranenergo LLP. Accordingly, this investment is classified as an investment in a joint venture.

27. Other Investments

In millions of Kazakhstani Tenge	**2018**	**2017**
Baiken-U LLP	-	1,022
Other	619	704
Total other investments	**619**	**1,726**

Baiken-U LLP

Investment in Baiken-U LLP represented 5% interest in equity of the investee. In December 2018, the Group obtained control over Baiken-U LLP (Notes 41 and 45).

Other

Other investments include bonds issued in 2017 by Special Financial Company DSFK LLP (DSFK). These bonds were received as a result of restructuring of the Group's deposits held at the bank RBK JSC. The bonds mature in 15 years from the issue date and have an annualised interest rate of 0.01%. The bonds are partially secured by a guarantee issued by the parent company of DSFK for a period of 5 years. The bonds are recognised by the Group at fair value, estimated based on the value of the guarantee and a discount rate of 13% per annum.

28. Accounts Receivable

In millions of Kazakhstani Tenge	2018	2017
Trade accounts receivables from related parties	13	-
Other receivables	7	141
Provision for impairment of other receivables	(7)	(1)
Total non-current net accounts receivable	**13**	**140**
Trade accounts receivable	91,094	53,217
Trade accounts receivable from related parties	3,277	5,997
Total gross trade accounts receivable	**94,371**	**59,214**
Provision for impairment of trade receivables	(90)	(1,246)
Provision for impairment of trade receivables from related parties	(49)	(52)
Total current net trade accounts receivable	**94,232**	**57,916**
Other accounts receivable	607	595
Other accounts receivable from related parties	2	7
Total gross other accounts receivable	**609**	**602**
Provision for impairment of other receivables	(364)	(433)
Total net other accounts receivable	**245**	**169**
Total current accounts receivable	**94,477**	**58,085**

Information on the Group's exposure to credit and currency risks and provision for impairment for accounts receivable is disclosed in Note 42.

29. Other Assets

In millions of Kazakhstani Tenge	2018	2017
Non-current		
Restricted cash	10,552	4,377
Long-term inventories	6,483	7,349
Prepaid expenses	1,343	674
Advances for non-current assets	1,276	10,430
Loans to employees	869	898
Advances to related parties	324	397
Total other non-current assets	**20,847**	**24,125**
Current		
Dividends receivable from related parties	8,659	13,707
Advances to related parties for goods and services	3,949	396
Advances for goods and services	2,760	2,813
Prepaid insurance	833	162
Prepaid taxes other than income tax	737	291
Restricted cash	490	242
Due from employees	482	414
Prepaid expenses	412	355
Other	-	16
Total other current assets	**18,322**	**18,396**

29. Other Assets (Continued)

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 2018 the balance of restricted cash on the long-term bank deposits related to financing of future site restoration activities amounted to Tenge 10,522 million (2017: Tenge 4,377 million).

30. Inventories

In millions of Kazakhstani Tenge	2018	2017
Finished goods and goods for resale	130,157	140,533
Work-in-process	19,768	17,563
Raw materials	13,728	14,520
Fuel	1,875	889
Materials in processing	1,226	762
Spare parts	720	819
Other materials	5,459	2,842
Provision for obsolescence and write-down to net realisable value	(2,672)	(8,253)
Total inventories	**170,261**	**169,675**

Movements in the provision for obsolescence are as follows:

In millions of Kazakhstani Tenge	2018	2017
Balance at 1 January	(8,253)	(4,232)
Accrual of provision during the year	(1,238)	(5,125)
Reversal of provision during the year	4,341	424
Inventory write off during the year	425	680
Transfer to assets held for sale	2,733	-
Additions from business combinations	(680)	-
Balance at 31 December	**(2,672)**	**(8,253)**

31. Term Deposits

In millions of Kazakhstani Tenge	2018	2017
Non-current		
Kazakhstani bank	13	-
Total non-current term deposits	**13**	**-**
Current		
Kazakhstani banks	205	8,230
Local subsidiary banks of foreign banks	-	242
Total current term deposits	**205**	**8,472**

Interest rates on term deposits held by the Group as at 31 December 2018 vary from 0% to 9.5% per annum (2017: from 0.01% to 10.5% 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 42.

32. Loans to Related Parties

In millions of Kazakhstani Tenge	2018	2017
Non-current		
Kyzylkum LLP	13,399	20,302
Provision for impairment	(154)	-
Total non-current loans to related parties	**13,245**	**20,302**
Current		
Kyzylkum LLP	10,373	-
Total current loans to related parties	**10,373**	**-**

The weighted average annual interest rate on loans to related parties in 2018 was 8.5% (2017: 8.5%). Internal assigned credit rating is B.

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-borrower of the loan to Kyzylkum LLP and is a guarantor of the loan.

33. Cash and Cash Equivalents

In millions of Kazakhstani Tenge	2018	2017
Current bank accounts	125,959	234,845
Demand deposits	2,847	5,053
Cash in hand	31	38
Provision for impairment	(18)	-
Total cash and cash equivalents	**128,819**	**239,936**

34. Share Capital

At 31 December 2018 the total number of authorised and paid ordinary shares is 259,356,608 (2017: 37,050,944).

On 17 August 2018, the National Bank of the Republic of Kazakhstan registered the split of the total number of issued (paid) shares of the Company in the ratio of 1 to 7. As a result of this increase, the number of announced and issued (paid) common shares of the Company was 259,356,608 shares, which, as on 31 December 2018 remained unchanged.

In November 2018, Samruk-Kazyna JSC as a selling shareholder placed 15% of the Company's shares (equivalent to) 38,903,491 shares / global depositary receipts on the London Stock Exchange (LSE) and the Astana International Exchange (AIX). As of 31 December 2018, Samruk-Kazyna JSC is the controlling shareholder of the Group and owns 85% of the issued ordinary shares. Each ordinary share carries one vote.

34. Share Capital (Continued)

Dividends declared and paid during the year were as follows:

In millions of Kazakhstani Tenge	2018	2017
Dividends payable at 1 January	-	-
Dividends declared during the year	135,012	65,849
Dividends declared for prior periods	26,649	-
Dividends paid during the year	(161,661)	(65,849)
Dividends payable at 31 December	-	-
Dividends declared per share, in Tenge	**624**	**254**

35. Loans and Borrowings

In millions of Kazakhstani Tenge	2018	2017
Non-current		
Bank loans	16,270	38,557
Non-bank loans	-	353
Total non-current loans and borrowings	**16,270**	**38,910**
Current		
Bank loans	74,159	82,374
Non-bank loans	35,726	-
Bonds issued	73,535	-
Total current loans and borrowings	**183,420**	**82,374**

On 19 January 2015, the Group signed an agreement for an unsecured syndicated loan with five banks for a total amount of USD 450 million. The purpose of the syndicated loan was to refinance bonds issued in 2010 and which were repaid in 2015. The loan is repayable by equal instalments starting from September 2015 until June 2019 and bears interest at variable rates. The Group is also required to maintain a ratio of financial liabilities to EBITDA of not more than 3.5 to 1 and a ratio of financial liabilities to equity of not more than 1 to 1.

