JSC AK Altynalmas

Consolidated financial statements

For the year ended 31 December 2019
with independent auditor's report

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Independent auditor's report

To the Shareholders, Board of Directors and Management of JSC AK Altynalmas

Opinion

We have audited the consolidated financial statements of JSC AK Altynalmas and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The transaction price of precious metals sales contracts usually includes the element of provisional consideration. Estimation of provisional consideration involves significant management judgement. Due to this reason, we identified revenue recognition as a key audit matter. The Group's disclosure in respect of the accounting policies on revenue recognition is included in Note 3 to the consolidated financial statements, and disclosure of revenue for 2019 is included in Note 7 to the consolidated financial statements.	During our audit, we performed the following procedures: ▸ We assessed the Group's internal controls in respect of the estimation of provisional consideration, determination of transaction prices as a whole and revenue measurement as at the date of recognition. ▸ We analysed monthly fluctuations of revenue, changes in key elements of revenue such as transaction prices, exchange rates and sales volumes, and compared the dynamics of revenue with monthly sales volumes. ▸ We analysed the terms of revenue contracts with a sole customer. ▸ We compared transaction price for sales of precious metals with the quotes published on over-the-counter markets. ▸ We analysed the accounting policy and disclosures in respect of revenue.
Business combination	
In 2019, the Group obtained control over Kazakhaltyn Mining and Metallurgical Concern JSC. Valuation of the fair value of acquired assets and liabilities requires the use management judgement and was performed with involvement of independent appraiser. Due to this reason and due to significant effect of the business combination on financial position of the Group, we believe that this matter was one of the key audit matters. Disclosure of business combination is presented in Note 5 to the consolidated	We analysed the sale-purchase agreement in respect of the acquisition of interest in Kazakhaltyn Mining and Metallurgical Concern JSC, and other documentation affecting the accounting for this business combination. We evaluated the methodology and assumptions used in the determination of the provisional fair values of the identifiable net assets acquired. We involved our valuation specialists to assess the methodology and assumptions used by management to value certain categories of assets of the acquired subsidiary, and tested, on a sample basis, estimates of the fair values of assets and

financial statements.	liabilities of the subsidiary acquired. We assessed objectivity and competence of the independent appraiser involved by the Group. We assessed the disclosure of business combination in the consolidated financial statements.

Compliance with restrictive covenants of credit arrangements and loan agreements

In accordance with the terms of credit arrangements and loan agreements, the Group must comply with certain restrictive financial and non-financial covenants. This issue was one of the most significant for the audit due to the materiality of the carrying value of loans raised by the Group. The analysis of compliance with the restrictive covenants is one of the issues that can have a significant impact on the going concern assumption used in preparing the consolidated financial statements and on the classification of liabilities in the consolidated statement of financial position. Information regarding restrictive covenants of credit arrangements and loan agreements is disclosed in Note 31 of the Group consolidated financial statements.	We examined the terms of credit arrangements and loan agreements, including definition of ratios specified in restrictive covenants and their respective minimal values. We analysed calculations of ratios specified in restrictive covenants performed by management of the Group. We assessed arithmetic accuracy of financial covenants calculations and compared data used in the calculations with the consolidated financial statements. We considered whether classification of the loans as short-term or long-term liabilities is consistent with the results of restrictive covenants compliance analysis on respective loans. We analyzed the information disclosed by the Group in respect of restrictive covenants of loan agreements in the consolidated financial statements.

Other information included in the Group's 2019 Annual report

Other information consists of the information included in the Group's 2019 Annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2019 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.

Responsibilities of management and Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Group's consolidated 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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.

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We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors 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 the Board of Directors, 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 partner in charge of the audit resulting in this independent auditor's report is Dinara Malayeva.

Ernst & Young LLP

Dinara Malayeva
Auditor

Auditor qualification certificate
№МФ-0000323 dated 25 February 2016

Gulmira Turmagambetova
General Director
Ernst & Young LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

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29 May 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

In thousands of Tenge	Notes	2019	2018*
Revenue from contracts with customers	7	**102,412,354**	65,461,725
Cost of sales	8	**(53,957,589)**	(39,937,706)
Gross profit		**48,454,765**	25,524,019
General and administrative expenses	9	**(5,823,550)**	(3,051,216)
Selling expenses	10	**(214,869)**	–
Other operating income	11	**1,211,343**	1,409,908
Other operating expenses	11	**(2,142,945)**	(646,348)
Reversal of impairment loss on financial assets, net	12	**111,833**	–
Accrual of impairment loss on non-financial assets, net	13	**(108,154)**	(75,086)
Operating profit		**41,488,423**	23,161,277
Finance income	14	**75,139**	32,070
Finance costs	14	**(4,537,896)**	(3,620,055)
Foreign exchange loss, net		**(912,569)**	(10,452,830)
Profit before tax		**36,113,097**	9,120,462
Income tax expense	15	**(2,773,254)**	(2,233,304)
Profit for the year, after tax		**33,339,843**	6,887,158
Other comprehensive income		**–**	–
Total comprehensive income for the year		**33,339,843**	6,887,158
Attributable to the:			
Shareholders of the parent		**32,257,105**	6,886,727
Non-controlling interests		**1,082,738**	431
Earnings per share			
Basic and diluted, profit for the year attributable to owners of the parent, Tenge	30	**2,978**	686

* *Certain amounts in this column do not correspond to the consolidated financial statements for the year ended 31 December 2018, since they comprise reclassifications that are described in Note 2.*

Signed on behalf of the Management:

Kairat K. Rakhishov
Deputy Chairman of the Management Board for Finance

Roza A. Terlikbayeva
Chief Accountant

29 May 2020

Almaty, Republic of Kazakhstan

The accounting policies and explanatory notes on pages 7 through 71 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

In thousands of Tenge	**Notes**	**31 December 2019**	31 December 2018
Assets			
Non-current assets			
Property,plant and equipment	16	**158,605,261**	53,074,117
Right-of-use assets	17	**1,645,620**	-
Exploration and evaluation assets	18	**11,410,621**	4,847,994
Investment property	19	**223,805**	-
Intangible assets	20	**57,296,221**	9,940,108
Advances paid for non-current assets	21	**52,665,611**	5,982,545
Goodwill	22	**6,254,943**	171,520
Deferred tax assets	15	**2,533,385**	69,658
Long-term deposits	23	**893,726**	493,270
Other non-financial assets		**24,926**	24,296
		291,554,119	74,603,508
Current assets			
Inventories	25	**51,926,467**	16,044,076
Trade and other accounts receivable	26	**13,717,420**	727,373
Advances paid	27	**2,456,734**	373,999
Loans given	24	**1,012,022**	-
Income tax prepaid		**1,112,811**	939,325
Tax assets other than income tax	28	**17,092,576**	4,371,065
Other non-financial assets		**139,363**	80,340
Cash and cash equivalents	29	**17,486,185**	4,356,302
		104,943,578	26,892,480
Assets held for sale		**105,142**	-
		105,048,720	26,892,480
Total assets		**396,602,839**	101,495,988

The accounting policies and explanatory notes on pages 7 through 71 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Notes	31 December 2019	31 December 2018
Equity and liabilities			
Equity			
Share capital	30	**27,114,488**	27,114,488
Additional paid-in capital		**5,656,940**	5,770,063
Repurchased preferred shares	30	**(24,150)**	(24,150)
Retained earnings		**26,935,103**	(5,322,002)
Equity attributable to the shareholders of the parent		**59,682,381**	27,538,399
Non-controlling interests	6	**37,757,788**	(4,027)
Total equity		**97,440,169**	27,534,372
Non-current liabilities			
Bank loans, non-current	31	**165,181,927**	37,862,953
Loans received from related parties	32	**42,029,889**	5,487,625
Lease liabilities, non-current	17	**430,993**	–
Finance lease liability, non-current		**–**	499,995
Debt component of preferred shares	30	**2,092**	2,092
Financial liabilities under subsoil use contracts	35	**416,935**	525,263
Other non-financial liabilities	36	**662,925**	642,607
Provisions	34	**14,058,624**	980,368
Contract liabilities, non-current	37	**5,906,584**	–
Employee defined benefit liability	33	**847,831**	–
Deferred tax liabilities	15	**13,653,091**	193,922
		243,190,891	46,194,825
Current liabilities			
Bank loans, current	31	**2,710,428**	19,335,638
Lease liabilities, current	17	**624,945**	–
Finance lease liability, current		**–**	627,620
Trade and other accounts payable	38	**37,877,500**	5,637,624
Income tax liability		**314,251**	–
Tax liabilities other than income tax	28	**7,698,218**	1,678,979
Financial liabilities under subsoil use contracts	35	**1,972,324**	138,886
Employee defined benefit liability	33	**77,710**	–
Other financial liabilities	39	**2,784,312**	348,044
Contract liabilities, current	37	**1,912,091**	–
		55,971,779	27,766,791
Total liabilities		**299,162,670**	73,961,616
Total equity and liabilities		**396,602,839**	101,495,988

Signed on behalf of the Management:

Kairat K. Rakhishov
Deputy Chairman of the Management Board for Finance

Roza A. Terlikbayeva
Chief Accountant

29 May 2020

Almaty, Republic of Kazakhstan

The accounting policies and explanatory notes on pages 7 through 71 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to the shareholders of the parent						
In thousands of Tenge	Share capital	Additional paid-in capital	Repur-chased shares	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2018	8,377,523	5,119,073	(24,150)	(12,208,729)	1,263,717	(4,458)	1,259,259
Profit for the year	–	–	–	6,886,727	6,886,727	431	6,887,158
Total comprehensive income for the year	–	–	–	6,886,727	6,886,727	431	6,887,158
Change in loan terms from related parties	–	650,990	–	–	650,990	–	650,990
Issued share capital *(Note 32)*	18,736,965	–	–	–	18,736,965	–	18,736,965
As at 31 December 2018	27,114,488	5,770,063	(24,150)	(5,322,002)	27,538,399	(4,027)	27,534,372
Profit for the year	**–**	**–**	**–**	**32,257,105**	**32,257,105**	**1,082,738**	**33,339,843**
Total comprehensive income for the year	**–**	**–**	**–**	**32,257,105**	**32,257,105**	**1,082,738**	**33,339,843**
Acquisition of the subsidiary *(Note 5)*	**–**	**–**	**–**	**–**	**–**	**36,679,077**	**36,679,077**
Change in loan terms from related parties *(Note 32)*	**–**	**(113,123)**	**–**	**–**	**(113,123)**	**–**	**(113,123)**
As at 31 December 2019	**27,114,488**	**5,656,940**	**(24,150)**	**26,935,103**	**59,682,381**	**37,757,788**	**97,440,169**

Signed on behalf of the Management:

Kairat K. Rakhishov
Deputy Chairman of the Management Board for Finance

Roza A. Terlikbayeva
Chief Accountant

29 May 2020

Almaty, Republic of Kazakhstan

The accounting policies and explanatory notes on pages 7 through 71 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

In thousands of Tenge	Notes	2019	2018*
Cash flows from operating activities			
Profit before tax		**36,113,097**	9,120,462
Adjustments for:			
Depreciation, depletion and amortisation	8, 9, 11	**11,831,672**	10,491,034
Change in estimates of provisions for subsoil use contracts	11	**-**	(247,062)
Reversal of impairment loss on financial assets, net	12	**(111,833)**	-
Accrual of impairment loss on non-financial assets, net	13	**108,154**	75,086
Accrual/(reversal) of provision for unused vacation	8, 9	**648,691**	(330,637)
Accrual of bonus provision	8, 9	**(10,458)**	12,101
Change in disability provisions	9	**20,318**	5,696
Loss on disposal of property, plant and equipment	11	**36,688**	37,822
Unrealised foreign exchange loss		**292,904**	10,209,257
Finance income	14	**(75,139)**	(32,070)
Finance costs	14	**4,537,896**	3,620,055
Operating cash flows before changes in working capital		**53,391,990**	32,961,744
Change in working capital			
Change in tax assets other than income tax		**(7,393,520)**	(929,728)
Change in inventories		**(3,629,082)**	(3,059,141)
Change in trade and other accounts receivable		**(901,263)**	(441,101)
Change in advances paid		**353,978**	44,555
Change in other current and non-current assets		**83,162**	35,242
Change in trade and other accounts payable		**6,998,711**	2,100,665
Change in tax liabilities other than income tax		**1,175,509**	1,016,629
Change in contract liabilities		**(571,554)**	-
Change in other current and non-current liabilities		**1,994,753**	429
Cash flows from operating activities		**51,502,684**	31,729,294
Income taxes paid		**(3,070,796)**	(2,482,501)
Net cash flows from operating activities		**48,431,888**	29,246,793
Cash flows from investing activities			
Purchase of property, plant and equipment		**(51,228,880)**	(19,565,626)
Proceeds from disposal of property plant and equipment		**10,942**	-
Purchase of exploration and evaluation assets		**(6,534,602)**	(1,561,663)
Purchase of intangible assets		**(1,719,784)**	(602,630)
Loans given to acquired company		**(5,858,083)**	(9,103,726)
Acquisition of subsidiary, net of cash acquired	5	**(46,564,268)**	(1,821,252)
Loans given to related party		**(950,000)**	-
Transfers to restricted cash		**(43,607)**	(89,049)
Receipt of government grant		**-**	180,795
Interest received on deposits		**56,547**	-
Net cash flows used in investing activities		**(112,831,735)**	(32,563,151)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	2019	2018
Cash flows from financing activities			
Proceeds from loans from related parties		**–**	6,558,400
Repayment of loans from related parties		**–**	(11,036,552)
Receipt of bank loans		**135,794,885**	23,070,057
Repayment of bank loans		**(55,617,743)**	(11,096,088)
Payment of interest on bank loans		**(1,127,772)**	(2,891,583)
Repayment of other financial liabilities		**(294,235)**	(341,901)
Payment of principal portion of lease liabilities		**(964,992)**	(760,054)
Net cash flows from financing activities	42	**77,790,143**	3,502,279
Net change in cash and cash equivalents		**13,390,296**	185,921
Effect of changes in foreign exchange rates on cash and cash equivalents		**(291,632)**	368,995
Change in provision for expected credit losses		**31,219**	–
Cash and cash equivalents at the beginning of the year		**4,356,302**	3,801,386
Cash and cash equivalents at the end of the year	29	**17,486,185**	4,356,302

NON-CASH TRANSACTIONS – SUPPLEMENTAL DISCLOSURE

The following non-cash transactions are excluded from the consolidated statement of cash flows:

Purchase of property, plant and equipment

Purchase of property, plant and equipment that were not paid for as at 31 December 2019 comprise 9,425,887 thousand Tenge (31 December 2018: 238,131 thousand Tenge).

Loans received from related parties

On 29 November 2018 the Group concluded agreement on sale of common shares with its parent company Gouden Reserves B.V. *(Notes 30, 32)*. Under the frame of agreement, the Group issued 833,333 common shares in favor of parent company for repayment of principal amount of loans obtained from parent company for amount of 18,736,965 thousand tenge.

Kairat K. Rakhishov
Deputy Chairman of the Management
Board for Finance

Roza A. Terlikbayeva
Chief Accountant

29 May 2020

Almaty, Republic of Kazakhstan

The accounting policies and explanatory notes on pages 7 through 71 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Organisational structure and activities

JSC AK Altynalmas (the "Company") and its subsidiaries (together the "Group") include Kazakhstan joint stock companies and limited liability partnerships in the meaning defined by the Civil Code of the Republic of Kazakhstan.

The Company was formed by the Decree No. 1086 of the President of the Republic of Kazakhstan *On the National Company Altynalmas* dated 21 January 1993. In June 1995 the National Joint Stock Company Altynalmas was transformed into a closed joint stock company with 90% of the State interest. As a result of privatization on 16 July 1997 the Company was transformed into an open joint stock company. Due to the amendments to the law of the Republic of Kazakhstan *On Joint Stock Companies*, OJSC AK Altynalmas was re-registered in the Department of Justice of Almaty on 4 January 2006 as a Joint Stock Company.

Ordinary shares of the Company were included in the second category of Kazakhstan Stock Exchange ("KASE") official list on 16 March 2015.

The Company re-registered at the new address: 15, Republic Square str., Almaty, Republic of Kazakhstan.

The principle activities of the Group are:

- Geological exploration;
- Ore mining and processing;
- Sale of precious metals.

As at 31 December 2019, Gouden Reserves B.V. is the holder of 60% of the total voting shares of the Company (as at 31 December 2018: 70%), Dzhumanbaev V.V. is the holder of 30% of the total number of the Company's voting shares (as at 31 December 2018: 30%), and other individuals are the holders of 10% of the total number of the Company's voting shares. The ultimate controlling party of Gouden Reserves B.V. is Anna Berezina.

The accompanying consolidated financial statements were approved for issue and signed on behalf of the Company's management on 29 May 2020.

Contracts and licenses

The Group has a number of licenses and contracts for exploration and mining of gold deposits in the Republic of Kazakhstan ("RK"):

Field	No.	Location	Validity period	Stage and method
Karyernoe field	No. 1089	Moynkum district, Zhambyl region	2020	Production stage, open-pit
Akbakai field	No. 68	Moynkum district, Zhambyl region	2024	Production stage, underground
Svetinskoe field	No. 2359	Moynkum district, Zhambyl region	2022	Preparation for production stage
Kenzhem field	No. 2577	Moynkum district, Zhambyl region	2033	Exploration stage
Aksakal-Beskempir field	No. 653	Moynkum district, Zhambyl region	2029	Production stage, underground
Pustynnoe field	No. 273	Aktogai district, Karaganda region	2021	Production stage, open-pit
Karierniy site	No. 1021	Aktogai district, Karaganda region	2026	Exploration stage
Dolinnoe field	No. 636	Aktogai district, Karaganda region	2031	Production stage, open-pit
Baktai field	No. 4857	Baktai ore field, Karaganda region	2021	Exploration stage
Mezek	No. 34	Abral district, East Kazakhstan region	2020	Exploration stage
Izvistnyak field	No.882	Moynkum district, Zhambyl region	2024	Exploration stage
Dolinnoe site field	No. 5661	Aktogai district, Karaganda region	2024	Exploration stage
Itkuduk field	No. 5662	Aktogai district, Karaganda region	2024	Exploration stage
Pustynno-Baktayskoye field	No. 5663	Aktogai district, Karaganda region	2024	Exploration stage
Ortasay field	No. 5664	Aktogai district, Karaganda region	2024	Exploration stage
Aksu field	No. 145	Akmola region	2022-2029	Exploration and production stages
Kvartsitovye gorki field	No. 145	Akmola region	2022-2029	Exploration and production stages
Bestobe field	No. 145	Akmola region	2022-2029	Exploration and production stages
Zholymbet field	No. 145	Akmola region	2022-2029	Production stage, underground and open-pit
TMF Bestobe field	No. 761	Akmola region	2024	Exploration and production stages, underground
TMF Aksu field	No. 762	Akmola region	2024	Exploration and production stages
TMF Zholymbet field	No. 917	Akmola region	2022	Exploration and production stages
Ushtogan-Karakasskiy rudnyy uzel	No. 5311	Akmola region	2022	Exploration stage

After the expiry of any current license or contract, the Group has a priority right to extend the contract in case of a positive response from the Ministry of industry and infrastructural development of the Republic of Kazakhstan ("MIID" or "the Competent Authority").

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are carried at fair value as stated in the accounting policies *(Note 3)*. These consolidated financial statements are presented in Kazakhstani Tenge ("Tenge" or "KZT") and all monetary amounts are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Functional and presentation currency

The Group's consolidated financial statements are presented in Tenge, which is also the functional currency of the Company and its subsidiaries. Transactions in foreign currencies are initially recorded by the Group at functional currency spot rates prevailing at the date when the transaction meets recognition criteria. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All currency exchange differences arising from repayment or restatement of monetary items are included in the consolidated statement of comprehensive income.

Non-monetary items that are measured at initial cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Income or expense arising on translation of non-monetary items are recorded in accordance with principles of income or expense recognition as a result of change in the item's fair value (i.e. exchange differences on items, fair value gains or losses of which are recognised within other comprehensive income or profit or loss, are also recognised within other comprehensive income or profit or loss, respectively).

Tenge is not a fully convertible currency outside the territory of the Republic of Kazakhstan. Weighted average currency exchange rates established by Kazakhstani stock exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The following table summarizes the foreign currency exchange rates to Tenge used in the preparation of the financial statements:

	At 31 December 2019	At 31 December 2018
US Dollar	**382.59**	384.20
Russian Rouble	**6.16**	5.52
Euro	**429**	439.37

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS (continued)

Segment information

The Group operates in the Republic of Kazakhstan and its activities mainly include exploration of gold ore and its further processing on gold-processing plants. For management purposes, the Group is organised into business units based on its products and services and has reportable segments which it acquired under business acquisition in 2019, as follows:

- The sale of gold and silver segment, which is production and sale of gold containing and silver containing Dore Gold and sale of gold containing and silver containing products;
- The lease of office premises segment, which leases an office owned by the Group in Almaty;
- The transportation and forwarding services segment, provided by the subsidiary, Kazakhaltyn Logistic LLP;
- The hotel and hospitality segment, which is a provider of hotel services in Stepnogorsk.

No operating segments have been aggregated to form the above reportable operating segments.

As at 31 December 2019, all the significant fixed assets of the Group were located in the territory of the Republic of Kazakhstan.

The following tables present revenue and profit and loss information for the Group's operating segments for the years ended 31 December 2019:

In thousands of Tenge	**Sale of gold and silver**	**Lease of office premises**	**Transportation services**	**Hotel and hospitality**	**Total segments**	**Adjustments and eliminations**	**Consolidated**
2019							
Revenue							
Sales to external customers	102,406,736	–	–	5,618	102,412,354	–	102,412,354
Other income	–	210	–	–	210	–	210
Inter-segment	–	–	284,912	3,767	288,679	(288,679)	–
Total revenue	**102,406,736**	**210**	**284,912**	**9,385**	**102,701,243**	**(288,679)**	**102,412,564**
Financial results							
Profit and loss of segments before taxes	36,115,972	(400)	–	(2,475)	36,113,097	–	36,113,097

The following table presents information on assets and liabilities of the Group's operating segments as at 31 December 2019:

In thousands of Tenge	**Sale of gold and silver**	**Lease of office premises**	**Transportation services**	**Hotel and hospitality**	**Total segments**	**Adjustments and eliminations**	**Consolidated**
Assets							
At 31 December 2019	396,009,416	223,805	1,129,886	547,509	397,910,616	(1,307,778)	396,602,838
Liabilities							
At 31 December 2019	299,055,570	–	1,180,078	180,110	300,415,758	(1,253,088)	299,162,670

Comparative information

Certain amounts in the consolidated statement of comprehensive income for 2018 have been reclassified in accordance with the presentation format applied in 2019. Particularly, the Group decided to show accrual/reversal of impairment loss of property, plant and equipment, inventories and advances paid in composition of accrual of impairment loss on non-financial assets as such presentation better disclose activity of the Group.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS (continued)

Comparative information (continued)

Effect on comparative information of consolidated statement of comprehensive income for the year ended 31 December 2018:

In thousands of Tenge	As it was presented	Reclassifications	Currently presented
Loss on impairment of property, plant and equipment	(288,912)	288,912	–
General and administrative expenses	(2,837,390)	(213,826)	(3,051,216)
Accrual of impairment loss on non-financial assets, net	–	(75,086)	(75,086)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Voluntary changes in accounting policies and disclosure

The Group re-assessed its accounting for ore with respect to costing method. The Group had previously measured its ore using first-in, first-out (FIFO) cost method. The voluntary accounting policy change is supported by the fact that

On 1 January 2019 the Group elected to change the method of accounting for ore from the first-in, first-out (FIFO) to weighted average cost to formula as the Group believes believes that it provides more relevant information to the users of its consolidated financial statements as it is more aligned to practices adopted by its gold mining industry peers.

The fact that the Group's peers in gold mining industry apply the proposed policy provides support for the change in policy, since it would result in greater comparability. Consequently, the proposed change results in 'reliable and more relevant information' as it would help users of these consolidated financial statements to evaluate past, present and future events. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the entities to retrospectively apply voluntary changes in accounting policies. However, due to immaterial effect from change in accounting policy the Group decided not to restate the consolidated financial statements as at 31 December 2018 and for the year then ended.

New standards, interpretations and amendments

The Group applied IFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this accounting standard are described below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the separate financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for the majority of leases on a balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance. Therefore, the adoption of IFRS 16 did not affect the accounting for leases in which the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') as well as for lease contracts in which an underlying asset is of low value (lease of assets of low value).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments (continued)

IFRS 16 Leases (continued)

The effect of adoption IFRS 16 on these consolidated financial statements as at 1 January 2019 (increase/(decrease)) is as follows:

In thousands of Tenge	**Effect of the adoption of IFRS 16**
Assets	
Right-of-use assets	1,430,175
Property, plant and equipment	(1,430,175)
Total assets	**–**
Liabilities	
Lease liabilities, non-current	499,995
Lease liabilities, current	627,620
Finance lease liability, non-current	(499,995)
Finance lease liability, current	(627,620)
Total liabilities	**–**

The Group has lease contracts for various items of machinery and equipment. Before the adoption of IFRS 16, the Group hadall of its leases (as lessee) classified as finance lease at the inception date.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

<u>Leases previously classified as finance leases</u>

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Based on the above, as at 1 January 2019:

- Right-of-use assets comprise the lease assets of 1,430,175 thousand Tenge recognised previously under finance leases that were reclassified from property, plant and equipment in the consolidated statement of financial position;
- Lease liabilities comprised leases of 1,127,615 thousand Tenge (non-current portion of 499,995 thousand Tenge and current portion of 627,620 thousand Tenge) recognised previously under finance leases that were reclassified from finance lease liabilities in the consolidated statement of financial position.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (continued)

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. This Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have longterm interests in its associate and joint venture.

Annual improvements 2015-2017 cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments (continued)

Annual improvements 2015-2017 cycle (continued)

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group’s current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group’s current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards issued but not yet effective

New standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Group’s consolidated financial statements are listed below. The Group intends to adopt these standards, amendments and interpretations if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 replaces IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. There are several scope exceptions. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for insurance contracts with direct participation terms (the variable fee approach);
- A simplified approach (the premium allocation approach) is mainly for short-duration contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

IFRS 17 is effective for reporting periods starting on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable for the Group.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 *Financial Instruments: Disclosures*, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments should be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. These amendments are not applicable to the Group.

Conceptual Framework for financial reporting

Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The revised Conceptual Framework is not expected to have a significant impact on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 1 Financial Statements: Classification of Liabilities as Current and Non-current

On 23 January 2020, the International Accounting Standards Board (IASB or the Board) issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Financial Statements* (the amendments) to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

Amendments to IAS 1 must be applied to annual periods beginning on or after 1 January 2022. Amendments must be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. This amendment does not have an impact on the Group.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Recognition of income and expenses

Revenue from contracts with customers

The Group’s activities are related to the production of Dore alloy and other gold containing products, and subsequent sale. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all of its revenue arrangements as the Group usually controls the goods or services before they are transferred to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of income and expenses (continued)

Sales of goods and services

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods. An asset is transferred when (or as) the customer takes control over the asset. Revenue from services is recognised over time, since the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from sale of products and rendering of services is estimated to reflect the recovery that the Group expects to receive in exchange for those goods or services, net of related sales taxes (VAT).

Under contracts with customers for the sale of Dore alloy and gold bearing products, product prices are determined in advance and are not set until the final price based on the market price for a certain period is known. Revenue from sales in such cases is initially recognised on the basis of the relevant metal indices. The adjustment for such contracts between the final and the preliminary price is recognised in other operating expenses or income as “Change in the fair value of an embedded derivative”.

Trade accounts receivable

Trade receivables represent the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Group does not have any contract assets, since performance obligation is satisfied and the right to consideration arises within a short period of time, and the entire amount of consideration is unconditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. The Group does not have any contract liabilities, since the performance obligation is satisfied and consideration is received within a short period of time.

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also receives long-term advance payments from the customers. To reflect the significant component of financing, the transaction price under such agreements is discounted using the rate that would be applied for a separate financing operation between the Group and its customers at the time of signing the agreement.

Expenses

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of when cash or its equivalent is paid, and are reported in the financial statements in the period to which they relate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Site restoration provision

The mining activity of the Group is governed by various laws and regulations on environment protection. The Group evaluates the provision for liquidation of the consequences of production activity and liability for site restoration based on the management's understanding of the current legal requirements and terms of license agreements. The provision is recognised in assets and liabilities based on the net book value of estimated future cost of liquidation of consequences of production activity and site restoration as soon as the liability arises. The site restoration assets are depreciated using the production method. Actual costs which will be incurred in future periods could differ from the provision amounts. In addition, future changes in laws and regulations on environment protection, the estimates of the useful lives of the fields and discount rates can affect the carrying value of this provision. The provision for such costs is formed when they are known, on a perspective basis as new information is received, new laws are issued and new estimations are made.

Exploration and evaluation assets

Exploration and evaluation assets represent capitalised explorations and evaluation costs, such as geological and geophysical costs, costs for drilling and all overhead expenses related to exploration.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Intangible assets

Intangible assets include historical costs and costs of the social sphere development as part of the cost of acquisition of the subsurface use rights. Under the terms of the subsoil contracts, the Group is obliged to compensate a certain portion of historical costs incurred by the Government of Kazakhstan during licensing prior to the issue of the licenses, and incur certain costs of the social sphere development as per the subsoil contract.

These historical costs and costs of the social sphere development are recognised as part of the cost of acquisition of a contract with a respective liability equaling the current value of payments, which will be made during the effective period of the license.

The historical costs and costs of the social sphere development are amortised using the production method.

Other intangible assets represent software and licenses and are recorded at cost less accumulated amortisation.

Other intangible assets are amortised using the straight-line method over the estimated period of their useful life, comprising 1 to 7 years.

Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Capitalised costs comprise major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity when used.

Deprecation is computed using the straight-line method over the useful life of assets. The general depreciation rates are applicable to similar types of buildings and constructions, machinery and equipment with similar economic characteristics. The Group uses the following useful lives of assets:

Buildings and constructions	10-50 years
Machinery and equipment	3-30 years
Vehicles	3-10 years
Other property, plant and equipment	2-15 years

Land and construction in progress are not depreciated. Assets related to mine operation are depreciated using the unit of production method depending on the proved geological reserves.

Major renovations are depreciated over the remaining useful life of the relevant asset or up to the date of the next major renovation, whichever is sooner.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The cost of technical maintenance, repairs, and replacement of minor items of property, plant and equipment is charged to maintenance expense. Upon sale or disposal, the cost and respective accumulated depreciation are eliminated from the accounts of property, plant and equipment. Any resulting gains or losses arising on sale or disposal are included in the consolidated statement of comprehensive income.

Construction in progress

Capital construction in progress comprises costs directly related to field development, construction of buildings, infrastructure, refineries, machinery and equipment.

Once the asset is completed and commissioned, the cost associated with the asset is transferred to property, plant and equipment. Amortisation of these assets commences when the assets are ready for their intended use.

Assets related to mine operation

The property, plant and equipment also include assets related to operation of mines carried at cost less accumulated amortisation and impairment losses, if any.

Assets related to operation of mines are either transferred from exploration and evaluation assets in case of obvious profitability of gold ore production, or arisen at the development and production stage. Assets associated with operation of mines include drilling costs, estimated site restoration costs, cost of mine construction.

Assets associated with operation of mines comprise the cost of materials, payroll and a proper portion of overheads. Assets related to operation of mines are written off to production costs in proportion to the volume of production based on internal estimates of proved reserves starting from the inception of gold mining. Evaluations of proved reserves of Akbakai, Kariernoye, Svetinskoye, Aksakal-Beskempir, Pustynnoe and Dolinnoe were based on the data of the reserve report presented by an independent appraiser, in which the data of the State Committee on Reserves of the RK are transferred according to international classification JORC. Evaluations of Aksu, Zholymbet and Bestobe were based on balance reserves determined in accordance with the State Reserves Committee.

Impairment of property, plant and equipment and intangible assets

The Group assesses at each reporting date whether there is an indication that the carrying amount of tangible and intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The cost of corporate assets of the Group is also allocated to separate cash-generating units or the smallest groups of cash-generating units for which reasonable and consistent allocation method can be determined.

The recoverable amount is determined as the greater of: an asset’s fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost is determined on the following bases:

- raw materials and consumables are estimated using the first-in, first-out (FIFO) cost method; and
- Work in progress and finished goods is the cost of production, including the appropriate proportion of depreciation, labour and overheads based on normal operating capacity. The cost of work in progress and finished goods is based on the weighted average cost method.

Net realisable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

Ore

Ore as an asset is recognised in the volume in which the average content of a valuable component is gold above the established threshold for the minimum average gold content. The minimum threshold for the average content is calculated and established in the relevant technical documentation on the basis of economic results, based on the cost of further processing of raw materials and average gold recovery.

The unit of quantitative accounting of ore cost is the quantity of valuable component in the ore – gold, in grams.

The initial cost of ore is calculated on the basis of actual costs incurred to extract the amount of material recognised as ore. Further accounting for the movement of ore is based on the movement and the remainder of the valuable component – gold in the ore.