On 11 October 2018, the Group issued bonds indexed to US Dollar with a fixed 4.6% coupon rate in the amount of Tenge 70,000 million for replenishment of working capital requirements according with Kazakhstani legislation. The bonds are repayable in November 2019.

Non-bank loans are mainly related to a loan obtained from Netherland International Uranium B.V. (NIU) by JV Inkai LLP which entity is consolidated from 1 January 2018 (Note 45). In accordance with loan agreement, in case of failure to fulfill or improper execution of the loan agreement by JV Inkai LLP, NIU has the right to demand pledge of the licenses, the resource use contracts and other assets, according to request of NIU. As of December 31, 2018, there was no such requirement under the loan agreement from the side of the NIU.

35. Loans and Borrowings (Continued)

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

In millions of Kazakhstani Tenge	Currency	Maturity	2018	2017
Bank loans				
Mizuho Bank, Limited	US Dollar	2020	38,433	-
Citibank Kazakhstan JSC	US Dollar	2019	30,744	-
Syndicated loan	US Dollar	2019	21,252	55,126
Societe Generale	US Dollar	2018	-	23,319
The Bank of Tokyo-Mitsubishi UFJ. Ltd	Euro	2024	-	16,977
Citibank Kazakhstan JSC	US Dollar	2018	-	9,816
Kazkommertsbank JSC	Tenge	2020	-	4,233
Natixis Bank	US Dollar	2022	-	3,420
Citibank Kazakhstan JSC	Euro	2018	-	3,344
Fortebank JSC	US Dollar	2018	-	3,335
Halyk Bank JSC	Tenge	2018	-	1,361
Total bank loans			**90,429**	**120,931**
Non-bank loans				
Netherlands International Uranium B.V.	US Dollar	2019	35,085	-
Kozhema-Katko-Demeu	Tenge	2024	641	353
Total non-bank loans			**35,726**	**353**
Bonds issued				
Forte bank	US Dollar	2019	73,535	-
Total bonds issued			**73,535**	**-**

In 2018, the Group's weighted average interest rate on fixed interest rate loans was 5.61% (2017: 6.29%) and on floating interest rate loans was 4.05% (2017: 3.47%).

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:

In millions Kazakhstani Tenge	Loans and borrowings	Financial lease liabilities	Total
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
Debt at 31 December 2017	**121,284**	**419**	**121,703**
Proceeds from loans and borrowings	100,547	-	100,547
Issue of bonds	70,000	-	70,000
Repayment of loans and borrowings	(147,734)	(151)	(147,885)
Additions from business combinations (Note 45)	41,190	-	41,190
Interest accrued	8,503	55	8,558
Interest paid	(6,653)	(49)	(6,702)
Foreign currency translation	16,547	-	16,547
Disposal of subsidiaries	(4,365)	-	(4,365)
Other non-cash changes	371	205	576
Debt at 31 December 2018	**199,690**	**479**	**200,169**

35. Loans and Borrowings (Continued)

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 and 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 2018 and 31 December 2017.

36. Provisions

In millions of Kazakhstani Tenge	Compensation for occupational deceases	Environmental protection	Site restoration	Other	Total
At 1 January 2017					
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 the year	49	-	44	2	95
Unwinding of discount	31	192	2,161	1	2,385
Disposals	-	-	(356)	-	(356)
Additions from business combinations	-	-	3,534	-	3,534
Provision used	(90)	(3)	(233)	-	(326)
Change in estimates	-	345	4,514	-	4,859
Currency translation	-	-	4	-	4
At 31 December 2018					
Non-current	246	2,994	29,607	38	32,885
Current	91	96	-	-	187
Total	**337**	**3,090**	**29,607**	**38**	**33,072**

36. Provisions (Continued)

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 2018, the undiscounted amount of the estimate is Tenge 535 million (2017: Tenge 607 million). This estimate has been recognised at present value using a discount rate of 7.45% (2017: 9.06%), being a risk free rate as the future cash flows reflect risks specific to the liability, and inflation rate of 5.3% (2017: 5.4%).

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 2018, the undiscounted value of the estimated costs to comply with this legislation was Tenge 48,988 million (2017: Tenge 64,826 million). A substantial part of environmental protection expenses pertains to years 2068-2073. In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses that will be incurred. In computing the provision for environmental protection the Group used a discount rate of 7.45% in 2018 (2017: 9.06%), being a risk free rate as the future cash flows reflect risks specific to the liability, and inflation rate of 5.30% in 2018 (2017: 5.40%).

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 2000-2017, 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 in 2018 is Tenge 87,572 million (2017: Tenge 40,939 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 (5.3% for the period 2019-2038). The present value at 31 December 2018 has been estimated using a discount rate of 7.45% (2017: 9.06%), 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 2018, the accumulated transfers to restricted deposits amounted to Tenge 15,667 million (2017: Tenge 8,903 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 5.30% per annum in 2018 (2017: 5.40%).

37. Accounts Payable

In millions of Kazakhstani Tenge	2018	2017
Trade accounts payable	777	573
Total non-current financial accounts payable	**777**	**573**
Other accounts payable	-	9
Total non-current other accounts payable	**-**	**9**
Total non-current accounts payable	**777**	**582**
Trade accounts payable	30,525	24,979
Trade accounts payable to related parties	19,165	83,712
Total current financial accounts payable	**49,690**	**108,691**
Other accounts payable	1,844	3,951
Total current other accounts payable	**1,844**	**3,951**
Total current accounts payable	**51,534**	**112,642**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 42.

38. Other Liabilities

In millions of Kazakhstani Tenge	2018	2017
Non-current		
Advances received	3,260	3,261
Historical costs liabilities	1,442	1,749
Deferred income	738	856
Preferred shares	265	265
Issued financial guarantees	89	96
Advances received from related parties	17	1,450
Other	14	34
Total non-current other liabilities	**5,825**	**7,711**
Current		
Liability under joint operations	16,995	-
Accrued unused vacation payments and bonuses	5,416	4,460
Advances received	2,253	2,120
Wages and salaries payable	1,990	2,620
Historical costs liabilities	1,423	818
Social contributions payable	824	963
Issued financial guarantees	422	48
Dividends payable to other participants	244	253
Deferred income	142	102
Advances received from related parties	28	2,654
Other	582	311
Total current other liabilities	**30,319**	**14,349**

38. Other Liabilities (Continued)

In accordance with the terms of the subsurface use contracts the Group is required to reimburse the historical costs related to the geological research 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 for historical costs denominated in USD was 3.3% and 7% for historical costs denominated in Tenge.