During 2019, the Group voluntary elected to change its accounting policy for inventory (ore) cost formula from first-in, first-out (FIFO) to weighted average. The change in inventory cost formula accounting policy is not required by IFRS and was voluntary changed by the Group as the Group believes it provides more relevant information to the users of the financial statements and is more aligned to practices adopted by its gold mining industry peers.

Stripping operations costs

Stripping operations costs represent the costs of removal of stripping and other waste substances occurring during mining operations. The stripping operations costs incurred in the stage of preparation of the field for mining are capitalised as a part of the cost of construction of the mines and subsequently are amortised during the mining period.

Stripping operations costs incurred in the mining stage are written off to cost of production considering that the stripping ratio remains relatively constant during the mining stage.

Cash and cash equivalents

Cash comprises cash on hand and on current bank accounts. Cash equivalents comprise short-term investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value through profit or loss, adjusted for transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

For a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset**.**

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other accounts receivable and loans given.

The effective interest rate method is used for calculation of the amortised cost of a debt instrument and for allocation of interest income to the appropriate period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) over a shorter period, to the carrying amount on initial recognition.

Income from debt instruments is recorded using the effective interest rate method, except for financial assets, categories measured at fair value through profit or loss or other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated by the Group as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if such classification eliminates, or significantly reduces, an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income. Fair value is determined in the manner described in *Note 42*.

The Group classifies derivatives embedded in provisionally priced trade receivables into this category.

Derivative embedded in a hybrid contract that includes the main contract, which is the financial asset, is not accounted for separately. The underlying contract, which is financial asset is classified together with the embedded derivative as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. excluded from the Group's consolidated statement of financial position):

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises corresponding liability. The transferred asset and the corresponding liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group applied a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 270 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The financial asset is written off if there is no reasonable expectation of recovering the contractual cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value (in the case of loans and borrowings and payables), net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank loans, loans received from related parties, debt component of preferred shares as well as other financial liabilities and lease liabilities.

Subsequent measurement

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- It has been acquired principally for buy-back in the near future;
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-making; or
- It is a derivative that is not designated as a hedging instrument in effective hedging.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- A financial liability is part of an instrument that contains one or more embedded derivatives, and IFRS 9 *Financial Instruments* allows to classify an instrument as a whole (asset or liability) as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other profit and loss' line item in the consolidated statement of comprehensive income.

Fair value is determined in the manner described in *Note 42*.

Loans and borrowings

Loans and borrowings, are initially measured at fair value, net of transaction costs. Subsequently, loans and borrowings are measured at amortised cost. Interest expense is calculated using the effective interest rate method.

The effective interest rate method is used for calculation of the amortised cost of a financial liability and for allocation of interest expenses to the appropriate period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition of a debt instrument.

Trade accounts payable

Liabilities for trade accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Loans from related parties with interest rate below market rate

Loans received from related parties, parent company or a company under the common control of the parent company at an interest free rate or at rate below market rate are initially recognised at the fair value the amounts issued and subsequently measured at amortised cost using the effective interest rate method. The difference between the amount received and fair value is recognised in the statement of changes in equity.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised through the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when and only when:

- There is a currently enforceable legal right to offset the recognised amounts;
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded at an active market, the fair value is determined by using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- Analysis of discounted cash flows and other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in *Note 42*.

Fair value assessment

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the *Note 42*.

Fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value assessment (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their own best interest.

A fair value measurement of a non-financial asset takes into account the possibility of a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Leases

Before 1 January 2019

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected directly in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as operating expenses in the consolidated statement of comprehensive income on a straight line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

After 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises the right-of-use assets at the commencement date of the lease (that is, the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If at the end of the lease term the ownership of the leased asset transfers to the Group or if the initial value of the asset reflects the exercise of the purchase option, the asset is depreciated over its estimated useful life.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense (except when incurred for production of inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (for example, a change in future payments due to a change in the index or rate used to determine such payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and lease of assets of low value

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. contracts that, at the commencement date, have a lease term of 12 months or less and do not contain an option to purchase an underlying asset). The Group also applies the low value assets lease recognition exemption to contracts of lease of office equipment whose value is considered to be low. Lease payments on short-term leases and lease of assets of low value are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

After 1 January 2019 (continued)

Borrowing costs

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, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale.

Income earned on the temporary investment of specific borrowings pending their expenditure on acquisition of qualifying assets is deducted from the borrowing costs.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions for costs to be incurred are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and the obligations can be estimated reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, the amount of the provision is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is calculated on a straight-line basis over the estimated useful life as follows:

	Years
Buildings and constructions	10-30

Investment properties are derecognised in the consolidated statement of financial position when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition.

Construction-in-progress represents investment property under construction and is stated at cost. Construction-in-progress includes cost of construction, equipment and other direct costs. Construction-in-progress is not amortised. Construction-in-progress is not depreciated until such time as construction of such assets is completed and put into operational use.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advances paid

Advances paid are recorded at initial cost less impairment provision. Advances paid are classified as non-current when goods or services associated with advances are to be received within more than a year, or if advances are associated with an asset, which at the initial recognition is classified as non-current. Advances for PPE are charged to the cost of these PPE when the Group obtains control over these assets and there is a probability that future economic benefits associated with these assets will flow to the Group. When there are indications of inability to receive goods or services related to advances paid, the carrying amount is decreased and related impairment loss is recognised in the consolidated statement of comprehensive income.

Equity

Share capital

External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements were authorised for issue.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

Current income tax

The amount of current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted at the reporting date.

Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Generally, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the reporting period

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised directly in other comprehensive income or in equity (in which case the tax is also recognised directly in equity), or where they arise from the initial accounting for a business combination. Tax effect of business combination transactions is recorded in accounting for such transactions.

Value added tax (VAT)

Revenues, expenses and assets are recognised net off VAT, except:

- When VAT incurred on acquisition of assets or services is not recoverable from tax authorities, in this case VAT is recognised as a part of asset acquisition cost or a part of expense item, as appropriate;
- Amounts of receivables and payables are recorded together with VAT.

Net amount of VAT recoverable from or payable to tax authorities is included in receivables or payables in the consolidated statement of financial position. VAT receivable can be offset with VAT payable, and at the request of the Group, VAT receivable may be returned in cash by the state tax authorities if certain tax legislation requirements for return of the declared VAT amounts are met. In case when according to the existing tax legislation the recovery or offset of VAT is postponed for the next 12 (twelve) months after the reporting date, such VAT recoverable is transferred to non-current assets. When unrecoverable, VAT recoverable is charged to expenses in the consolidated statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in *Note 3*, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes can differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and judgments in applying the Group's accounting policies

The following are the critical accounting estimates and judgments, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Useful economic lives of property, plant and equipment

The Group reviews the useful lives of items of property, plant and equipment at least at each reporting year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Impairment of assets

The Group assesses at each reporting date whether there is any objective evidence that assets are impaired. If any such indication exists, the Group estimates the recoverable amount of the asset, which requires determining the value in use of the asset. In assessing value in use, the Group estimates the future cash flows from the asset and appropriate discounting rate to calculate the current value of these cash flows.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Critical accounting estimates and judgments in applying the Group's accounting policies (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Ore reserves

The ore reserves play an important role in the activity of the Group. Reserve estimates involve some degree of uncertainty. The uncertainty is mainly related to completeness of reliable geological and technical information available at the moment of the valuation and interpretation of these data. Reserves estimates are analysed and adjusted on an annual basis. Reserves estimates can be revised as a result of projects on increase in production, changes in production capacities or changes in development strategy.

Deferred income tax assets

Deferred tax assets are reviewed at each reporting date and decreased to the extent that it is no more probable that the sufficient taxable profit will be received to utilise all or a part of deferred tax assets. The evaluation of such a probability includes judgments based on estimated indexes.

Site restoration provision

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. Considerable judgment is required in forecasting future site restoration costs. A major part of these liabilities is deferred for many years and in addition to uncertainties in legislation the Group's evaluation can be affected by changes in technologies of asset liquidation, costs and industry practice of such work execution.

The provision for site restoration is formed based on the net current value as soon as such a liability occurs. Actual costs which will be incurred in future periods could differ from the provision amounts. In addition, the carrying value of this provision could be affected by future changes in Environmental Protection laws and regulations and discounting rates.

Defined employee benefits

The cost of long-term employee benefits before and after retirement and the present value of liabilities are determined using the actuarial method. The actuarial method involves the use of various assumptions, which may differ from actual results in the future.

The actuarial method includes assumptions about discount rates, future wage increases, mortality rates and future employee benefits growth.

The discount rate is calculated based on the average yield of Eurobonds and government securities.

The probability of dismissal is based on historical data from the Group. Future wage increases are based on expected future inflation rates.

The key assumptions used to measure employee benefits liabilities at 31 December 2019 and 2018 are presented as follows:

	2019	2018
Discount rate	**7.6%**	8.82%
Probability of dismissal	**0.6%-34%**	0.9%-36.5%
Future salary increase	**5.4%**	5.3%

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Critical accounting estimates and judgments in applying the Group's accounting policies (continued)

Defined employee benefits (continued)

In addition, mortality rates were determined with reference to the statistical mortality table of the population of Kazakhstan published by the Government as of 2018. Staff turnover was determined based on actual historical data. Below is a quantitative sensitivity analysis for significant assumptions as of 31 December 2019:

In thousands of Tenge	**2019**	2018
Discount rate		
Decrease by 1%	**83,040**	74,800
Increase by 1%	**(75,542)**	(68,149)
Inflation rate		
Decrease by 1%	**(74,755)**	(67,890)
Increase by 1%	**83,515**	75,817
Probability of dismissal		
Decrease by 1%	**48,095**	43,473
Increase by 1%	**(55,020)**	(50,055)
Mortality		
Decrease by 1%	**(17,732)**	(15,858)
Increase by 1%	**29,653**	26,709

Impairment of financial assets

The Group creates a provision for expected credit losses on receivables and cash from credit institutions.

In estimating expected credit losses in respect of trade and other receivables, the Group applied the simplified approach stipulated by the standard and calculated the expected credit losses over the entire life of these financial instruments. The Group used the allowance model that is based on its historical credit loss experience.

For cash due from credit institutions, the Group calculated the twelve months' expected credit losses. The 12 months expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the twelve months after the reporting date. The loss allowance is measured at an amount equal to lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition.

Inventories

Inventories are measured at the lower of cost and net realisable value at the reporting date. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition.

VAT recoverable

At each reporting date, the Group assesses the provision for VAT recoverability arising from sale of gold-silver Dore alloy and construction of new plants for the processing of technogenic mineral formations. The Group cannot rebill VAT to the buyer and, accordingly, can realise these amounts only after receiving them from the tax authorities. In accordance with the Tax Code of the Republic of Kazakhstan, the VAT excess amount arising under Article 432 of the Tax Code will be returned to the Group within 20 tax periods, the VAT excess amount arising under Article 390 of the Tax Code will be returned quarterly based on the results of tax audits. The Group considers information on the expected VAT return received from its tax department and correspondence with the state tax authorities.

5. BUSINESS COMBINATIONS AND ACQUISITION OF SUBSIDIARIES

Business combinations in 2019

Acquisition of share in Kazakhaltyn Mining and Metallurgical Concern JSC

On 29 November 2019 the Group obtained control over JSC Kazakhaltyn Mining and Metallurgical Concern, which is subsoil user registered in Republic of Kazakhstan and engaged into exploration and production of gold ore on Aksu, Zholymbet and Bestobe fields in Akmola region by acquiring of 54.24% shares for 49,559,671 thousand Tenge.

The acquisition of subsidiary was accounted for using acquisition method. The consolidated financial statements take into account the results of the activities of JSC Kazakhaltyn Mining and Metallurgical Concercn for period starting from the acquisition date. The Group has elected to measure the non-controlling interests in the acquiree at proportionate share of fair value of net assets, before settlement of pre-existing contractual relationship.

Assets acquired and liabilities assumed

Based on the completed purchase price allocation the fair values of the identifiable assets and liabilities of JSC Kazakhaltyn Mining and Metallurgical Concern as at the date of acquisition were:

In thousands of Tenge	**Fair value recognised on acquisition**
Assets	
Non-current assets	
Property, plant and equipment *(Note 16)*	91,582,567
Exploration and evaluation assets *(Note 18)*	95,059
Investment property *(Note 19)*	224,624
Intangible assets (subsoil use contract) *(Note 20)*	46,525,818
Deferred tax assets *(Note 15)*	2,781,955
Advances paid for non-current assets	9,665,731
Long-term deposits	364,695
Current assets	
Inventories	32,132,404
Trade and other accounts receivable	11,983,791
Advances paid	2,616,469
Loans given	62,022
Income tax prepaid	6,426
Tax assets, other than income tax	5,022,623
Other non-financial assets	142,814
Cash and cash equivalents	2,995,403
Assets held for sale	105,142
Total assets	**206,307,543**

5. BUSINESS COMBINATIONS AND ACQUISITIONS OF SUBSIDIARIES (continued)

Business combinations in 2019 (continued)

Acquisition of share in Kazakhaltyn Mining and Metallurgical Concern JSC (continued)

Assets acquired and liabilities assumed (continued)

In thousands of Tenge	
Liabilities	
Non-current liabilities	
Bank loans, non-current	26,611,455
Loans received from related parties	36,345,420
Financial liabilities under subsoil use contracts	14,043
Provisions *(Note 34)*	11,226,674
Contract liabilities, non-current *(Note 37)*	5,906,584
Employee defined benefit liability	835,350
Deferred tax liabilities *(Note 15)*	12,782,920
Current liabilities	
Bank loans, current	9,440
Trade and other accounts payable	16,093,624
Income tax liability	1,439,210
Financial liabilities under subsoil use contracts	1,738,812
Tax liabilities other than income tax	4,716,767
Employee defined benefit liability	90,191
Contract liabilities, current *(Note 37)*	2,483,645
Total liabilities	**120,294,135**
Total identifiable net assets at fair value	**86,013,408**
Non-controlling interests	36,679,077
Goodwill arising on acquisition *(Note 22)*	6,083,423
Settlement of pre-existing contractual relationship	5,858,083
Fair value of purchase consideration transferred	**49,559,671**

The Group had contractual relationship before the acquisition date which was presented by the loans given by JSC AK Altynalmas to Aksu Technology LLP. At the acquisition the Group performed settlement of pre-existing contractual relationship by derecognition of carrying balance of loans given and adding-up fair value of loans given to consideration transferred. The Group did not recognise any gain or loss on derecognition because the fair value of loans given was equal to the carrying balance of loans given.

The fair value of intangible assets (subsoil use contract) was determined as an enterprise value calculated using income approach less fair value of property, plant and equipment and other intangibles calculated using replacement cost approach and net working capital.

The fair value of the trade and other accounts receivable amounts to 11,983,791 thousand Tenge. The gross amount of trade and other account receivable is 12,858,651 thousand Tenge and it is expected that the full contractual amounts can be collected.

Deferred tax liabilities presented as follows:

In thousands of Tenge	
Acquired deferred tax assets	2,781,955
Deferred tax liabilities, aroused from acquisition	(12,782,920)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS AND ACQUISITIONS OF SUBSIDIARIES (continued)

Business combinations in 2019 (continued)

Acquisition of share in Kazakhaltyn Mining and Metallurgical Concern JSC (continued)

Assets acquired and liabilities assumed (continued)

Acquired deferred tax assets mainly comprised by provisions for site restoration obligations, tax, other than income tax liabilities and deferred tax liabilities, aroused from acquisition caused by fair value adjustment of carrying balance of property, plant and equipment, investment property and intangible assets while tax balance remained the same.

The goodwill of 6,083,423 thousand Tenge comprises the value of expected synergies arising from the acquisition and is fully allocated to Aksu, Bestobe and Zholymbet CGU. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, Kazakhaltyn Mining and Metallurgical Concern JSC contributed 9,969,183 thousand Tenge of revenue and 2,539,519 thousand to profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue would have been 206,354,690 thousand Tenge and profit before tax for the Group would have been 63,844,708 thousand Tenge.

The amount of purchase consideration transferred at acquisition was fully presented by cash.

Analysis of cash flows on acquisition

In thousands of Tenge	
Net cash acquired with subsidiary	2,995,403
Cash paid for acquisition	(49,559,671)
Net cash flow on acquisition	**(46,564,268)**

Business combinations in 2018

Acquisition of share in Aktogay Mys LLP

On 2 May 2018 the Group acquired 100% share in Aktogay Mys LLP, which is subsoil user registered in Republic of Kazakhstan and engaged into exploration and production of gold ore on Dolinnoe field in Aktogay district, Karaganda region.

The acquisition of subsidiary was accounted for using acquisition method. The consolidated financial statements take into account the results of the activities of Aktogay Mys LLP for period starting from the acquisition date.

5. BUSINESS COMBINATIONS AND ACQUISITIONS OF SUBSIDIARIES (continued)

Business combinations in 2018 (continued)

Acquisition of share in Aktogay Mys LLP (continued)

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Aktogay Mys LLP as at the date of acquisition were:

In thousands of Tenge	**Fair value recognised on acquisition**
Assets	
Non-current assets	
Property, plant and equipment *(Note 16)*	2,900,710
Intangible assets *(Note 20)*	6,761,573
Restricted cash	6,320
Other non-current assets	4,919
Current assets	
Inventories	1,616,824
Trade accounts receivable	427
Corporate income tax prepaid	26,036
Current tax assets	305,736
Other current assets	62,786
Cash and cash equivalents	57,903
Total assets	**11,743,234**
Liabilities	
Non-current liabilities	
Provisions for subsoil use contracts *(Note 34)*	35,609
Liabilities for subsoil use contracts, non-current	183,698
Deferred tax liabilities *(Note 15)*	655,069
Current liabilities	
Trade and other accounts payable	13,245
Liabilities for subsoil use contracts, current	35,657
Other current liabilities	8,595
Total liabilities	**931,873**
Total identifiable net assets at fair value	**10,811,361**

In thousands of Tenge	**Fair value recognised on acquisition**
Goodwill arising on acquisition *(Note 22)*	171,520
Settlement of pre-existing contractual relationship	(9,103,726)
Fair value of purchase consideration transferred	**1,879,155**

Under the frame of sale purchase agreement of 100% share in Aktogay Mys LLP the Group was obliged to repay loans obtained by Aktogay Mys LLP from its former owners. As a result, on 2 May 2018 the Group provided loan to Aktogay Mys LLP for 9,103,726 thousand Tenge which were utilised by Aktogay Mys LLP against its loans obtained from former owners. At the acquisition the Group performed settlement of pre-existing contractual relationship by derecognition of carrying balance of loans given and adding-up fair value of loans given to consideration transferred. The Group did not recognise any gain or loss on derecognition because the fair value of loans given was equal to the carrying balance of loans given.

The fair value of intangible assets (subsoil use contract) was determined as an enterprise value calculated using income approach less fair value of property, plant and equipment and other intangibles calculated using replacement cost approach and net working capital.

5. BUSINESS COMBINATIONS AND ACQUISITIONS OF SUBSIDIARIES (continued)

Business combinations in 2018 (continued)

Acquisition of share in Aktogay Mys LLP (continued)

Assets acquired and liabilities assumed

Deferred tax liabilities presented as follows:

In thousands of Tenge	
Acquired deferred tax assets	691,060
Deferred tax liabilities, aroused from acquisition	(1,346,129)
Net deferred tax liabilities	**(655,069)**

Acquired deferred tax assets mainly comprised by losses effective for offset against future taxable income and deferred tax liabilities, aroused from acquisition caused by fair value adjustment of carrying balance of property, plant and equipment and intangible assets while tax balance remained the same.

The goodwill of 171,520 thousand Tenge comprises the value of expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

In 2018, from the date of acquisition, Aktogay Mys LLP contributed 69,134 thousand Tenge of revenue and 2,613,398 thousand of loss to profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue would have been 65,461,725 thousand Tenge and profit before tax for the Group would have been 9,120,462 thousand Tenge.

Analysis of cash flows on acquisition

In thousands of Tenge	
Net cash acquired with subsidiary	57,903
Cash paid for acquisition	(1,879,155)
Net cash flow on acquisition	**(1,821,252)**

6. GROUP STRUCTURE

As at 31 December 2019 the following subsidiaries were included in the consolidated financial statements of the Group:

			Share interest	
Name of subsidiaries	**Place of incorporation**	**Principal activities**	**31 December 2019**	31 December 2018
Held by the JSC AK Altynalmas				
Akbakai GMK JSC	Akbakai, Republic of Kazakhstan	Provision of exploration, production and processing service of raw materials	**99.61%**	99.61%
Altynalmas Technology LLP	Almaty, Republic of Kazakhstan	Operation of gold recovery plants, production and sale of precious metals	**100%**	100%
Aktogay Mys LLP	Aktogay district, Republic of Kazakhstan	Geological exploration, ore mining and processing, sale of precious metals	**100%**	100%
Altynalmas Trade House LLP	Almaty, Republic of Kazakhstan	Acquisition and sale of commodities containing precious metals	**100%**	100%
Kazakhaltyn Mining and Metallurgical Concern JSC	Stepnogorsk, Republic of Kazakhstan	Exploration, production and sales of gold-silver Dore alloy and gold-bearing products	**54.24%**	–

6. GROUP STRUCTURE (continued)

Incorporation of subsidiaries

On 2 August 2018 the Company incorporated a wholly owned subsidiary Altynalmas Trade House LLP with registered charter capital of 240.5 thousand Tenge.

On 29 November 2017 the Company incorporated a wholly owned subsidiary Altynalmas Technology LLP with registered charter capital of 226.9 thousand Tenge.

Acquisition of subsidiaries

On 29 November 2019 the Company acquired 54.24% share of Kazakhaltyn Mining and Metallurgical Concern JSC *(Note 5)*.

On 2 May 2018 the Company acquired 100% share of Aktogay Mys LLP *(Note 5)*.

The Group has the following share interest in subsidiaries held indirectly:

			Share interest	
Name of indirect subsidiaries	**Place of incorporation**	**Principal activities**	**31 December 2019**	31 December 2018
			%	%
Held through Kazakhaltyn Mining and Metallurgical Concern JSC				
Kazakhaltyn Technology LLP	Stepnogorsk, Republic of Kazakhstan	Processing of technogenic mineral formations	**54.24%**	–
Aksu Technology LLP	Stepnogorsk, Republic of Kazakhstan	Production and sale of gold-bearing products	**54.24%**	–
Stepnogorsk Hotel LLP	Stepnogorsk, Republic of Kazakhstan	Hotel and hospitality	**54.24%**	–
City A invest LLP	Almaty, Republic of Kazakhstan	Real estate investment	**54.24%**	–
Visart LLP	Semey, Republic of Kazakhstan	Sale of gold-bearing products	**54.24%**	–
Kazakhaltyn Logistic LLP	Stepnogorsk, Republic of Kazakhstan	Transportation and forwarding services	**54.24%**	–

Interest in subsidiaries with material non-controlling interests (“NCI”)

The Group has the following subsidiaries that has NCI that are material to the Group:

In thousands of Tenge	**Proportion of ownership interest held by NCI (%)**	**Profit allocated to NCI during the reporting period**	**Accumulated NCI at the end of reporting period**	**Dividends paid to NCI**
31 December 2019				
Kazakhaltyn Mining and Metallurgical Concern JSC	**45.76%**	**1,082,918**	**37,761,995**	**–**
Akbakai GMK JSC	**0.39%**	**(180)**	**(4,207)**	**–**
31 December 2018				
Akbakai GMK JSC	0.39%	431	(4,027)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. GROUP STRUCTURE (continued)

Interest in subsidiaries with material non-controlling interests ("NCI") (continued)

Summarised financial information including consolidation adjustments but before intercompany eliminations of a subsidiary with material NCI are as follows:

Summarised statement of financial position as at 31 December 2019

In thousands of Tenge	Kazakhaltyn Mining and Metallurgical Concern JSC	Akbakai GMK JSC
Non-current assets		
Property, plant and equipment and intangible assets	138,538,841	–
Exploration and evaluation assets and investment property	322,000	666,510
Advances paid for non-current assets	21,821,052	–
Deferred tax assets	1,671,667	52,728
Long-term deposits	291,041	2,959
Current assets		
Inventories	34,233,754	–
Cash and cash equivalents trade and other accounts receivable	18,841,412	865
Advances paid	1,354,428	–
Loans given	62,022	–
Income tax prepaid and current tax assets	5,335,317	1,247
Other current assets and assets held for sale	171,088	9
Non-current liabilities		
Bank loans and loans received from related parties, non-current	77,725,706	–
Employee benefit obligations, non-current	847,831	–
Financial guarantee, long-term	351,652	–
Deferred tax liabilities	11,632,617	–
Other non-financial liabilities	–	116,708
Provisions and liabilities for subsoil use contracts, non-current	11,285,467	149,625
Contract liabilities, non-current	5,906,584	–
Current liabilities		
Bank loans and loans received from related parties, current	5,782,342	1,532,139
Financial guarantee, current	121,833	–
Trade and other accounts payable	14,846,928	
Income tax liability and current tax liabilities	4,901,928	2,037
Liabilities for subsoil use contracts, current	1,816,192	–
Employee benefit obligations, current	77,710	–
Other financial liabilities	2,911,899	2,527
Contract liabilities, current	1,912,091	–
Total equity	**82,521,842**	**(1,078,718)**
Attributable to:		
Shareholders of the parent	44,759,847	(1,074,511)
Non-controlling interests	37,761,995	(4,207)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. GROUP STRUCTURE (continued)

Interest in subsidiaries with material non-controlling interests ("NCI") (continued)

Summarised statement of financial position as at 31 December 2018

In thousands of Tenge	Akbakai GMK JSC
Non-current assets	
Property, plant and equipment and intangible assets	2,110
Exploration and evaluation assets and investment property	638,945
Deferred tax assets	46,322
Long-term deposits	2,959
Current assets	
Cash and cash equivalents trade and other accounts receivable	106
Income tax prepaid and current tax assets	1,945
Other current assets and assets held for sale	241
Non-current liabilities	
Other non-financial liabilities	96,390
Provisions and liabilities for subsoil use contracts, non-current	136,357
Current liabilities	
Bank loans and loans received from related parties, current	1,486,334
Income tax liability and current tax liabilities	1,601
Other financial liabilities	4,510
Total equity	(1,032,564)
Attributable to:	
Shareholders of the parent	(1,028,537)
Non-controlling interests	(4,027)

Summarised statement of comprehensive income for 2019

In thousands of Tenge	**Kazakhaltyn Mining and Metallurgical Concern JSC**	**Akbakai GMK JSC**
Revenue from contracts with customers	**9,969,183**	**–**
Cost of sales	**(5,639,978)**	**–**
General and administrative expenses	**(1,040,137)**	**(43,730)**
Selling expenses	**(167,255)**	**–**
Other operating income	**31,257**	**1,867**
Other operating expenses	**(283,185)**	**(720)**
Reversal of impairment loss on financial assets, net	**164,510**	**–**
Accrual of impairment loss on non-financial assets, net	**(338,224)**	**–**
Finance income	**18,793**	**–**
Finance costs	**(338,350)**	**(10,058)**
Foreign exchange gain, net	**162,905**	**–**
Profit before taxation	**2,539,519**	**(52,641)**
Income tax expense	**(173,002)**	**6,406**
Profit for the period	**2,366,517**	**(46,235)**
Total comprehensive income	**2,366,517**	**(46,235)**
Attributable to:		
Shareholders of the parent	**1,283,599**	**(46,055)**
Non-controlling interests	**1,082,918**	**(180)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. GROUP STRUCTURE (continued)

Interest in subsidiaries with material non-controlling interests ("NCI") (continued)

Summarised statement of comprehensive income for 2018

In thousands of Tenge	Akbakai GMK JSC
General and administrative expenses	(28,526)
Other operating income	274,162
Other operating expenses	(25,887)
Finance costs	(14,685)
Foreign exchange loss, net	(62,576)
Profit before taxation	142,488
Income tax expense	(32,096)
Profit for the period	110,392
Total comprehensive income	110,392
Attributable to:	
Shareholders of the parent	109,961
Non-controlling interests	431

Summarised cashflow information for year ended 31 December 2019

In thousands of Tenge	**Kazakhaltyn Mining and Metallurgical Concern JSC**	**Akbakai GMK JSC**
Net cash flows from operating activities	**7,708,033**	**(86,141)**
Net cash flows used in investing activities	**(19,005,421)**	**(22,850)**
Net cash flows used in financing activities	**14,741,276**	**109,750**
Net increase in cash and cash equivalents	**3,443,888**	**759**

Summarised cashflow information for year ended 31 December 2018

In thousands of Tenge	Akbakai GMK JSC
Net cash flows from operating activities	(31,897)
Net cash flows used in investing activities	(17,768)
Net cash flows used in financing activities	49,455
Net decrease in cash and cash equivalents	(210)

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of Tenge	**2019**	2018
Type of revenue from contracts with customers		
Income from sale of Dore gold	**97,343,967**	65,461,725
Income from sale of gold	**5,056,674**	–
Income from sale of silver	**6,095**	–
Other	**5,618**	–
	102,412,354	65,461,725
Revenue recognition timeline		
The goods are transferred at a certain point in time	**102,406,736**	65,461,725
The services are provided over time	**5,618**	–
	102,412,354	65,461,725

In connection with the launch of gold refinery in Nur-Sultan, in 2014 the Group concluded an agreement with Kazakhstani company Tau-Ken Altyn LLP. This is the major customer of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. COST OF SALES

In thousands of Tenge	**2019**	2018
Materials and spare parts	**14,521,020**	11,907,222
Depreciation and amortisation *(Notes 16, 17, 19, 20)*	**11,088,567**	9,792,367
Payroll expenses and related taxes	**8,248,516**	5,687,131
Mineral extraction tax	**6,142,555**	4,795,813
Drilling and explosive services	**4,369,574**	2,492,352
Third party services	**4,107,077**	2,538,012
Electric power	**2,740,735**	2,103,166
Ore purchased	**1,164,165**	1,190,057
Taxes other than payroll taxes	**790,473**	610,833
Security services	**674,445**	456,461
Accrual/(reversal) of unused vacation reserve	**547,658**	(352,021)
Repair and maintenance	**101,309**	–
Laboratory tests	**10,184**	–
(Reversal)/accrual of bonus reserve	**(370)**	20,220
Change in finished goods and ore *(Note 25)*	**(1,605,007)**	(2,110,858)
Other	**1,056,688**	806,951
	53,957,589	39,937,706

9. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	**2019**	2018
Payroll expenses and related taxes	**3,191,644**	1,353,077
Depreciation and amortisation *(Notes 16, 17, 19, 20)*	**571,139**	672,657
Consulting services	**530,114**	435,066
Management compensation	**375,870**	–
Business trip expenses	**238,200**	154,778
Trainings, including contractual obligations	**186,192**	103,960
Materials	**135,407**	59,629
Taxes other than payroll taxes	**110,262**	35,041
Accrual of unused vacation reserve	**101,033**	21,384
Social obligation expenses	**81,496**	–
Sponsorship	**53,197**	–
Insurance premium	**44,240**	51,626
Bank services	**32,692**	36,064
Transportation expenses	**22,213**	6,250
Change in disability provisions	**20,318**	5,696
Securiy services	**17,710**	–
Communication	**13,073**	12,572
Penalties and fines to the budget	**593**	1,350
Reversal of bonus reserve	**(10,088)**	(8,119)
Other	**108,245**	110,185
	5,823,550	3,051,216

10. SELLING EXPENSES

In thousands of Tenge	**2019**	2018
Transportation expenses	**140,472**	–
Examination costs	**31,451**	–
Business trip expenses	**9,796**	–
Payroll expenses and related taxes	**6,464**	–
Materials	**5,537**	–
Other	**21,149**	–
	214,869	–

11. OTHER OPERATING INCOME AND EXPENSES

In thousands of Tenge	**2019**	2018
Other operating income		
Income from sales of inventories	**770,115**	86,470
Income from works and services rendered	**368,893**	717,890
Income from write-off of trade and other account payable	**26,465**	116,636
Income from sale of property, plant and equipment	**10,942**	–
Changes in estimates	**–**	247,062
Income from change in fair value of embedded derivative	**–**	219,171
Other income	**34,928**	22,679
	1,211,343	1,409,908
Other operating expense		
Expense from change in fair value of embedded derivative	**808,016**	–
Cost of inventories sold	**806,941**	60,944
Expenses related to works and services rendered	**217,060**	517,113
Depreciation and amortisation *(Notes 16, 17, 19, 20)*	**171,966**	26,010
Laboratory expenses	**41,486**	–
Expense related to disposal of property, plant and equipment	**36,688**	37,822
Canteen expenses	**3,369**	–
Other expenses	**57,419**	4,459
	2,142,945	646,348

12. REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS, NET

In thousands of Tenge	**2019**	2018
Long-term deposits	**(24,379)**	–
Cash and cash equvalents *(Note 29)*	**31,219**	–
Trade and other accounts receivable *(Note 26)*	**104,993**	–
	111,833	–

13. ACCRUAL OF IMPAIRMENT LOSS ON NON-FINANCIAL ASSETS, NET

In thousands of Tenge	**2019**	2018
Property, plant and equipment *(Note 16)*	**308,867**	288,912
VAT receivable	**(292,292)**	–
Inventories	**(120,905)**	(216,272)
Advances paid *(Note 27)*	**179,756**	2,446
Advances paid for non-current assets *(Note 21)*	**32,728**	–
	108,154	75,086

14. FINANCE INCOME AND COSTS

In thousands of Tenge	**2019**	2018
Finance income		
Interest income	**75,122**	32,070
Other finance income	**17**	–
	75,139	32,070
Finance costs		
Interest expense on bank loans	**3,386,504**	2,118,312
Interest expense on loans received from related parties	**450,709**	1,049,146
Interest expenses on lease liabilities *(Note 17)*	**191,997**	–
Amortisation of commissions	**103,888**	–
Unwinding of discount on contractual obligations	**158,507**	130,416
Amortisation of discount on loans received from third parties	**13,551**	–
Amortisation of discount on loans received from related parties	**10,969**	–
Change in liability for subsoil use contract due to modification of terms	**–**	108,976
Other finance costs	**221,771**	213,205
	4,537,896	3,620,055

15. INCOME TAX EXPENSE

In thousands of Tenge	**2019**	2018
Current income tax expense	**1,778,777**	1,557,664
Deferred tax expense	**994,477**	675,640
	2,773,254	2,233,304

The Group is subject to corporate income tax determined in accordance with the laws of the Republic of Kazakhstan. During 2019 and 2018 applicable corporate income tax rate was 20%.