39. Contingencies and Commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. Management concluded that no material losses will be incurred in respect of any such claims at 31 December 2018 and 2017.

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. In some cases, in order to determine the tax base, tax legislation refers to IFRS provisions, while interpretation of relevant provisions of IFRS by Kazakhstan's tax authorities may differ from accounting policies, judgments and estimates used by management in preparation of these consolidated financial statements, which may lead to additional tax liabilities. 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 position 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 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 2018 is Tenge 191 million (2017: Tenge 509 million) (Note 18).

(b) Complex tax inspections of the Group entities

In 2014, tax authorities completed a complex tax inspection of JV KATKO LLP, the Group's associate, for the years 2009-2012 which resulted in that entity being assessed for additional taxes, fines and penalties. These assessments were appealed by the entity and during the 2017 and 2018 years JV KATCO LLP paid amounts to settle certain of the assessments. At 31 December 2018, an amount of Tenge 1,960 million remains outstanding and it is considered that such amount will not be payable due to expected changes in legislation and the subsoil use contract. Accordingly, no liability has been recognised in these consolidated financial statements of the Group.

39. Contingencies and Commitments (Continued)

Insurance

The Kazakhstani insurance industry is in development, and many forms of insurance protection common in other countries are not available yet. The Group does not have full insurance coverage for its manufacturing plants, including damages caused by the cease 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 dismantlement and rehabilitation of BN-350 reactor (including UPN unit) and Ulba plant facilities (Note 4).

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 31 December 2018 is Tenge 13,935 million (2017: Tenge 14,732 million).

Compliance with covenants

The Group is subject to certain covenants related primarily to its loans and borrowings (Note 35). Non-compliance with covenants may result in negative consequences for the Group including increase in cost of borrowing. The Group complies with all applicable covenants in 2018 and 2017.

Subsurface use commitments

The Group has capital commitments under subsurface use contracts annual minimum working programmes in the amount of Tenge 30,948 million in 2018 (2017: Tenge 4,927 million).

40. Non-controlling Interest

The following table provides information about each significant subsidiary that has non-controlling interest that is material to the Group at 31 December 2018:

Name	Country of incorporation and principal place of business	Ownership 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%	30	6,399
Appak LLP	Kazakhstan	35%	1,533	8,031
JV Inkai LLP	Kazakhstan	65%	7,457	84,133
Baiken-U LLP	Kazakhstan	47.5%	-	33,298

The following table provides information about each significant 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	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest
Ulba Metallurgical Plant JSC	Kazakhstan	9.82%	155	6,369
Appak LLP	Kazakhstan	35%	620	7,121

40. Non-controlling Interest (Continued)

The summarised financial information of these subsidiaries is as follows:

In millions of Kazakhstani Tenge	Ulba Metallurgical Plant JSC 2018	Ulba Metallurgical Plant JSC 2017	Appak LLP 2018	Appak LLP 2017	JV Inkai LLP 2018	JV Inkai LLP 2017	Baiken-U LLP 2018	Baiken-U LLP 2017
Current assets	38,282	38,798	14,373	16,212	57,052	-	42,141	-
Non-current assets	40,499	37,008	13,252	14,367	228,651	-	32,624	-
Current liabilities	(6,150)	(3,510)	(2,306)	(8,643)	(42,747)	-	(2,792)	-
Non-current liabilities	(5,903)	(5,523)	(2,376)	(1,579)	(35,334)	-	(1,872)	-
Equity, incl.	66,728	66,773	22,941	20,357	207,622	-	70,101	-
Equity attributable to the Group	60,329	60,404	14,910	13,236	123,489	-	36,803	-
Non-controlling interest	6,399	6,369	8,031	7,121	84,133	-	33,298	-
Revenue	42,977	37,484	18,927	16,718	55,146	-	-	-
Depreciation and amortisation	(1,475)	(1,301)	(2,177)	(2,316)	(10,850)	-	-	-
Finance income	199	277	164	269	43	-	-	-
Finance costs	(360)	(336)	(720)	(617)	(1,755)	-	-	-
Income tax expense	(2,069)	(1,363)	(1,424)	(1,586)	(5,049)	-	-	-
Net foreign exchange gain/(loss)	2,115	34	445	(181)	(3,963)	-	-	-
Impairment losses	(5,409)	(858)	(991)	(118)	(456)	-	-	-
Profit for the year	**353**	**1,464**	**4,379**	**1,770**	**15,905**	**-**	**-**	**-**
Profit attributable to the owners of the Company	322	1,309	2,846	1,150	8,448	-	-	-
Profit attributable to non-controlling interest	31	155	1,533	620	7,457	-	-	-
Profit for the year	**353**	**1,464**	**4,379**	**1,770**	**15,905**	**-**	**-**	**-**
Other comprehensive income / (loss)	99	(34)	3	17	(217)	-	-	-
Total comprehensive income for the year	**452**	**1,430**	**4,382**	**1,787**	**15,688**	**-**	**-**	**-**
Net cash inflow / (outflow) from:								
- operating activities	3,365	2,775	9,726	(2,679)	26,678	-	-	-
- investing activities	(1,593)	314	(964)	(2,377)	(7,520)	-	-	-
- financing activities	(386)	(2,204)	(5,065)	3,437	(9,025)	-	-	-
Net cash inflow / (outflow)	**1,386**	**885**	**3,697**	**(1,619)**	**10,133**	**-**	**-**	**-**

41. Principal Subsidiaries

These consolidated financial statements include the following subsidiaries:

	Principal activity	Ownership 2018	Ownership 2017
MAEK-Kazatomprom LLP (Note 46)	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%
Kazatomprom-Damu LLP (Kazatomprom-Demeu LLP)	Consulting services on the Group's investment activity	90%	90%
KAP-Technology JSC	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%
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%
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%
Trade and Transportation Company LLP	Procurement and transportation services	99.9999%	99.9999%
Kazakhstan Nuclear Electric Stations JSC	Implementation of project on construction and operation of nuclear electric station	-	100%
Kazakatom TH AG	Marketing function for sale of uranium, investment and administration of finances, goods and rights	100%	100%
JV Inkai LLP (Note 45)	Exploration, production, processing and sale of uranium products	60%	-
Baiken-U LLP (Note 45)	Exploration, production, processing and sale of uranium products	52.5%	-
Power System International Limited (PSIL)	Commercial and investment activity	100%	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.

In 2018, the Group sold MAEK-Kazatomprom LLP and Kazakhstan Nuclear Electric Stations JSC to Samruk-Kazyna JSC and JV Sareco LLP to Tau-Ken Samruk JSC.

42. Financial Risk Management

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

In millions of Kazakhstani Tenge	Note	2018	2017
Financial assets			
Current bank accounts	33	125,941	234,845
Trade accounts receivable	28	94,245	57,916
Loans to related parties	32	23,618	20,302
Dividends receivable from related parties	29	8,659	13,707
Restricted cash	29	11,042	4,619
Demand deposits	33	2,847	5,053
Financial derivative asset	9	1,369	-
Loans to employees	29	869	898
Term deposits	31	218	8,472
Other investments	27	619	1,726
Other accounts receivable	28	245	309
Cash in hand	33	31	38
Total financial assets		**269,703**	**347,885**
Financial liabilities			
Bank loans	35	90,429	120,931
Bonds issued	35	73,535	-
Trade accounts payable	37	50,467	109,264
Non-bank loans	35	35,726	353
Historical costs liabilities	38	2,865	2,567
Other accounts payable	37	1,844	3,960
Finance lease liabilities		479	419
Preferred shares	38	265	265
Dividends payable to other participants	38	244	253
Issued financial guarantees	38	89	96
Total financial liabilities		**255,943**	**238,108**

The risk management function within the Group monitors 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 Group's 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 primary objective of the Group's operational and legal risk management functions is to establish and monitor compliance with approved policies and procedures.

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.

42. Financial Risk Management (Continued)

Credit risk

The Group has 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 statements of financial position and the nominal amount of financial guarantees (Note 39).

The credit risk on cash and cash equivalents and term deposits is limited, because the counterparties are banks with highest available (in Kazakhstan) 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 2018:

In millions of Kazakhstani Tenge	**Rated Standard & Poor's B**	**Rated Standard & Poor's C**	**Other**	**Total**
Restricted cash	10,552	-	490	11,042
Term deposits	218	-	-	218
Current bank accounts	113,705	-	12,236	125,941
Demand deposits	2,847	-	-	2,847
Total	**127,322**	**-**	**12,726**	**140,048**

The table below shows credit ratings of banks where the Group had accounts as at 31 December 2017:

In millions of Kazakhstani Tenge	**Rated Standard & Poor's B**	**Rated Standard & Poor's C**	**Other**	**Total**
Restricted cash	3,451	3	1,165	4,619
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**	**3,182**	**252,989**

42. Financial Risk Management (Continued)

The Group applies the simplified approach permitted in IFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are not adjusted to reflect forward-looking information on macroeconomic factors because those factors do not significantly affect the risk profile. The expected environment in the near future (12 months) is identical to the environment reflected in the time series used to estimate the parameters of expected credit losses.

The credit loss allowance for trade and other receivables is determined according to provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due.

In % of gross value	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables			
- current	0.04%	94,044	(39)
- less than 30 days overdue	2.07%	245	(5)
- 30 to 90 days overdue	-	-	-
- 91 to 180 days overdue	-	-	-
- 181 to 360 days overdue	-	-	-
- over 360 days overdue	100%	95	(95)
Total trade receivables (gross carrying amount)		**94,384**	
Credit loss allowance			**(139)**
Total trade receivables from contracts with customers (carrying amount)		**94,245**	

The following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of 2018 as well as impairment provision for trade and other receivables during 2017:

In millions of Kazakhstani Tenge	Trade accounts receivable	Other accounts receivable
Provision at 1 January 2017	**1,761**	**467**
Provision for the year	66	4
Reversal	(13)	(1)
Amounts written-off	(516)	(37)
Provision at 31 December 2017	**1,298**	**433**
Change in accounting estimates	393	1
Provision for the year	229	56
Discontinued operation	(1,082)	(38)
Transfer to assets held for sale	(203)	
Income from business combinations	21	
Reversal	(459)	(1)
Amounts written-off	(58)	(80)
Provision at 31 December 2018	**139**	**371**

42. Financial Risk Management (Continued)

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 69% of the Group's revenue for 2018 (75% of trade receivables as of 31 December 2018) is attributable to sales transactions with seven main customers (2017: 54% of Group's revenues (29% of trade receivables)). 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:

In millions of Kazakhstani Tenge	2018	2017
India	53,430	411
Canada	11,398	-
China	11,348	17,570
USA	6,886	3,702
European Union	5,772	18,394
Kazakhstan	4,217	16,128
Japan	859	1,421
Russia	114	243
Other	221	47
Total	**94,245**	**57,916**

The most significant customers of the Group in 2018 were China Nuclear Energy Industry Corporation, Yellow Cake plc, Directorate of Purchase & Stores (India), CGNPC Uranium Resources Company Limited, China Uranium Resources Company Limited, CAMECO Europe Ltd, Electricite de France (2017: China Nuclear Energy Industry Corporation, Urangeselschaft mbH, CNNC International (HK) Limited, CGNPC Uranium Resources Company Limited, HOKKAIDO Electric Power Company Inc., CAMECO Europe Ltd, A&R Merchants Inc). As at 31 December 2018 the aggregate balance receivable from these customers was Tenge 70,709 million (2017: Tenge 39,751 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 on the outstanding balance at the refinancing rate set by the National Bank of the Republic of Kazakhstan, which is 9.25% in 2018 (2017: 10.25%).

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.

42. Financial Risk Management (Continued)

The ageing of the trade receivables is as follows:

In millions of Kazakhstani Tenge	2018 Trade accounts receivable	2018 Other accounts receivable	2017 Trade accounts receivable	2017 Other accounts receivable
Not past due and not impaired	**94,205**	**245**	**55,844**	**169**
Past due but nor impaired				
Past due for 0-30 days	16	-	582	-
Past due for 31-120 days	24	-	1,326	-
Past due for more than 120 days	-	-	164	-
Total past due but not impaired	**40**	**-**	**2,072**	**-**
Past due and impaired				
Past due for more than 120 days	139	371	1,298	433
Total past due and impaired	**139**	**371**	**1,298**	**433**
Provision for impairment	(139)	(371)	(1,298)	(433)
Total	**94,245**	**245**	**57,916**	**169**

Credit risk exposure in respect of loans to related parties (Note 32) and loans to employees (Note 29) 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.

Expected Credit Loss (ECL) measurement

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Group used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. Several assumptions that are easily interpretable were selected for analysis: GDP growth rate, inflation rate, exchange rate and economic indicator. Final macroeconomic function includes only inflation assumption. Forward-looking information is included in parameters of PD within the next 12 months after the reporting date. The most significant forward looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2018:

Variable	2018	Assumption for: 2019	2020	2021	2022	2023
Inflation rate	6.2	7.2	6.3	6.4	4.2	3.7

42. Financial Risk Management (Continued)

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 stressful conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group invests available cash funds in diversified portfolios of liquid assets, in order to be able to respond quickly to unforeseen liquidity requirements.