The reconciliation between the corporate income tax expense in the accompanying consolidated financial statements of the Group and accounting profit before corporate income tax multiplied by the statutory tax rate is as follows:

In thousands of Tenge	**2019**	2018
Profit before income tax	**36,113,097**	9,120,462
Statutory tax rate	**20%**	20%
Theoretical income tax	**7,222,619**	1,824,092
Correction of deferred tax of prior years	**–**	751,394
Current income tax relief	**(4,968,959)**	(601,943)
Non-deductible interest expense	**370,994**	248,483
Other permanent differences	**148,600**	11,278
Income tax expense	**2,773,254**	2,233,304

Deferred tax balances calculated by applying the income tax rates in effect at the respective balance sheet dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, comprised the following:

	Consolidated statement of financial position		**Consolidated statement of comprehensive income**	
In thousands of Tenge	**31 December 2019**	31 December 2018	**2019**	2018
Deferred tax assets				
Provisions and liabilities for subsoil use contracts *(Notes 34, 35)*	**3,289,577**	328,903	**17,854**	19,939
Losses effective for offset against future taxable income	**1,125,765**	1,369,064	**(243,299)**	520,230
Taxes payable	**728,046**	237,969	**512,701**	(55,313)
Unused vacation reserve *(Note 39)*	**352,320**	52,247	**300,073**	66,128
Employee benefit	**125,665**	14,125	**111,540**	(2,421)
Property, plant and equipment and intangible assets	**129,932**	17,220	**112,712**	(13,185)
Lease liabilities	**30,626**	–	**10,626**	–
Provision for disability and breadwinner's loss *(Note 36)*	**23,342**	19,278	**4,064**	(1,139)
Expected credit losses	**13,070**	–	**13,070**	–
Provision for slow-moving inventories	**–**	97,092	**(97,092)**	43,701
Interest payable on loans from related parties	**–**	–	**–**	751,394
Less: allowance on deferred tax assets	**(51,215)**	(53,989)	**2,774**	(899)
Offset of deferred tax assets against deferred tax liabilities	**(5,767,128)**	(2,081,909)		
Net deferred tax assets	**–**	–		
Deferred tax liabilities				
Property, plant and equipment, intangible assets and exploration and evaluation assets	**(16,617,770)**	(1,941,638)	**233,983**	(682,559)
Loans received from related parties	**(110,080)**	(162,748)	**52,668**	–
Restricted cash	**(118,101)**	(96,498)	**(21,603)**	24,475
Right-of-use assets	**(29,696)**	–	**(9,696)**	–
Other	**(11,187)**	(5,289)	**(5,898)**	5,289
Offset of deferred tax assets against deferred tax liabilities	**5,767,128**	2,081,909		
Net deferred tax liabilities	**(11,119,706)**	(124,264)		
Deferred tax expense			**994,477**	**675,640**

15. INCOME TAX EXPENSE (continued)

As at 31 December 2019 the Group has tax losses, which arose in the Republic of Kazakhstan in the amount of 5,628,825 thousand Tenge available for offsetting against future taxable profits of the companies in which the losses arose within 10 years from the year of origination of these tax losses. The management of the Group believes that the Group will generate sufficient taxable profit in the future to utilise those tax losses.

As at 31 December 2019 and 2018 net deferred (liabilities)/assets reflected in the consolidated statement of financial position as follows:

In thousands of Tenge	**2019**	2018
Deferred tax assets	**2,533,385**	69,658
Deferred tax liabilities	**(13,653,091)**	(193,922)
Deferred tax liabilities, net	**(11,119,706)**	(124,264)

Movement of deferred tax assets, net:

In thousands of Tenge	**2019**	2018
As of 1 January	**(124,264)**	1,369,193
Deferred tax expense	**(994,477)**	(675,640)
Deferred tax liabilities recognised through equity *(Note 32)*	**–**	(162,748)
Deferred tax asset acquired from business combination *(Note 5)*	**2,781,955**	–
Deferred tax liability aroused from acquisition of subsidiary *(Note 5)*	**(12,782,920)**	(655,069)
As of 31 December	**(11,119,706)**	(124,264)

16. PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	Land	Buildings and constructions	Machinery and equipment	Vehicles	Mining assets	Construction in progress	Other	Total
At cost								
At 1 January 2018	44,134	20,342,370	27,728,178	897,786	7,801,217	1,978,088	2,338,412	61,130,185
Additions	–	1,068	–	–	1,712,783	20,172,067	43	21,885,961
Capitalised depreciation	–	–	–	–	169,917	–	–	169,917
Transfers	–	5,962,330	11,872,760	229,812	195	(18,673,013)	607,916	–
Disposals	–	(50,464)	(180,438)	–	–	–	(43,469)	(274,371)
Change in estimates	–	–	–	–	10,889	–	–	10,889
Acquisition of subsidiary *(Note 5)*	–	417,602	386,231	96,435	1,722,399	252,751	25,292	2,900,710
At 31 December 2018	44,134	26,672,906	39,806,731	1,224,033	11,417,400	3,729,893	2,928,194	85,823,291
Change in accounting policy *(Note 3)*	–	–	(1,899,505)	–	–	–	–	(1,899,505)
At 1 January 2019	44,134	26,672,906	37,907,226	1,224,033	11,417,400	3,729,893	2,928,194	83,923,786
Additions	**–**	**14,734**	**414,377**	**87,597**	**1,270,594**	**22,655,722**	**19,335**	**24,462,359**
Capitalised depreciation	**–**	**–**	**–**	**–**	**895,433**	**–**	**–**	**895,433**
Transfers	**2,771**	**2,026,043**	**7,892,859**	**171,373**	**–**	**(11,037,460)**	**944,414**	**–**
Disposals	**(2,386)**	**(9,932)**	**(36,654)**	**(23,721)**	**–**	**(7,224)**	**(9,354)**	**(89,271)**
Acquisition of subsidiary *(Note 5)*	**566,440**	**29,783,578**	**28,957,161**	**7,715,924**	**11,189,504**	**12,785,854**	**584,106**	**91,582,567**
Change in estimates	**–**	**2,044,161**	**–**	**–**	**(305,181)**	**–**	**–**	**1,738,980**
At 31 December 2019	**610,959**	**60,531,490**	**75,134,969**	**9,175,206**	**24,467,750**	**28,126,785**	**4,466,695**	**202,513,854**
Accumulated depreciation and impairment								
At 1 January 2018	–	(4,516,344)	(14,040,120)	(556,695)	(2,649,447)	–	(1,197,107)	(22,959,713)
Depreciation charge	–	(1,334,758)	(5,398,758)	(156,487)	(2,342,441)	–	(504,654)	(9,737,098)
Transfers	–	–	(18,922)	4,074	–	–	14,848	–
Depreciation on disposals	–	23,442	169,638	–	–	–	43,469	236,549
Impairment	–	–	(72,651)	–	–	(216,261)	–	(288,912)
At 31 December 2018	–	(5,827,660)	(19,360,813)	(709,108)	(4,991,888)	(216,261)	(1,643,444)	(32,749,174)
Change in accounting policy *(Note 3)*	–	–	469,330	–	–	–	–	469,330
At 1 January 2019	–	(5,827,660)	(18,891,483)	(709,108)	(4,991,888)	(216,261)	(1,643,444)	(32,279,844)
Depreciation charge	**–**	**(2,351,051)**	**(6,730,422)**	**(264,892)**	**(1,344,311)**	**–**	**(681,789)**	**(11,372,465)**
Depreciation on disposals	**–**	**9,932**	**14,315**	**22,997**	**–**	**–**	**5,339**	**52,583**
Impairment	**–**	**(12,569)**	**(119,610)**	**(8,274)**	**–**	**(148,187)**	**(20,227)**	**(308,867)**
At 31 December 2019	**–**	**(8,181,348)**	**(25,727,200)**	**(959,277)**	**(6,336,199)**	**(364,448)**	**(2,340,121)**	**(43,908,593)**
Net book value								
At 1 January 2018	44,134	15,826,026	13,688,058	341,091	5,151,770	1,978,088	1,141,305	38,170,472
At 31 December 2018	44,134	20,845,246	20,445,918	514,925	6,425,512	3,513,632	1,284,750	53,074,117
At 31 December 2019	**610,959**	**52,350,142**	**49,407,769**	**8,215,929**	**18,131,551**	**27,762,337**	**2,126,574**	**158,605,261**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

In 2017 the Group concluded three contract with contractor AAEngineering Group LLP, a related party, for the supply of equipment, design and construction on a turnkey basis under the projects "Introduction of the second phase of crushing (cone crusher) on gold processing plant Pustynnoe" with the value of 1,948,520 thousand Tenge, "Modernisation of gold processing plant Pustynnoe with increase of capacity from 2 mln. to 2.3 mln. tons of ore per year and introduction of flotation-cyanide technology for ore from Pustynnoe field" with the value of 2,299,282 thousand Tenge and "Construction of plant for production of precious metals" with the value of 6,005,966 thousand Tenge. In October 2018 contractor completed the major part of the works under all three projects, as a result the Group transferred this fixed assets from construction in progress to buildings and constructions, machinery and equipment, and commenced depreciation.

In 2019 the Group had three contracts with contractor AAEngineering Group LLP, a related party, for the supply of equipment, design and construction on a turnkey basis under the project "Modernisation of gold processing plant Pustynnoe with increase of capacity to 2,5 mln. tons of ore per year with the value of 9,368,328 thousand Tenge, "Construction of gold processing plant with capacity of 5 mln. tons of gold ore per year on Aksu facilities" with the value of 62,911,695 thousand Tenge, "Construction of gold processing plant "Dolinnoe" based on CIP technology" with the value of 24,666,064 thousand Tenge and "Construction of crushing and grading complex and mechanical repair workshop on Dolinnoe field" with the value of 1,544,773 thousand Tenge. Additions during 2019, mainly, presented by equipment and construction-assembly works which were accepted from contractor.

On 11 March 2019, the Company entered into an agreement with Proserve Mining LLP, for the supply of equipment for the Pustynnoye mining and processing plant for a total of 16,806 million euros, where AAEngineering Group LLP acted as an agent under the terms of the contract.

As at 31 December 2019 and 31 December 2018, assets with the net book value of 25,382,424 thousand Tenge and 21,058,105 thousand Tenge, respectively, were pledged as collateral for bank loans.

During the year ended 31 December 2019 the Group capitalised interest on loans in the amount of 1,063,058 thousand Tenge (2018: 433,613 thousand Tenge). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 5.69% (2018: 5.69%), which is the effective interest rate of the special purpose loans.

As at 31 December 2019, property, plant and equipment with cost of 8,885,059 thousand Tenge were fully depreciated (2018: 6,770,907 thousand Tenge). As at 31 December 2019, construction in progress mainly includes equipment and spare parts for installation with carrying amount of 25,964,120 thousand Tenge (2018: 2,092,732 thousand Tenge) and other construction in progress objects.

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

In thousands of Tenge	Machinery and equipment	Office and apartments	Total	Lease liabilities
At cost				
As at 31 December 2018	–	–	–	–
Change in accounting policy *(Note 3)*	1,899,505	–	1,899,505	1,127,615
As at 1 January 2019 (restated)	1,899,505	–	1,899,505	1,127,615
Additions	**419,955**	**230,968**	**650,923**	**701,318**
Payments	**–**	**–**	**–**	**(964,992)**
Interest expense *(Note 14)*	**–**	**–**	**–**	**191,997**
As at 31 December 2019	**2,319,460**	**230,968**	**2,550,428**	**1,055,938**
Accumulated depreciation and impairment				
As at 31 December 2018	–	–	–	–
Change in accounting policy *(Note 3)*	(469,330)	–	(469,330)	–
As at 1 January 2019 (restated)	(469,330)	–	(469,330)	–
Depreciation charge	**(352,989)**	**(82,489)**	**(435,478)**	**–**
As at 31 December 2019	**(822,319)**	**(82,489)**	**(904,808)**	**–**
Lease liabilities				
Short-term portion				**624,945**
Long-term portion				**430,993**
				1,055,938
Net book value of right-of-use assets				
As at 31 December 2018	–	–	–	–
As at 31 December 2019	**1,497,141**	**148,479**	**1,645,620**	**–**

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

On 25 February 2019, the Group entered into a lease agreement for premises with a total area of 2,247,1 sq.m. located in an administrative building in Almaty for 9,043 thousand Tenge per month with a validity period from 1 March 2019 to 1 March 2021.

On 25 June 2019, the Group concluded a lease agreement for mine dump truck 419,955 thousand Tenge with a monthly payment of 12,463 thousand Tenge with a maturity of 37 months.

Incremental borrowing rate comprised the range of 4.9% to 8.1%.

18. EXPLORATION AND EVALUATION ASSETS

In thousands of Tenge	
As at 1 January 2018	4,073,035
Additions	1,619,096
Change in estimates	(84,058)
Transfer to intangible assets *(Note 20)*	(760,079)
As at 31 December 2018	4,847,994
Additions	**6,467,568**
Acquisition of subsidiary *(Note 5)*	**95,059**
As at 31 December 2019	**11,410,621**

As at 31 December 2019 and 2018 exploration and evaluation assets are mainly presented by capitalised expenditures for geological, geophysical and drilling works.

Additions for 2019 includes capitalised interest of 67,034 thousand Tenge (2018: 57,433 thousand Tenge) on loans obtained for financing of geological prospecting works.

19. INVESTMENT PROPERTY

In 2019 the Group recognised investment property under business acquisition held in November 2019. Investment property is represented by office premises in Nurly Tau business center in Almaty. This office premises were leased to EDMAR GROUP LLP for the period from 1 March 2019 till 31 January 2020, and the total rent amounts to 251,532 Tenge per month. The movement of investment property for the years ended 31 December 2019 was as follows:

In thousands of Tenge	**Buildings**	**Total**
Cost		
As at 31 December 2018	–	–
Acquisition of subsidiary *(Note 5)*	**224,624**	**224,624**
As at 31 December 2019	**224,624**	**224,624**
Accumulated depreciation		
As at 31 December 2018	–	–
Depreciation charge	**(819)**	**(819)**
As at 31 December 2019	**(819)**	**(819)**
Net book value		
As at 31 December 2018	–	–
As at 31 December 2019	**223,805**	**223,805**

As at 31 December 2019, the fair value of investment property items was 359,688 thousand Tenge. In measuring the fair value of investment property, the Group analysed the market value of similar real estate properties as at the reporting date.