The Group ensures that it has sufficient cash on demand to meet expected operational expense or 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 current term deposits, which are the important instruments in managing the liquidity risk:

In millions of Kazakhstani Tenge	**2018**	**2017**
Current term deposits	3,052	13,525
Current bank accounts	125,959	234,845
Undrawn borrowing facilities	85,485	35,177
Total	**214,496**	**283,547**

42. Financial Risk Management (Continued)

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 statements 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.

The following are the contractual maturities of financial liabilities at 31 December 2018:

In millions of Kazakhstani Tenge	Carrying value	Contractual cash flows	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	90,429	92,367	30,974	16,913	27,739	16,741	-
Non-bank loans	35,726	36,261	128	19,551	16,582	-	-
Bonds issued	73,535	76,428	-	-	76,428	-	-
Trade accounts payable	50,467	50,467	-	49,690	-	777	-
Other accounts payable	1,844	1,844	-	1,844	-	-	-
Historical costs liabilities	2,865	3,197	-	194	581	2,422	-
Finance lease liabilities	479	479	-	29	100	350	-
Issued financial guarantees	89	13,935	-	13,935	-	-	-
Preferred shares	265	265	-	-	-	265	-
Dividends payable to other participants	244	244	-	244	-	-	-
Total	**255,943**	**275,487**	**31,102**	**102,400**	**121,430**	**20,555**	**-**

The following are the contractual maturities of financial liabilities at 31 December 2017:

In millions of Kazakhstani Tenge	Carrying value	Contractual cash flows	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	120,931	136,644	32,823	12,886	48,982	38,046	3,907
Non-bank loans	353	353	-	-	-	-	353
Trade accounts payable	109,264	109,264	-	108,691	-	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	**238,108**	**268,736**	**32,823**	**140,739**	**49,981**	**40,933**	**4,260**

Maximum contractual cash outflows under guarantees are disclosed in Note 39.

42. Financial Risk Management (Continued)

Market risk

The Group has 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.

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 which are 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:

In millions of Kazakhstani Tenge	2018	2017
Denominated in US Dollars		
Trade accounts receivable	72,988	46,474
Loans to related parties*	13,399	20,302
Current bank accounts	77,526	212,119
Demand deposits	1	1,937
Term deposits	151	7,586
Other assets	156	
Total assets	**164,221**	**288,418**
Bank and non-bank loans	(125,514)	(95,016)
Bonds issued	(73,535)	-
Trade accounts payable	(4,072)	(14,410)
Historical costs liabilities	(2,392)	(1,125)
Total liabilities	**(205,513)**	**(110,551)**
Net exposure to currency risk	**(41,292)**	**177,867**

42. Financial Risk Management (Continued)

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

A 14% weakening and 10% strengthening of Tenge against USD as at 31 December 2018 (2017: 10% weakening and 10% strengthening) would increase/(decrease) equity and profit or loss by the amounts shown below.

In millions of Kazakhstani Tenge	2018	2017
US Dollar strengthening by 14% (2017: 10%)	(4,625)	14,230
US Dollar weakening by 10% (2017: 10%)	3,303	(14,230)

Movements of Tenge against USD above represent reasonably possible changes in market risk estimated by analysing annual standard deviations based on the historical market data for 2018.

Price risk on 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.

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.

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 judgement 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 2018 approximately 37% (2017: 21%) 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:

In millions of Kazakhstani Tenge	2018	2017
Fixed rate instruments		
Restricted cash	11,042	4,619
Term deposits	218	8,472
Loans to related parties	23,618	20,302
Demand deposits	2,847	5,053
Bank loans	-	(25,906)
Bonds issued	(73,535)	
Non-bank loans	(641)	(353)
Net position	**(36,451)**	**12,187**
Floating rate instruments		
Bank loans	(90,429)	(95,025)
Non-bank loans	(35,085)	-
Net position	**(125,514)**	**(95,025)**

42. Financial Risk Management (Continued)

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) in interest rates of 50 (15) basis points in 2018 (2017: increase of 70 and decrease of 8 basis points) at the reporting date would have decreased (increased) equity and profit or loss by the amounts shown below. These amounts represent 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.

In millions of Kazakhstani Tenge	2018	2017
Increase of 50 basis points (2018), 70 basis points (2017)	(502)	(528)
Decrease of 15 basis points (2018), 8 basis points (2017)	151	60

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 consolidated financial statements approximate their fair value due to their short-term nature:

	2018		2017	
In millions of Kazakhstani Tenge	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Bank loans	90,429	90,429	120,931	112,028
Non-bank loans	35,726	35,655	353	198
Bonds issued	73,535	73,535	-	-
Historical costs liabilities	2,865	2,255	2,567	2,019
Total	**202,555**	**201,874**	**123,851**	**114,245**

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 statements of financial position. The Group monitors the following indicators:

- financial stability, or measures of loan management, determining the degree of borrowing funds utilisation;
- 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.

42. Financial Risk Management (Continued)

The Group's controlling shareholder approved the policy on borrowings and financial sustainability management, which is aimed to manage financial risks by adopting common principles and rules of debt management and financial sustainability 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 2018 and 2017, including covenants associated with borrowing facilities (Note 35).

43. 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.

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.

44. Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 Financial Instruments classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. All of the Group's financial assets as of 31 December 2018 fell into the category AC, except for the financial derivative asset, classified as FVTPL (Note 9).

For the purposes of measurement at 31 December 2017, IAS 39 Financial Instruments: Recognition and Measurement, classified financial assets into the following categories: (a) L&R; (b) AFS financial assets; (c) financial assets HTM and (d) financial assets at FVTPL ("FVTPL"). Financial assets at FVTPL had 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 at 31 December 2017 fell in the L&R category, except for certain investments classified as AFS financial assets (Note 5).

As of 31 December 2018 and 2017, all of the Group's financial liabilities were carried at AC.

45. Business Combinations

As described in Note 1, a number of significant changes in the Group's structure occurred during the year ended 31 December 2018, including business combination transactions which resulted in a recorded net gain of KZT 313,517 million (2017: nil) as follows:

In millions of Kazakhstani Tenge	
JV Inkai LLP	
Fair value of the investment in associate at date of acquisition	77,850
Less: carrying value of the investment in associate at date of acquisition	(40,389)
Transfer of foreign currency translation reserve	21,174
Bargain purchase gain arising from the acquisition	37,283
Cash consideration	11
Net gain from business combination – Inkai LLP	**95,929**
JV Akbastau JSC and Karatau LLP	
Fair value of the investments in joint ventures prior to the business combination	250,107
Less: carrying value of the investments in joint ventures	(32,524)
Net gain from business combination – JV Akbastau LLP and Karatau LLP	**217,583**
Other	5
Total net gain from business combinations recognised in profit or loss	**313,517**

JV Inkai LLP

In December 2017, the Group and Cameco completed restructuring of JV Inkai LLP. Under the terms of the agreement, effective from 1 January 2018 the Group increased its interest in JV Inkai LLP from 40% to 60% and obtained control over the investee (Note 25).

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. As a result of this acquisition transaction, there will be an increase in the Group's share of uranium production and expected improvement in the profitability of operations through increased production and sales.

45. Business Combinations (Continued)

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

In millions of Kazakhstani Tenge	
Cash consideration paid	11
Net liabilities from pre-existing relationships	(21,271)
Total purchase consideration	**(21,260)**
Fair value of the investment in associate prior to the acquisition	77,850
Total purchase consideration and fair value of previously held interest in the acquiree	**56,590**

The cash consideration paid by the Group was based on the book value of the share in the charter capital. The Group facilitated the signing of an addendum to the subsoil use contract with the competent authority allowing extension of the contract period (until 2045) and increase in annual production volume (to 4,000 tons of uranium per year).

The difference between the purchase consideration and net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is termed 'bargain purchase gain', as presented in the table below, which was recognised immediately in profit or loss for the period less the deferred tax effect.

Management assessed whether the acquisition contained an element of a transaction with the government as a shareholder requiring the gain or its part to be recognised in equity. Given that the agreement was beneficial for both parties and that there was already an agreement in place where Cameco committed to give up 20% of JV Inkai LLP to obtain additional mining rights, management concluded that the gain should be recognised in profit or loss rather than equity. Additional mining rights were granted to JV Inkai LLP only after the normal due process was followed in relation to governmental grants of such rights, rather than being directly contributed by the government outside of the normal course of business.

Details of the assets and liabilities acquired and bargain purchase gain arising as of 1 January 2018 are as follows:

In millions of Kazakhstani Tenge	**Fair value**
Cash and cash equivalents	1,036
Accounts receivable	19,063
Inventories	5,579
Prepaid income tax	2,313
Mineral rights	159,934
Property, plant and equipment	32,671
Mine development assets and exploration and evaluation assets	43,582
Other assets	4,830
Loans and borrowings	(38,955)
Accounts payable	(4,596)
Deferred tax liability	(32,162)
Other liabilities	(1,390)
Fair value of identifiable net assets acquired (before elimination of intra-group balances)	191,905
Less: elimination of intra-group balances	(21,271)
Fair value of identifiable net assets acquired	**170,634**
Less: non-controlling interest	(76,761)
Less: bargain purchase gain arising from the acquisition	(37,283)
Total purchase consideration and previously held interest in the acquiree	**56,590**

45. Business Combinations (Continued)

The valuation of identifiable assets and liabilities was performed by an independent professional appraiser.

Based on the valuation, the assets value increased by Tenge 109,160 million to fair value, mainly due to valuation of the subsoil use (mineral) right, as a result of which the carrying value increased from Tenge 6,185 million to Tenge 159,934 million. The value of property, plant and equipment and mine preparation works decreased by Tenge 27,151 million and Tenge 15,485 million, respectively.

The non-controlling interest represents a share in the net assets of the acquiree attributable to owners of the non-controlling interest. The non-controlling interest was determined based on proportionate share of the acquiree's net assets' fair value.

Deferred tax of KZT 21,832 million was recorded on the excess of the fair value over the carrying value.

As of 1 January 2018, the Group had net liabilities with JV Inkai amounting to KZT 21,271 million comprising payables of Tenge 18,846 million under an uranium purchase agreement, advances received of Tenge 524 million, long-term advances received for the road use right of Tenge 2,701 million, and receivables of Tenge 800 million under supply contracts.

The acquired subsidiary contributed revenue of Tenge 25,625 million (excluding sales to JSC NAC Kazatomprom) and profit of Tenge 18,643 million to the Group for the period from 1 January 2018 to 31 December 2018.

Karatau LLP, JV Akbastau JSC

The Group and Uranium One Inc each hold a 50% interest in Karatau LLP and JV Akbastau JSC. In 2018, the Group and Uranium One Inc signed agreements that formalised their obligation to purchase all production of the investees on equitable terms, as well as to provide financing to the joint arrangement in proportion to their ownership interests. As a result of these agreements, both parties have effective rights to the assets and obligations for the liabilities of the investees. Accordingly, starting from 1 January 2018 the entities have been classified as joint operations. The Group recognised its direct right in joint assets, liabilities, income and expenses in proportion to its 50% ownership interest in these consolidated financial statements on a line by line basis. Until 2018, investments in Karatau LLP (50% interest) and JV Akbastau JSC (50% interest) were accounted for using the equity method.

In accordance with IFRS 11, the change in classification of Karatau LLP and JV Akbastau JSC from joint venture to joint operations was accounted for as a business combination. Accordingly, the acquired assets and liabilities are recognised using the acquisition method under IFRS 3.

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

In millions of Kazakhstani Tenge	JV Akbastau JSC	Karatau LLP	Total
Cash consideration paid	-	-	-
Liabilities from pre-existing relationships	(5,333)	(3,205)	(8,538)
Total purchase consideration	**(5,333)**	**(3,205)**	**(8,538)**
Value of investments in the joint ventures prior to acquisition	110,837	139,270	250,107
Total purchase consideration and previously held interest in the joint ventures	**105,504**	**136,065**	**241,569**

The valuation of identifiable assets and liabilities was performed by an independent professional appraiser.

45. Business Combinations (Continued)

The difference between the consideration transferred and the net fair value of the acquiree's identifiable assets and liabilities assumed and contingent liabilities led to recognition of 'goodwill', as presented in the table below. Deferred tax was recognised as 'excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination'.

Presented below is the information on the fair value of acquired assets, liabilities assumed (proportionate 50% share) and resultant goodwill of JV Akbastau JSC:

In millions of Kazakhstani Tenge	**Fair value**
Cash and cash equivalents	1,513
Accounts receivable	5,924
Inventories	1,206
Mineral rights	91,790
Property, plant and equipment	4,425
Mine development assets and exploration and evaluation assets	6,273
Other assets	1,385
Deferred tax liability	(18,520)
Accounts payable	(780)
Other liabilities	(899)
Fair value of identifiable net assets acquired (before elimination of intra-group balances)	92,317
Less: elimination of intra-group balances	(5,333)
Fair value of identifiable net assets acquired	**86,984**
Goodwill arising from the acquisition	18,520
Total purchase consideration and previously held interest in the joint ventures	**105,504**

Based on the valuation, the assets value of JV Akbastau JSC increased by Tenge 92,600 million to fair value, mainly due to valuation of the subsoil use (mineral) right, as a result of which the carrying value increased from Tenge 95 million to Tenge 91,790 million. The value of property, plant and equipment increased by Tenge 905 million.