Income and expenses from lease of these premises for the year ended 31 December 2019 are as follows:

In thousands of Tenge	**2019**
Rental income from investment property (included in other operating income)	210
Direct operating expenses from investment property (included in other operating expenses)	(5,008)
Net loss from investment property	**(4,798)**

20. INTANGIBLE ASSETS

In thousands of Tenge	**Subsurface use rights**	**Other**	**Total**
At cost			
As at 1 January 2018	2,821,173	1,610,796	4,431,969
Additions	–	602,630	602,630
Transfer from exploration and evaluation assets *(Note 18)*	760,079	–	760,079
Acquisition of subsidiary *(Note 5)*	6,760,973	600	6,761,573
As at 31 December 2018	10,342,225	2,214,026	12,556,251
Additions	**–**	**1,719,784**	**1,719,784**
Change in estimates	**28,854**	**–**	**28,854**
Acquisition of subsidiary *(Note 5)*	**45,981,998**	**543,820**	**46,525,818**
As at 31 December 2019	**56,353,077**	**4,477,630**	**60,830,707**
Accumulated amortisation			
At 1 January 2018	(1,065,452)	(626,838)	(1,692,290)
Amortisation charge	(688,072)	(235,781)	(923,853)
At 31 December 2018	(1,753,524)	(862,619)	(2,616,143)
Amortisation charge	**(606,797)**	**(311,546)**	**(918,343)**
At 31 December 2019	**(2,360,321)**	**(1,174,165)**	**(3,534,486)**
Net book value			
At 1 January 2018	1,755,721	983,958	2,739,679
At 31 December 2018	8,588,701	1,351,407	9,940,108
At 31 December 2019	**53,992,756**	**3,303,465**	**57,296,221**

21. ADVANCES PAID FOR NON-CURRENT ASSETS

In thousands of Tenge	**31 December 2019**	31 December 2018
Advances paid for non-current assets	**52,714,051**	5,998,257
Less: impairment	**(48,440)**	(15,712)
	52,665,611	5,982,545

As at 31 December 2019 and 2018, advanced paid for non-current assets mainly comprise the following:

- Advances given to suppliers for design, supply of equipment and construction on a turnkey basis of the project "Increase the throughput capacity of the Pustynnoe gold processing plant to 2.5 mln. tons of ore per year for combined ore processing";
- Advances given to suppliers for design, supply of equipment and construction on a turnkey basis of the project "Construction of gold processing plant "Dolinnoe" based on CIP technology";
- Advances given to suppliers for design, supply of equipment and construction on a turnkey basis of the project "Construction of gold processing plant with capacity of 5 mln. tons of gold ore per year on Aksu facilities";
- Advances given to suppliers for the project of introduction of the second phase of crushing at the "ZIF". "Pustynnoe" and the introduction of flotation-cyanide ore processing technology at the mining and metallurgical enterprise "Pustynnoe" in Aktogay district, Karaganda region;
- Advances paid for mining and other equipment.

The movement of the impairment was as follows:

In thousands of Tenge	**2019**	2018
As at 1 January	**(15,712)**	(15,712)
Accrual *(Note 13)*	**(32,728)**	–
As at 31 December	**(48,440)**	(15,712)

22. GOODWILL

In thousands of Tenge	**Goodwill**
At cost	
As at 1 January 2018	–
Acquisition of subsidiary *(Note 5)*	171,520
As at 31 December 2018	171,520
Acquisition of subsidiary *(Note 5)*	**6,083,423**
As at 31 December 2019	**6,254,943**

Goodwill in amount of 171,520 thousand Tenge is related to Dolinnoe field CGU while the goodwill in amount of 6,083,424 thousand Tenge is related to Aksu, Bestobe and Zholymbet CGU.

Impairment testing of goodwill

For impairment testing goodwill acquired through business combinations are allocated to the relevant CGU. The whole amount of goodwill as at 31 December 2019 and 2018 was allocated to mining and production of Aksu, Bestobe and Zholymbet CGU as it's core activity of the acquired business and the area where the management of the Group has specific knowledge.

The Group performed its annual impairment test in December 2019 and 2018. The recoverable amount of the CGU related to mining and production activities of Aksu, Bestobe and Zholymbet is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the expected macroeconomic situation. The pre-tax discount rate applied to the cash flow projections is 11.3%. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 1%. The following forecast for gold prices was used in calculation of value-in-use:

Year	**2020**	**2021**	**2022**	**2023**	**2024**
Gold price (US Dollar/ounce)	1,505	1,451	1,450	1,400	1,400

As a result of the analysis, recoverable amount was higher that the carrying value of CGU with the headroom of 3,675,235 thousand Tenge and management did not identify an impairment for this CGU.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use is most sensitive to the following assumptions:

Gold prices – gold prices are based on median value of forecasts published by known investment banks and broker houses for the next 5 years.

Decreased demand can lead to a decline in the cashflows. A decrease in the forecasted prices by 1.0% would result in impairment for 1,133,267 thousand Tenge.

Discount rate − Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the pre-tax discount rate to 12.3% (i.e.,+1%) would result in impairment for 4,722,598 thousand Tenge.

Impairment test requires extensive judgment by management regarding the assumptions and estimates related to future cash flows and discount rates. Given the nature of the current global economic environment, such assumptions and estimates ultimately have a high degree of uncertainty associated with them. Consequently, other assumptions of equal validity could give rise to significantly different results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. LONG-TERM DEPOSITS

In thousands of Tenge	**31 December 2019**	31 December 2018
Liquidation fund deposits under subsoil use contracts	**917,826**	492,991
Other	**279**	279
Less: allowance for expected credit losses	**(24,379)**	–
	893,726	493,270

Amounts reserved for execution of liabilities for future site restoration will be available for use with the permission of the Competent Authority, approved by the authorised agency on protection and subsurface use and the Central executive body on environmental protection. As at 31 December 2019 the Group had restricted cash for execution of site restoration in the amount of 917,826 thousand Tenge (31 December 2018: 492,991 thousand Tenge). Other amounts included guarantee deposits for expatriate employees.

24. LOANS GIVEN

In thousands of Tenge	**Currency**	**Interest rate**	**Maturity year**	**31 December 2019**	31 December 2018
AAEngineering Group LLP	Tenge	0%	On demand	**950,000**	–
Kazakhaltyn Service LLP	Tenge	0.5%	2020	**50,022**	–
Branch trade union of workers of mining and metallurgical enterprises and related industries	Tenge	0%	2020	**12,000**	–
				1,012,022	–

Talas Gold Mining Company CJSC

Under business acquisition the Group acquired the assignment of receivables from Talas Gold Mining Company CJSC (hereinafter, “TGMC”) for a total amount of 12,500 thousand US Dollars (equivalent to 4,154,125 thousand Tenge) with maturity date of 30 September 2021. This loan is non-interest bearing and has not been repaid by TGMC since the conclusion of the contract. This assignment was valued for zero at business acquisition.

AAEngineering Group LLP

On 1 July 2019 the Group entered into interest-free loan agreement with AAEngineering Group LLP for the total amount of 950,000 thousand Tenge. The loan is repayable on demand.

Kazakhaltyn Service LLP

Under business acquisition the Group acquired a loan agreement with Kazakhaltyn Service LLP for the total amount of 272,175 thousand Tenge at an interest rate of 0.5% per annum. The loan shall be repayable before 31 December 2020. As at 31 December 2019, the loan and accrued interest amounted to 50,000 thousand Tenge and 22 thousand Tenge, respectively.

As at 31 December 2019, loans issued to Kazakhaltyn Service LLP are neither overdue nor impaired.

25. INVENTORIES

In thousands of Tenge	**31 December 2019**	31 December 2018
Spare parts and production materials	**20,103,051**	6,573,571
Ore	**18,081,899**	7,164,776
Finished goods	**13,345,093**	2,036,570
Other	**396,424**	269,159
	51,926,467	16,044,076

On 29 November 2019 under the frame of acquisition of subsidiary the Group recognised the ore and finished goods worth a total of 20,620,639 thousand Tenge.

Spare parts and production materials in stock as at 31 December 2019 and 2018 were purchased for maintaining the mining operations, ore processing plants and related infrastructure.

26. TRADE AND OTHER ACCOUNTS RECEIVABLE

In thousands of Tenge	**31 December 2019**	31 December 2018
Accounts receivable at amortised cost	**231,394**	–
- Trade receivables from related parties	**231,394**	–
Accounts receivable at fair value through profit or loss	**5,227,211**	629,297
- Trade receivables from third parties	**4,399,001**	629,297
- Trade receivables from related parties	**828,210**	–
Other accounts receivable	**9,032,040**	101,434
Less: allowance for expected credit losses	**(773,225)**	(3,358)
	13,717,420	727,373

During 2019, the average credit period for the Group's customers is 12 days. During 2019 and 2018 interest on outstanding balance was not accrued.

The movement of allowance for expected credit losses of trade and other account receivables was as follows:

In thousands of Tenge	**2019**	2018
Allowance for expected credit losses as at 1 January	**(3,358)**	(5,593)
Recognised at business combination	**(874,860)**	–
Accrual *(Note 12)*	**(52,677)**	–
Reversal *(Note 12)*	**157,670**	–
Write-off	**–**	2,235
Allowance for expected credit losses as at 31 December	**(773,225)**	(3,358)

As at 31 December 2019 and 2018, carrying amount of trade and other accounts receivable was denominated in the following currencies:

In thousands of Tenge	**31 December 2019**	31 December 2018
Euro	**8,172,061**	–
US Dollar	**2,173,351**	–
Kazakhstani Tenge	**3,370,825**	727,373
Russian Rouble	**1,183**	–
	13,717,420	727,373

The following is information about the Group's exposure to credit risk from trade and other accounts receivable using the estimated provisions matrix as at 31 December 2019 and 2018:

			Past due			
In thousands of Tenge	**Total**	**Current**	**<90 days**	**90-180 days**	**180-360 days**	**>360 days**
31 December 2019						
Percentage of expected credit losses		**0.68%**	**5.34%**	**6.61%**	**48.04%**	**100%**
Estimated total gross carrying value at default	**14,490,645**	**10,082,230**	**3,064,591**	**855,968**	**6,847**	**481,009**
Expected credit losses	**773,225**	**68,630**	**163,720**	**56,577**	**3,289**	**481,009**

			Past due			
In thousands of Tenge	Total	Current	<90 days	90-180 days	180-270 days	>270 days
31 December 2018						
Percentage of expected credit losses		0%	0.47%	0%	0%	0%
Estimated total gross carrying value at default	730,731	629,297	101,434	–	–	–
Expected credit losses	3,358	–	3,358	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. ADVANCES PAID

In thousands of Tenge	**31 December 2019**	31 December 2018
Advances paid for works and services	**2,094,724**	285,281
Advances paid for delivery of inventory	**516,013**	117,287
Other advances paid	**70,936**	16,614
	2,681,673	419,182
Less: impairment	**(224,939)**	(45,183)
	2,456,734	373,999

The movement of the impairment was as follows:

In thousands of Tenge	**2019**	2018
At 1 January	**(45,183)**	(42,737)
Accrual *(Note 13)*	**(179,756)**	(2,446)
As at 31 December	**(224,939)**	(45,183)

28. TAX ASSETS AND LIABILITIES OTHER THAN INCOME TAX

In thousands of Tenge	**31 December 2019**	31 December 2018
Current tax assets		
VAT recoverable	**16,916,243**	4,335,247
Property tax	**83,611**	23,329
Other	**92,722**	12,489
	17,092,576	4,371,065
Current tax liabilities		
Mineral extraction tax payable	**3,957,930**	1,431,565
VAT payable	**2,228,594**	–
Individual income tax payable	**418,205**	40,404
Pension contribution payable	**314,291**	68,231
Social tax payable	**228,522**	32,636
Social contributions payable	**15,933**	11,182
Other	**534,743**	94,961
	7,698,218	1,678,979

29. CASH AND CASH EQUIVALENTS

In thousands of Tenge	**31 December 2019**	31 December 2018
Bank accounts in foreign currency	**9,887,632**	3,488,927
Bank accounts in Tenge	**7,584,015**	862,872
Petty cash	**14,538**	4,503
	17,486,185	4,356,302

In 2019 the Group recognised reversal of allowance for expected credit loss in the amount of 31,219 thousand Tenge *(Note 12)*.

As at 31 December 2019 and 2018 cash and cash equivalents were denominated in the following currencies:

In thousands of Tenge	**31 December 2019**	31 December 2018
US Dollars	**10,454,854**	3,431,443
Tenge	**7,008,317**	867,375
Euro	**13,238**	29,680
British Pounds	**9,776**	27,804
	17,486,185	4,356,302

30. SHARE CAPITAL

In thousands of Tenge	**2019** Quantity	**2019** Amount	2018 Quantity	2018 Amount
Common shares	**10,833,333**	**27,090,245**	10,833,333	27,090,245
Preferred shares	**5,267**	**26,335**	5,267	26,335
Preferred shares liabilities		**(2,092)**		(2,092)
		27,114,488		27,114,488

The holders of common shares have the right to receive dividends in case the Group receives net income based on the results of the fiscal year. The decision to pay dividends is made at the general meeting of shareholders. The holders of common shares have the voting right based on "one share – one vote" rule. The holders of preferred shares have the right to receive quarterly dividends comprising KZT 500 per annum per share.

The holders of preferred shares do not have the voting right except for cases related to reorganisation or liquidation of the entity, when the liability on payment of dividends is outstanding for more than 3 months from the scheduled date of payment, and in cases when the decisions are related to limitation of the rights of preferred shareholders.

The right of demand of preferred shareholders is reflected as liabilities in the consolidated financial statements of the Group. The financial liabilities are stated at fair value equivalent to the cost of financial instruments with indefinite validity period.

Ordinary shares

As at 31 December 2019, Gouden Reserves B.V. is the holder of 60% of the total voting shares of the Company (as at 31 December 2018: 70%), Dzhumanbaev V.V. is the holder of 30% of the total number of the Company's voting shares (as at 31 December 2018: 30%), and other individuals are the holders of 10% of the total number of the Company's voting shares. The ultimate controlling party of Gouden Reserves B.V. is Anna Berezina.

On 29 November 2018 the Company entered into an agreement on the sale of 833,333 common shares to repay principal of the loans received from parent company for 18,736,965 thousand Tenge *(Note 32).* Since the nature of this transaction is operation with a shareholder, the Group recorded an increase in share capital.

Preferred shares

As at 31 December 2019 the Company had 4,830 repurchased preferred shares at KZT 5,000 per share (31 December 2018: 4,830 at KZT 5,000 per share).

	Outstanding items	**Nominal value, Tenge**	**Cost, Tenge**	**Minimum dividend rate, %**	**Minimum dividend amount, thousand Tenge**	**Market rate, %**	**Present value, thousand Tenge**
2019	**437**	**5,000**	**2,185**	**10**	**219**	**10.45**	**2,092**
2018	437	5,000	2,185	10	219	10.45	2,092

The discounted value of the right of demand is classified as a preferred shares financial liabilities liability and the difference between nominal value and financial liabilities is classified as equity.

In case of liquidation of the Company the holders of preferred shares are the first to receive all declared but unpaid dividends and par value of the preferred shares.

Afterwards all the shareholders, holders of both preferred and common shares, participate in distribution of remaining assets on equal terms.

30. SHARE CAPITAL (continued)

Calculation of book value of share

Calculation of book value of one ordinary share, calculated in accordance with the requirement of KASE

Below is the cost of one ordinary share, calculated in accordance with the requirements of KASE:

In thousands of Tenge	**31 December 2019**	31 December 2018
Total assets	**396,602,839**	101,495,988
Intangible assets	**(57,296,221)**	(9,940,108)
Total liabilities	**(299,162,670)**	(73,961,616)
Preferred shares	**(93)**	(93)
Net assets	**40,143,855**	17,594,171
Quantity of ordinary shares	**10,833,333**	10,833,333
Book value of one ordinary share in KZT	**3,706**	1,624

Another requirement for disclosure is the amount of the dividends payable to owners of preferred non-voting shares, preferred non-voting shares in the equity and debt component of preferred non-voting shares, dividend by number of preferred non-voting shares. As at 31 December 2019, this indicator amounted to 5,000 Tenge (as at 31 December 2018: 5,000 Tenge).

Calculation of book value of one preferred share, calculated in accordance with the requirement of KASE

In thousands of Tenge	**31 December 2019**	31 December 2018
Amount of accrued, but not paid dividends on preferred shares	**–**	–
Preferred shares	**93**	93
Equity attributable to preferred shareholders	**93**	93
Debt component of preferred shares	**2,092**	2,092
	2,185	2,185
Issued preferred shares	**5,267**	5,267
Repurchased preferred shares	**(4,830)**	(4,830)
Quantity of preferred shares	**437**	437
Book value of one preferred share in KZT	**5,000**	5,000

Earnings per share

Basic and diluted earnings per share are calculated by dividing net income for the year attributable to the ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year.