Deferred tax of Tenge 18,520 million was recorded on the excess of the fair value over the carrying value was the main reason for recording the goodwill.

As of 1 January 2018, the Group had payables to JV Akbastau JSC of Tenge 5,420 million under uranium purchase agreement and receivables of Tenge 87 million under supply contracts.

45. Business Combinations (Continued)

Presented below is the information on the fair value of acquired assets, liabilities assumed (proportionate 50% share) and arising goodwill of Karatau LLP:

In millions of Kazakhstani Tenge	**Fair value**
Cash and cash equivalents	372
Accounts receivable	4,977
Inventories	1,716
Mineral rights	123,268
Property, plant and equipment	7,167
Mine development assets and exploration and evaluation assets	6,134
Other assets	616
Deferred tax liability	(24,809)
Loans and borrowings	(2,235)
Accounts payable	(2,087)
Other liabilities	(658)
Fair value of identifiable net assets acquired (before elimination of intra-group balances)	114,461
Less: elimination of intra-group balances	(3,205)
Fair value of identifiable net assets acquired	**111,256**
Goodwill arising from the acquisition	24,809
Total purchase consideration and previously held interest in the joint ventures	**136,065**

Based on the valuation, the assets value of Karatau LLP increased by Tenge 124,123 million to fair value, mainly due to valuation of the subsoil use (mineral) right, as a result of which the carrying value increased from Tenge 61 million to Tenge 123,270 million. The value of property, plant and equipment increased by Tenge 914 million.

Deferred tax of Tenge 24,809 million was recorded on the excess of the fair value over the carrying value and was the main reason for recording the goodwill.

As of 1 January 2018, the Group had payables to Karatau LLP of Tenge 4,027 million under uranium purchase agreement and receivables of Tenge 822 million under supply contracts.

45. Business Combinations (Continued)

Baiken-U LLP, Kyzylkum LLP and JV Khorasan-U LLP

In 2006, JSC NAC Kazatomprom sold 95% and 40% of its interests 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 owned interests in Baiken-U LLP and Kyzylkum LLP. On 28 September 2017, as a result of negotiations, the parties signed an agreement, under which the defendants transferred to the Group 99.91% of shares in PSIL, which held an indirect interest in Baiken-U LLP and Kyzylkum LLP. The remaining 0.09% shares in PSIL were also transferred to the Group by Nynco Limited in accordance with an order of the High Justice Court of Wales and England. Thus, from October 2017 the Group became the sole shareholder of PSIL, registered in the British Virgin Islands.

After conclusion of the agreement and transfer of ownership over PSIL to JSC NAC Kazatomprom, the legal proceedings in the British Virgin Islands were terminated. On 3 September 2018, JSC NAC Kazatomprom, PSIL, Marubeni Corporation, Energy Asia Holdings Ltd (EAHL) and Energy Asia (BVI) Limited (EAL) signed a settlement deed agreement. According to the agreement, each of the parties discharge in full all claims, which they may have against each and any their respective associates. The agreement also envisaged increases in (recovery of) the Group's underlying interests in JV Khorasan-U LLP, Baiken-U LLP and Kyzylkum LLP in exchange for a lump-sum cash consideration.

In December 2018, the Group finalised a settlement deed to complete the acquisition of 40.05% of the shares of Energy Asia (BVI) Limited and a 16.02% participatory interest in the chartered capital of JV Khorasan-U LLP from Energy Asia Holdings (BVI) Limited. As a result of this transaction:

- the Group's ownership interest in Baiken-U LLP, Kyzylkum LLP and JV Khorasan-U LLP increased to 52.5%, 50% and 50% respectively (Note 45) – at 31 December 2017 those ownership interests were 14.45%, 33.98% and 33.98%, respectively.

- the Group obtained control over Baiken-U LLP through having majority of the voting rights and representation in the Supervisory Board. The Group has applied provisional amounts for the acquired assets and liabilities as the accounting for the business combination was not complete at the end of the reporting period.

- the Group maintained significant influence over Kyzylkum LLP and JV Khorasan-U LLP. The Group concluded that as at 31 December 2018 no control was obtained over JV Khorasan-U LLP pending shareholders' approval of changes in the charter of the investee that will enable the Group to exercise the majority of votes.

45. Business Combinations (Continued)

Baiken-U LLP

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

In millions of Kazakhstani Tenge	
Cash consideration paid	34,193
Net liabilities from pre-existing relationship	(10,286)
Total consideration transferred	**23,907**
Investment in Baiken-U LLP prior to the acquisition, 5%	6,168
Interest in Baiken-U LLP via PSIL/EAL prior to the acquisition, effective 9.45%	11,657
Total purchase consideration and fair value of previously held interest in the acquiree	**41,732**

Consideration transferred by the Group under the terms of the settlement deed was allocated to the acquisition transactions of Baiken-U LLP, Kyzylkum LLP and JV Khorasan-U LLP based on their relative provisional fair values.

Prior to the acquisition, the Group's investments in Baiken-U LLP were re-measured to fair value, following the requirements of IFRS 9.

Liabilities from pre-existing relationship represent receivables of Baiken-U LLP from the Group, mainly for delivery of uranium.

The Group is currently assessing the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed in the acquisition of the entity under IFRS 3 Business Combinations. The valuation is being performed by an independent appraiser and has not been completed as of the date of these consolidated financial statements. Information on the acquired assets and liabilities assumed and resultant goodwill was based on the carrying values at 31 December 2018.

The difference between the consideration transferred and the acquiree's identifiable assets, liabilities assumed and contingent liabilities led to recognition of goodwill, as presented in the table below.

In millions of Kazakhstani Tenge	**Carrying (provisional) value**
Cash and cash equivalents	28,420
Accounts receivable	11,583
Inventories	2,049
Property, plant and equipment	10,880
Mine development assets and exploration and evaluation assets	19,017
Other assets	2,816
Accounts payable	(2,142)
Deferred tax liability	(675)
Other liabilities	(1,847)
Carrying value of identifiable net assets acquired (before elimination of intra-group balances)	70,101
Less: elimination of intra-group balances	(10,286)
Carrying value of identifiable net assets acquired	**59,815**
Goodwill arising from the acquisition	15,215
Less: non-controlling interest	(33,298)
Total purchase consideration and previously held interest in the acquiree	**41,732**

45. Business Combinations (Continued)

Presented below is the effect of re-measurement of the investment in Baiken-U LLP prior to the acquisition:

In millions of Kazakhstani Tenge	
Fair value of the investment in Baiken-U LLP prior to the acquisition	17,856
Less: carrying value of the investment in Baiken-U LLP	(3,347)
Total net gain from investments in equity securities at FVOCI recognised in other comprehensive income	**14,509**

Kyzylkum LLP

Consideration paid for Kyzylkum LLP (allocated proportionately to provisional fair values) and corresponding increase in the value of investment is presented below:

In millions of Kazakhstani Tenge	
Cash consideration paid	2,010
Total consideration transferred	**2,010**
Interest in Kyzylkum LLP via PSIL/EAL prior to the acquisition, effective 3.98%	455
Total purchase consideration and fair value of previously held interest in Kyzylkum LLP	**2,465**
Provisional fair value of acquired 20% (based on carrying value of net assets)	(2,388)
Goodwill arising from acquisition capitalised to the cost of investment	**77**

The Group's effective share in Kyzylkum LLP via EAL was 3.98% (9.95% of 40% EAL's share in Kyzylkum LLP).

JV Khorasan-U LLP

Consideration paid for JV Khorasan-U LLP (allocated proportionately to provisional fair values) and corresponding increase in the value of investment is presented below:

In millions of Kazakhstani Tenge	
Cash consideration paid	3,909
Total consideration transferred	**3,909**
Provisional fair value of acquired 16.02% (based on carrying value of net assets)	(3,721)
Goodwill arising from acquisition capitalised to the cost of investment	**188**

46. Discontinued Operations

On 25 June 2018, the Group signed an agreement for the sale of its 100% interest in MAEK-Kazatomprom LLP to Samruk-Kazyna JSC. Government consent to the sale was granted and disposal completed on 3 July 2018. Since the operations of MAEK-Kazatomprom LLP represented a separate major line of business, it is presented in these consolidated financial statements as a discontinued operation. The consolidated statement of profit or loss and other comprehensive income for the comparative period was restated accordingly.

The consideration for the sale was Tenge 17,853 million. The carrying amount of net assets disposed was Tenge 17,497 million. Income from disposal of subsidiary amounted to Tenge 356 million.

On 3 July 2018, the Group sold its 100% interest in MAEK Kazatomprom LLP to Samruk-Kazyna JSC. That entity has a utilities business and owns a non-operating BN-350 nuclear reactor (Note 4).

An analysis of the result and cash flows of discontinued operation is as follows:

In millions of Kazakhstani Tenge	**Period from 1 January 2018 to disposal date**	**Year ended 31 December 2017**
Revenue	31,800	59,471
Expenses	(30,329)	(56,865)
Profit before tax	1,471	2,606
Income tax expense	(367)	(175)
Profit from discontinued operation	**1,104**	**2,431**
Cash flows from operating activities	(532)	1,985
Cash flows from investing activities	(509)	(1,145)
Cash flows from financing activities	(772)	344
Effect of exchange rate fluctuations on cash and cash equivalents	(16)	1
Net (decrease)/increase in cash and cash equivalents	**(1,829)**	**1,185**
Earnings per share from discontinued operation	**4**	**9**

According to the valuation performed by an independent appraiser the selling price of MAEK-Kazatomprom LLP approximates the carrying amount of net assets (at the date of valuation).

In millions of Kazakhstani Tenge	
Property, plant and equipment	25,566
Accounts receivable	4,725
Inventories	2,243
Other assets	1,469
Total assets	**34,003**
Accounts payable	(4,809)
Other liabilities	(7,332)
Borrowings	(4,365)
Total liabilities	**(16,506)**
Net assets	**17,497**
Consideration transferred	(17,853)
Income from disposal of subsidiary	**356**

47. Assets Classified as Held for Sale

The assets classified as held for sale primarily include Kyzyltu LLP (classified as held for sale as of 31 December 2017), and the KazPV project entities being: Astana Solar LLP, Kazakhstan Solar Silicon LLP, MK KazSilicon LLP:

In millions of Kazakhstani Tenge	Kyzyltu LLP	KazPV	Other	Total
Mining assets	2,270	2	-	2,272
Property, plant and equipment	553	-	-	553
Other non-current assets	83	5	24	112
Total non-current assets	**2,906**	**7**	**24**	**2,937**
Cash and cash equivalents	2	462	-	464
Accounts receivable	535	273	-	808
Inventories	184	878	-	1,062
Other current assets	289	18	-	307
Total current assets	**1,010**	**1,631**	**-**	**2,641**
Total assets of disposal groups classified as held for sale as of 31 December 2018	**3,916**	**1,638**	**24**	**5,578**
Accounts payable	(3,244)	(88)	-	(3,332)
Other current liabilities	(1,812)	(412)	-	(2,224)
Other non-current liabilities	(90)	(305)	-	(395)
Total liabilities of disposal groups classified as held for sale as of 31 December 2018	**(5,146)**	**(805)**	**-**	**(5,951)**
Net liabilities	**(1,230)**	**833**	**24**	**(373)**

48. Accounting policies before 1 January 2018

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 consolidated statements 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.

48. Accounting policies before 1 January 2018 (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.

48. Accounting policies before 1 January 2018 (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 consolidated statements 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.

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.

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.

48. Accounting policies before 1 January 2018 (Continued)

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 meeting 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.

49. Events After the Reporting Period

In February 2019, the owners of JV Khorasan-U LLP approved changes to the charter documents of that entity, which gave the Group the ability to cast a majority vote at the supervisory board. As a result, the Group obtained control over JV Khorasan-U LLP from that date.

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

In millions of Kazakhstani Tenge	
Cash consideration paid	-
Liabilities from pre-existing relationships	(1,958)
Total consideration transferred	**(1,958)**
Provisional fair value of the investment in associate prior to the acquisition	11,470
Total purchase consideration and previously held interest in the acquiree	**9,512**

Liabilities from pre-existing relationship represent payables to JV Khorasan-U LLP from the Group, mainly for delivery of uranium.

The Group is currently assessing the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed in the acquisition under IFRS 3 Business Combinations. The valuation is being performed by an independent appraiser and has not been completed as of the date of these consolidated financial statements. Information on the acquired assets, liabilities assumed and arising goodwill was based on the carrying (provisional) values.

49. Events After the Reporting Period (Continued)

Details of the assets and liabilities acquired are as follows:

In millions of Kazakhstani Tenge	**Carrying (provisional) value**
Cash and cash equivalents	5,088
Accounts receivable	7,523
Inventories	6,180
Prepaid income tax	2
Property, plant and equipment	63
Mine development assets	20,386
Other assets	6,112
Borrowings	(17,441)
Accounts payable	(2,632)
Deferred tax liabilities	(980)
Other liabilities	(1,362)
Carrying value of identifiable net assets acquired (before elimination of intra-group balances)	22,939
Less: elimination of intra-group balances	(1,958)
Carrying value of identifiable net assets acquired	**20,981**
Less: non-controlling interest	(11,469)
Total purchase consideration and previously held interest in the acquiree	**9,512**

The non-controlling interest represents a share in the net assets of the acquiree attributable to owners of the non-controlling interest. The non-controlling interest was determined based on proportionate share of the acquiree's net assets' value.