In the following table data about income and shares used in the calculation of basic earnings per share for the years ended 31 December:

	For the year ended 31 December	
In thousands of Tenge	**2019**	2018
Net income attributable to the shareholder for calculation of basic and diluted earnings per share	**32,257,105**	6,887,158
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	**10,833,333**	10,045,662
Basic and diluted earnings per share for the year, Tenge	**2,978**	686

31. BANK LOANS

In thousands of Tenge	Currency	Nominal interest rate	Effective interest rate	Maturity	31 December 2019	31 December 2018
VTB Banks (Europe) SE	Euro/ US Dollar	5% + EURIBOR	6.32%-6.36%	2024	**128,441,490**	–
Eurasian Development Bank JSC	US Dollar	5.5%	5.4%-5.69%	2025-2026	**39,450,865**	20,144,080
Halyk Bank of Kazakhstan JSC	US Dollar	5.5%	5.9%	2026	**–**	37,054,511
					167,892,355	57,198,591
Current portion					**2,710,428**	19,335,638
Non-current portion					**165,181,927**	37,862,953
					167,892,355	57,198,591

The bank loans have the following maturity dates:

In thousands of Tenge	31 December 2019	31 December 2018
Within three months	**114,494**	3,536,847
Three to six months	**1,383,313**	6,437,018
Six to twelve months	**1,212,621**	9,361,773
Current portion	**2,710,428**	19,335,638
One to two years	**42,982,005**	24,789,410
Repayable later	**123,818,298**	13,378,758
Non-current portion	**166,800,303**	38,168,168

VTB Banks (Europe) SE

On 20 November 2019 the Group entered into an agreement with VTB Bank (Europe) SE on the opening of 6 non-revolving credit facilities (Facility A, Facility B, Facility C, Facility D, Facility E and Facility F). The purpose of each faclitiy is the following: Facility A amounted to 149,000 thousand Euro is purposed to refinance loans received from the SB of Sberbank of Russia JSC and Halyk Bank of Kazakhstan JSC, Facility B amounted to 116,500 thousand Euro is purposed to finance acquisition of JSC Kazakhaltyn MMC and the rest Facilities (Facility C, Facility D, Facility E and Facility F) amounted to 188,000 thousand Euro and 15,000 thousand US Dollars are purposed to finance capital expenditures of the Group.

On 27 November 2019, as part of the first credit line, the Group received loans in the amount of 200,591 thousand Euro under Facilities A and B, with an interest rate of 5% per annum + EURIBOR and valid until 20 November 2024 to refinance previous debt to Halyk Bank of Kazakhstan JSC and finance business acquisition.

On 13 December 2019, the Group received the tranche under Facility C in the amount of 35,908 thousand Euro with an interest rate of 5% per annum + EURIBOR and maturity on 23 September 2024 and tranche under Facility F in the amount of 5,423 thousand US Dollars with the interest rate of 5.5% and maturity on 20 November 2024.

Loans issued under these credit lines are repaid on a quarterly basis in equal installments, with a grace period until 23 December 2021. Interest is paid quarterly. The bank was provided with 100% of the common voting shares of the Group as collateral against these credit facilities. During 2019 the Group did not breach covenants of these loans.

Eurasian Development Bank JSC

On 30 September 2011 the Group entered into credit agreement on rendering a non-revolving credit facility for the amount of 98 million US Dollars for the period of 96 months from the date of the first tranche. In 2017 the interest rate was reduced to 6.75% per annum. As at 31 December 2019 this facility was settled.

On 8 June 2018 the Group concluded credit agreement No. 482 for 5.7 million US Dollars and credit agreement No. 484 for 30 million US Dollars. Credit agreement No. 482 is intended to cover the amount paid to former owners of Aktogay Mys LLP and credit agreement No. 484 is intended to reimburse the amount of loan which the Group gave to Aktogay Mys LLP before acquisition for repayment of Aktogay Mys LLP's liabilities in front of former owners. Both loans were obtained with interest rate of 5.51% per annum with maturity of 7 years. Principal and interest for these credit agreements are payable on a semi-annual basis.

31. BANK LOANS (continued)

Eurasian Development Bank JSC (continued)

On 12 March 2019 the Group entered into a five-sided loan agreement No. 185 in the amount of 13,300 thousand US Dollars, No. 187 in the amount of 27,484 thousand US Dollars and on 5 June 2019 No. 536 in the amount of 33,093 thousand US Dollars for the provision of non-revolving credit lines for a period of 7 years from the date of conclusion of contracts. The credit line has an interest rate of 5.5% per annum and is intended to finance expenses for "Construction of gold processing plant "Dolinnoe" based on CIP technology" project. Principal and interest for these credit agreements are payable on a quarterly basis with a grace period until 7 January 2021.

On 12 March 2019 the Group entered into a five-sided loan agreement No. 186 for 3,816 thousand and 5 June 2019 No. 537 for 20,084 thousand with Eurasian Development Bank JSC for the provision of non-revolving credit lines for a period of 7 years from the date of conclusion of the agreements. The credit line has an interest rate of 5.5% per annum and is intended to finance operating activities and "Construction of crushing and grading complex and mechanical repair workshop on Dolinnoe field" project. Principal and interest for these credit agreements are payable on a quarterly basis with a grace period until 7 January 2021.

As at the reporting date the loans under the credit facilities were secured by rights for subsoil use on Akbakai, Svetinskoye, Karyernoe and Aksakal-Beskempir fields, movable and immovable property of the Group. As at 31 December 2019 and 2018 all covenants set by the bank were met.

Halyk Bank of Kazakhstan JSC

On 26 May 2014 the Group entered into two credit line agreements with Halyk Bank of Kazakhstan JSC for the total amount of 90 million US Dollars. Credit lines were provided for the period of 96 months from the date of the first tranche, payments of which are executed twice a year and with a grace period on interest payment. Principal repayments started in September 2015. In 2017 interest rate on the loans obtained under the credit facility was reduced to 5.5% per annum. During 2018 and 2017 the Group increased the total amount of credit facilities up to 145 million US Dollars and used this credit facilities for financing of the following Projects:

- Introduction of the second phase of crushing (cone crusher) on gold processing plant Pustynnoe;
- Modernisation of gold processing plant Pustynnoe with increase of capacity from 2 mln. to 2.3 mln. tons of ore per year and introduction of flotation-cyanide technology for ore from Pustynnoe field;
- Construction of plant for production of precious metals.

As at the reporting date the loans were fully refinanced by Facility A of VTB Banks (Europe) SE.

32. LOANS RECEIVED FROM RELATED PARTIES

In thousands of Tenge	**Currency**	**Maturity date**	**Interest rate**	**31 December 2019**	31 December 2018
Gouden Reserves B.V. (i)	US Dollars	2024	4.4%	**24,347,378**	–
Financial services B.V.	US Dollars	2024	4.5%-4.8%	**11,777,266**	–
Gouden Reserves B.V. (ii)	US Dollars	2026	5%	**5,905,245**	–
Gouden Reserves B.V. (ii)	US Dollars	2022	5%	**–**	2,830,297
Gouden Reserves B.V. (ii)	US Dollars	2020	3m Libor+3%	**–**	2,154,028
Gouden Reserves B.V. (ii)	US Dollars	2020	1m Libor+3%	**–**	451,874
Gouden Reserves B.V. (ii)	US Dollars	2020	3%	**–**	51,426
				42,029,889	5,487,625
Current portion				**–**	–
Non-current portion				**42,029,889**	5,487,625
				42,029,889	5,487,625

Gouden Reserves B.V. (i) and Financial Services B.V.

Under business combination the Group acquired loans payable to Financial Services B.V. and Gouden Reserves B.V. with a fair value of 36,345,420 thousand Tenge as at the date of acquisition. Loans were denominated in US Dollars with interest of 5% and maturity 1 January 2025. The Group recognised these loans at fair value and subsequently measures at amortised cost.

32. LOANS RECEIVED FROM RELATED PARTIES (continued)

Gouden Reserves B.V. (ii)

On 18 November 2019 the Group concluded additional agreements with Gouden Reserves B.V. to the loan agreements, pursuant to which interest rates were changed to 5% per annum retrospectively from 1 January 2019 and the maturity dates of the loans were changed to 1 July 2026. The Group assessed the impact of modification of the loan terms and concluded that there were no substantial change. As a result, the Group recognised modification of loans terms in the total amount of 113,123 thousand Tenge within equity for the year ended 31 December 2019, given that lenders are shareholders of the Group.

On 29 November 2018 the Group repaid the principal amount of 18,736,965 thousand Tenge by issuing the 833,333 common shares in favor of Gouden Reserves B.V. prior to maturity date. Impact of the change of the loan terms was reflected in the consolidated statement of changes in equity as increase in additional paid-in capital by 813,738 thousand Tenge, net of deferred tax liability in the amount of 162,748 thousand Tenge *(Note 15)*.

33. EMPLOYEE DEFINED BENEFIT LIABILITY

As at 31 December 2019, the Group has a collective labor agreement with the Group's employees. In accordance with this agreement, the Group accepted an obligation to make certain long-term payments, mainly consisting of additional payments for labor injuries, anniversaries, retirement payments, and others. The Group did not create any funds to these future benefit payments.

Net benefit expense (recognised in profit or loss):

In thousands of Tenge	**2019**	2018
Current service costs	**–**	–
Interest expense on employee defined benefit liabilities	**–**	–
Net benefit expense	**–**	–

The movement of the employee benefit obligation for the years ended 31 December 2019 and 2018 is presented as follows:

In thousands of Tenge	**2019**	2018
Employee benefit liabilities at 1 January	**–**	–
Acquisition of subsidiary *(Note 5)*	**925,541**	–
Current service costs	**–**	–
Interest expenses	**–**	–
Payments made for the year	**–**	–
Employee benefit liabilities at 31 December	**925,541**	–

The classification of employee benefit obligations as at 31 December 2019 and 2018 is presented as follows:

In thousands of Tenge	**31 December 2019**	31 December 2018
Current portion of employee benefit liability	**77,710**	–
Non-current portion of employee benefit liability	**847,831**	–
	925,541	–

34. PROVISIONS

In thousands of Tenge	**2019**	2018
At 1 January	**980,368**	1,135,558
Recognition of provision	**24,955**	–
Acquisition of subsidiary *(Note 5)*	**11,226,674**	35,609
Change in estimates	**1,767,834**	(320,231)
Amortisation of discount	**58,793**	67,856
Foreign exchange differences	**–**	61,576
At 31 December	**14,058,624**	980,368

34. PROVISIONS (continued)

Site restoration provision

The site restoration provision is related to liabilities to restore damage as a result of exploration and production activities of the Group at gold mines.

The following is the review of main assumptions on which the current carrying value of the provision for site restoration is based:

(i) Site restoration provision is denominated in Tenge.

(ii) Total undiscounted amount of accepted future cash outflows adjusted for inflation as at 31 December 2019 and 31 December 2018, separately by fields was as follows:

In thousands of Tenge	**2019**	2018
Aksu, Bestobe and Zholymbet	**11,552,802**	−
Akbakai	**1,193,884**	157,029
Pustynnoe	**1,103,456**	503,011
Dolinnoe	**80,855**	52,278
Heap-leaching site	**63,255**	11,973
Aksakal − Beskempir	**39,749**	72,953
Mizek	**24,964**	−
Svetinskoye	**15,440**	33,608
Karyernoye	**11,214**	11,973
	14,085,619	842,825

(iii) Future cash outflow separately by fields is expected:

	Aksu, Bestobe and Zholymbet	**Akbakai**	**Pustynnoe**	**Dolinnoe**	**Heap-leaching site**	**Aksakal – Beskempir**	**Mizek**	**Svetin-skoye**	**Karyer-noye**
Year	2029	2024	2026	2031	2021	2032	2026	2024	2020

(iv) Inflation rates – 5.24%-5.5% (2018: 5.5%-5.71%);

(v) Discounting rates – 5.44%-5.72% (2018: 5.53%-8.58%);

Provision for compensation of historical costs

In accordance with subsurface use contracts the Group shall compensate a certain portion of historical costs incurred by Kazakhstan government in licensing, prior to the issue of the licenses.

The following is the review of main assumptions on which the current carrying value of the provision for historical costs compensation is based:

(i) Provision for historical costs compensation is denominated in US Dollars for Karierniy site and in Tenge for Kenzhem field.

(ii) Total undiscounted amount of accepted future cash outflows as at 31 December 2019 and 2018 comprised 89 thousand US Dollars for Karierniy site and 269,956 thousand Tenge for Kenzhem.

(iii) The inflation rates comprised

(iv) The discounting rates comprised 3.37% per annum for Karierniy site and 7.1% per annum for Kenzhem (2018: 4.07% per annum for Karierniy site and 7.4% per annum for Kenzhem).

35. FINANCIAL LIABILITIES UNDER SUBSOIL USE CONTRACTS

In thousands of Tenge	**31 December 2019**	31 December 2018
Social sphere liabilities	**2,069,655**	238,918
Historical costs liabilities	**319,604**	425,231
	2,389,259	664,149
Current portion	**1,972,324**	138,886
Non-current portion	**416,935**	525,263
	2,389,259	664,149

Social sphere liabilities

Social sphere liabilities represent obligatory payments for the development of social-economic sphere of the region under the subsoil use contracts. These liabilities represent discounted cash flows of expected cash payments. The applied discount rate is in the range 3.98%-13.00%, and future cash outflows reflect the risks inherent to such liability. As a result, the Group revised its existing provision and classified them as financial obligations as they meet the respective recognition criteria.

Under the terms of the subsoil use contract No.145 (Aksu, Bestobe and Zholymbet), the Group has social obligations for contributions for education equal to 1% of net profit based on the results of each year, on the socio-economic development of Akmola region equal to 1% of the investment for each year, for research work 1% out of total revenue on contractual activities based on the results of each year.

The following obligatory payments are stipulated in subsoil use contracts as at 31 December 2019:

	Currency	**Amount in thousands**	**Periodicity**
Aksu, Bestobe and Zholymbet	Tenge	6,754	per annum
Dolinnoe	Tenge	9,780	per annum
Svetinskoe	US Dollars	84	per annum
Akbakai	US Dollars	15	per annum
Aksakal-Beskempir	US Dollars	5	per annum

Historical costs liabilities

Historical costs liabilities represent liabilities accrued in accordance with requirements of Tax code of Republic of Kazakhstan. These liabilities represent discounted cash flows of expected cash payments. The applied discount rate is in range of 3.3%-12.5%, and future cash outflows reflect the risks inherent to such liability. The following obligatory payments are stipulated in subsoil use contracts:

	Currency	**Amount in thousands**	**Periodicity**
Aksu, Bestobe and Zholymbet	US Dollars	146	lump-sum
Dolinnoe	Tenge	310,500	lump-sum
Aksakal-Beskempir	US Dollars	6,480	lump-sum
Svetinskoe	US Dollars	1,399	lump-sum

36. OTHER NON-FINANCIAL LIABILITIES

In thousands of Tenge	**31 December 2019**	31 December 2018
Provision for social obligations under subsoil use contract	**365,421**	365,421
Government grant	**180,795**	180,795
Provision for disability payments and payments related to breadwinner loss	**116,709**	96,391
	662,925	642,607

36. OTHER NON-FINANCIAL LIABILITIES (continued)

Provision for social obligations under subsoil use contracts

In 2012 the Group completed construction of water supply pipeline in Zhambyl oblast, facility which is utilised for the gold processing plant. The water pipeline also supplies water to citizens of Akbakai village located near the gold processing plant. The Group, respectively, obtained consent from municipal authorities that part of the costs incurred for the construction of the water pipeline in the amount of 365,421 thousand Tenge can be treated as a settlement of social sphere obligations under the subsoil use contracts in Akbakai region, located in Moynkum district of Zhambyl region. As at 31 December 2019 the water supply pipeline has not been commissioned to the municipal authorities.

Government grant

Under the frame of the state program "Digital Kazakhstan", on 8 November 2018 the Group entered into an agreement to receive to an innovation grant from National agency for technological development JSC. The innovation grant is intended for the implementation of the project "Digital Mine: automation of underground mining management". The grant includes payment for purchase of technical documentation, equipment which is an integral part of the technology being acquired and the costs of the license agreement. The Group will commence utilisation of the grant at the moment when the equipment and technologies are ready for use and begin to be depreciated.

Provision for disability payments and payments related to breadwinner loss

As at 31 December 2019, the Group has provisions accrued for disability payments and payments related to breadwinner loss in the amount of 116,708 thousand Tenge (31 December 2018: 96,391 thousand Tenge) in accordance with Civil code and Labor code.

37. CONTRACT LIABILITIES

In thousands of Tenge	**31 December 2019**	31 December 2018
Long-term advances received under contracts with customers for gold bearing products	**5,906,584**	–
Short-term advances received under contracts with customers for gold bearing products	**1,912,091**	–
	7,818,675	–

In thousands of Tenge	**2019**	2018
At 1 January	**–**	–
Acquisition of subsidiary *(Note 5)*	**8,390,229**	–
Deferred during the year	**806,402**	–
Recognised as revenue during the year	**(1,377,956)**	–
At 31 December	**7,818,675**	–

38. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of Tenge	**31 December 2019**	31 December 2018
Trade accounts payable	**36,965,197**	5,400,669
Other accounts payable	**912,303**	236,955
	37,877,500	5,637,624

The average credit period for acquisition of the majority of inventories and a significant portion of services in Kazakhstan is about 30-60 days. The interest on outstanding balance of trade and other payables was not charged.

39. OTHER FINANCIAL LIABILITIES

In thousands of Tenge	**31 December 2019**	31 December 2018
Unused vacation reserve	**1,761,600**	261,237
Payroll payable	**941,203**	2,073
Other	**81,509**	84,734
	2,784,312	348,044

40. RELATED PARTY DISCLOSURES

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Related parties include shareholders of the Group and their subsidiaries, affiliated companies or entities over which the Group or its owners have significant control, and the key management personnel.

Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates. Outstanding balances as at 31 December 2019 and 2018 are unsecured, non-interest bearing and settlement occurs in cash. No guarantees were provided with respect to accounts receivable and payable of related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions and balances with related parties

Transactions and balances between the Group and its related parties are given below.

In thousands of Tenge	**Parent company**	**Entities having a significant effect on the Group**	**Entities under common control of ultimate controlling party**	**Other related parties**
At 31 December 2019				
Trade and other accounts receivable less provision for expected credit losses in the amount of 348,190 thousand Tenge	**–**	**–**	**–**	**1,041,029**
Loans issued	**–**	**–**	**–**	**1,000,022**
Advances paid less provision for impairment in the amount of 105,624 thousand Tenge	**–**	**–**	**–**	**51,809,267**
Trade and other accounts payable	**–**	**–**	**–**	**(8,985,519)**
Other financial liabilities	**–**	**–**	**–**	**(1,357)**
Liabilities under contracts with customers	**–**	**–**	**–**	**(7,811,323)**
Loans obtained	**(30,252,623)**	**–**	**–**	**(11,777,266)**

In thousands of Tenge	Parent company	Entities having a significant effect on the Group	Entities under common control of ultimate controlling party	Other related parties
At 31 December 2018				
Trade and other accounts receivable	–	–	–	101,435
Advances paid	–	–	–	5,475,233
Trade and other accounts payable	–	–	–	(236,971)
Loans obtained	(5,487,625)	–	–	–

40. RELATED PARTY DISCLOSURES (continued)

Transactions and balances with related parties (continued)

In thousands of Tenge	**Parent company**	**Entities having a significant effect on the Group**	**Entities under common control of ultimate controlling party**	**Other related parties**
For the year ended 31 December 2019				
Income from sale of products	**–**	**–**	**–**	**1,064,586**
Other income	**–**	**–**	**–**	**210,031**
Other expenses	**–**	**–**	**–**	**(920)**
Purchases of goods and services	**–**	**–**	**–**	**(11,761,311)**
Finance income	**–**	**–**	**–**	**19**
Finance costs	**(417,476)**	**–**	**–**	**(44,197)**

In thousands of Tenge	Parent company	Entities having a significant effect on the Group	Entities under common control of ultimate controlling party	Other related parties
For the year ended 31 December 2018				
Income from sale of products	–	–	–	–
Other income	–	–	–	113,466
Other expenses	–	–	–	–
Purchases of goods and services	–	–	–	(10,833,846)
Finance income	–	–	–	–
Finance costs	(1,049,146)	–	–	–

As at 31 December 2019 and 2018, other related parties are represented by entities that are controlled or significantly influenced by the persons, who has control, significant influence over the Group or are the members of key management personnel of the Group.

Compensation to key management personnel

As at 31 December 2019 and 2018 the key management personnel of the Group consisted of 3 persons. Compensations paid to key management personnel of the Company during the year ended 31 December 2019 amounted to 667,428 thousand Tenge (2018: 266,512 thousand Tenge) and primarily included salaries.

41. COMMITMENTS AND CONTINGENCIES

Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. The management believes that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial position or results of operations of the Group. As at 31 December 2019 and 2018, the Group was not involved in any significant legal proceedings, including arbitration, other than those involving the taxation matters.

Environmental contingencies

The Group also may suffer potential losses as a result of claims by regional environmental authorities, which may arise in respect of previous periods of fields development which are currently mined. As Kazakhstan's laws and regulations evolve concerning environmental assessments and site restoration, the Group may incur future costs, the amount of which is currently indeterminable due to such factors as the ultimate determination of responsible parties associated with these costs and the Government's assessment of the respective parties' ability to pay for the costs related to environmental reclamation. However, depending on any unfavorable claims or penalties assessed by the Kazakh regulatory agencies, it is possible that the Group's future results of operations or cash flow could be materially affected in a particular period.

The management believes it is unlikely that such costs will have a material effect on the financial position of the Group and accordingly no additional provisions for possible environmental claims or penalties are included in the accompanying consolidated financial statements.

41. COMMITEMENTS AND CONTINGENCIES (continued)

Environmental contingencies (continued)

The management believes that there are no significant liabilities under the current legislation, which are not accrued in the Group's consolidated financial statements. The provisions that have been made for site restoration costs upon depletion of deposits are based upon the estimation of the Group's specialists. Where events occur that change the level of estimated future costs for these activities, the provisions will be adjusted accordingly.

Taxation

Kazakhstan's tax, currency and customs legislation and regulations are subject to ongoing changes and varying interpretations. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. Recent events within Kazakhstan suggest that the tax authorities are taking a more assertive position in interpretation of the legislation and check of tax calculation. As consequence, tax bodies can make a complaint on those deals and methods of the account on which earlier they did not show claims. As such, significant additional taxes, penalties of 80% of the additionaly assessed taxes and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. Fiscal periods remain open to review by the authorities in respect of taxes for 5 (five) calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including options with respect to IFRS treatment of revenues, expenses and other items in the financial statements.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 December 2019. Management believes that as at 31 December 2019 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained.

The management estimates the maximum exposure to a possible tax risk at 5,722,186 thousand Tenge. The management continues to monitor changes associated with this risk and regularly assesses risks and related liabilities, provisions and disclosures.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market prices determined as per the arm's length principle.

The law on transfer pricing came into effect in Kazakhstan from 1 January 2009. The law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development.

The legislation clarified certain areas of interpretation, including the use of LBMA prices as the basis of market prices, quotation periods to be used for the sale and purchase of traded commodities and the acceptability of discounts with reference to LBMA prices when transacting in traded commodities.

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market prices determined as per the arm's length principle.

There are different interpretations of transfer pricing law and some of its provisions shall exclusively prevail. Moreover, the law is not supported by detailed guidance. As a result, there is no clear regulation for transfer pricing control for different types of transactions.

Due to uncertainties associated with transfer pricing legislation of the Republic of Kazakhstan there is a risk that tax authorities may take a position different from the position of the Group, which may result in additional taxes, penalties and interest as at 31 December 2019.

The management of the Group believes that as at 31 December 2019, its interpretation of the relevant legislation is appropriate and that the Group's positions with respect to transfer pricing will be sustained.

41. COMMITEMENTS AND CONTINGENCIES (continued)

Contingencies

The Group assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its consolidated financial statements only where it is probable that actual events giving rise to liability will occur and the amount of the liability can be reasonably estimated.

Purchase commitments

The Group has outstanding commitments on acquisition of construction services and equipment to be installed. The management estimates that as at 31 December 2019, these commitments amount to 74,259,210 thousand Tenge not including value added tax (2018: 5,539,089 thousand Tenge).

Contractual commitments

The subsurface use licenses were not issued to the Group for an indefinite period, and any renewal shall be agreed prior to the contract expiration. This right can be annulled by the Government of the Republic of Kazakhstan, if the Group does not meet its contractual commitments. The management of the Group believes that subsurface use licenses will not be annulled due to breach of contractual commitments.

Working program

As at 31 December 2019, the Group does not fully comply with certain requirements of the working program on the fields Aksakal-Beskempir, Itkuduk, Pustynno-Baktaiskoye, Ortasai, Svetinskoye, Kariernoe, Karierniy site, Kenzhem,TMF.

The reasons for non-compliance with the requirements of working program are the following:

Aksakal-Beskempir (Contract No. 653 dated 18 April 2001)

The Group did not fulfill obligations on capital expenditures, since not all the machinery and equipment provided for in the working program were purchased in 2019, which affected the fulfillment of financial obligations in the whole field.

Itkuduk (Contract No. 5662 dated 15 November 2019)

The Group did not fulfill the obligations in terms of the volume of geophysical work, due to the fact that the acceptance of work from the contractor was delayed (visualisation and linking of 3D models), the work was completed in 2019 and exceeded the planned volume, the payment moved to 2020. Search routes were performed on their own with an excess of planned. Topographic work was not carried out, except for callouts and surveying workings, on their own.

Pustynno-Baktaiskoye (Contract No. 5663 dated 15 November 2019)

The Group did not fulfill the obligations in terms of the volume of geophysical work, due to the fact that the acceptance of work from the contractor was delayed (visualisation and linking of 3D models), the work was completed in 2019 and exceeded the planned volume, the payment moved to 2020. Search routes were performed on their own with an excess of planned. Topographic work was not carried out, except for callouts and surveying workings, on their own.

Ortasai (Contract No. 5664 dated 15 November 2019)

The Group did not fulfill the obligations in terms of the volume of geophysical work, due to the fact that the acceptance of work from the contractor was delayed (visualisation and linking of 3D models), the work was completed in 2019 and exceeded the planned volume, the payment moved to 2020. Search routes were performed on their own with an excess of planned. Topographic work was not carried out, except for callouts and surveying workings, on their own.

Svetinskoye (Contract No. 2359 dated 11 May 2007)

During 2019, the Group did not carry out mining operations at the Svetinskoye field. Previously formed ore in the ore warehouse in the amount of 2830 tons was transported to the mill and processed. The planned content of 0.82 g / t was not confirmed; during processing, the gold content was 0.36 g / t. Further mining was suspended because the quality indicators of raw materials do not justify the cost of drilling and blasting, loading, transportation (16 km) and ore processing.

In this regard, the Group turned to MIIR with a request to give permission for the conservation of the field for the period 2020-21. Projects are developed and agreed. The addendum to the contract was reviewed by the MIIR specialists and submitted for sign-off.

41. COMMITEMENTS AND CONTINGENCIES (continued)

Working program (continued)

Karyernoe (Contract No. 1089 dated 29 December 2002)

The Group has not fulfilled its obligations regarding the volume of ore and metal mining due to the interruption of mining at the Karyernoye deposit due to the emergency outage of the Power Rock drilling rig.

Not confirmation of the gold content is due to the fact that the Karyernoye deposit has been mined since 1984 and its reserves are currently close to depletion. Their qualitative and quantitative indicators need constant refinement and adjustment. The latest recalculation, carried out in 2019, showed a decrease in grade from 3.5 g / t to 2.11 g / t, which, when actually diluted at 23.4%, gives the gold content in salable ore from 1.2 to 1.6 g / t depending on the contents in the mined areas, ore bodies and deposits.

Karierniy site (Contract No. 1021 dated 23 October 2002)

The Group has not fulfilled its obligations under the Work Program for 2019 due to the fact that the Kariernoye field, in terms of mining and drilling, was completed in previous years, surveying was carried out on its own without the involvement of contractors. In 2019, a report on the mineral resources of the Karyernoye deposit was carried out in accordance with the KAZRC code, and continued in the first quarter of 2020.

Kenzhem (Contract No. 2577 of 15 February 2008)

During 2019, the Group under the Contract began work on re-issuing subsoil use rights at the Company and extending the exploration period to 2020 inclusive.

Currently, Supplement No. 4 to the contract has been reviewed by specialists of the Competent Authority and is aimed at signing. Recalculation of stocks continues. During 2020, the reserves will be agreed upon in the State Reserves Committee of the Republic of Kazakhstan.

TMF (Contract No. 761, 762, 917)

As it was disclosed in *Note 1*, under the contracts No. 761, 762 and 917, the Group was granted the right to explore and mine gold from technogenic mineral formations (hereinafter, “TMF”) stored at Bestobe, Aksu and Zholymbet deposits through mining and processing operations stipulated by the specified contracts.The Group sells these TMF to its subsidiary, Kazakhaltyn Technology LLP in the form of raw mineral materials for further processing. These contracts do not provide for the sale of the TMF by the Group to other legal entities. Therefore, there is uncertainty as to whether the sale of TMF violates the conditions of subsoil use contracts listed above. As at 31 December 2019, due to the lack of widespread practice of processing TMF in the Kazakhstan market and given the fact that the Group pays the mineral extraction tax in full for these TMFs, the management of the Group does not see significant risks associated with these deviations from contract conditions.

Site restoration

As Kazakhstan laws and regulations relating to site restoration and environmental clean-up are constantly evolving, in the future the Group may incur costs, which currently could not be determined. Provisions for such costs are formed when they are known as new information is received, new laws are issued and new estimations are made.

Investment commitments

On 29 January 2018, Altynalmas Technology LLP, the subsidiary of the Group, and the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan (hereinafter referred to as the “Competent Authority”) concluded an investment contract (the “Contract”) for the implementation of an investment project providing for investment and provision of investment preferences.

41. COMMITEMENTS AND CONTINGENCIES (continued)

Investment commitments (continued)

Under the Contract, the subsidiary of the Group is granted by the following tax preferences:

- Decrease in the amount of calculated corporate income tax by 100 percent for a period of 10 years, from 1 January of the year in which the Contract was concluded, and no later than 10 consecutive years that are calculated starting from 1 January of the year following the year in which the Contract was concluded;
- Calculation of property tax at the rate of 0 percent to the tax base for a period of 8 years, from the 1st day of the month in which the first asset is recorded within fixed assets in accordance with international financial reporting standards and the requirements of the legislation of the Republic of Kazakhstan on accounting and financial reporting, and no later than 8 consecutive years, which are calculated from 1 January of the year following the year in which the first asset is recorded within fixed assets in accordance with international financial reporting standards and the requirements of the legislation of the Republic of Kazakhstan on accounting and financial reporting.

On 5 July 2019 the parties concluded addendum with investment committee of Ministry of Foreign Affairs of Republic of Kazakhstan No. #27/1 to investment contract dated 29 January 2018 for realisation of investment priority project, providing for investment and provision of investment preferences. Pursuant to addendum commissioning date was postponed to 1 half of 2019 and the amount of investments into fixed assets was corrected to 6,361,761 thousand Tenge. These investments were accepted by Competent Authority.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks related to the Group's financial instruments comprise market risks (foreign currency risk and interest rate risk), liquidity and credit risks. The Group's management reviews and agrees policies for managing each of these risks. The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Group's financial statements, and show the impact on profit or loss and equity.

Market risk

The market rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes the three types of risk: interest rate risk, currency risk and price risk. Financial instruments affected by market risk include bank loans, loans from related parties, deposits, receivables and payables.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowings with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates as determined based on a review of the historical and economic forecasters' expectations, with all other variables held constant, on the Group's profit before tax through the impact on floating rate borrowings. The impact on equity is the same as the impact on profit before tax.

In thousands of Tenge	**2019 Increase/ decrease**	2018 Increase/ decrease
Increase in interest rate by 35 basis points	**587,568**	–
Decrease in interest rate by 35 basis points	**(587,568)**	–

Currency risk

The Group is exposed to foreign currency risk while performing sales, purchases, attracting borrowings denominated in the currency other than the functional currency of the Group. The main income of the Group is tied to the US Dollar exchange rate, whereas the main part of expenses are denominated in Tenge, accordingly, the operating profit could be adversely impacted by the increase in the exchange rate of Tenge against US Dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Currency risk (continued)

The Group has the following types of financial assets and liabilities denominated in US Dollar and Euro, as at the reporting date:

In thousands of Tenge	**31 December 2019 Denominated in US Dollar**	31 December 2018 Denominated in US Dollar	**31 December 2019 Denominated in EUR**	31 December 2018 Denominated in EUR	**31 December 2019 Denominated in RUR**	31 December 2018 Denominated in RUR
Cash and cash equivalents	**10,454,854**	3,431,443	**13,238**	29,680	**–**	–
Trade and other account receivable	**2,173,351**	–	**8,172,061**	–	**1,183**	–
Total assets	**12,628,205**	3,431,443	**8,185,299**	29,680	**1,183**	–
Trade and other accounts payable	**(9,372,057)**	(409,715)	**(7,595,215)**	(512,083)	**(676,619)**	–
Loans received from related parties	**(42,029,889)**	(5,487,625)	**–**	–	**–**	–
Bank loans	**(41,528,387)**	(57,503,806)	**(126,363,968)**	–	**–**	–
Historical cost / social sphere liabilities	**(580,539)**	(316,611)	**–**	–	**–**	–
Total liabilities	**(93,510,872)**	(63,717,757)	**(133,959,183)**	(512,083)	**(676,619)**	–
Net amount of currency risk exposure	**(80,882,667)**	(60,286,314)	**(125,773,884)**	(482,403)	**(675,436)**	–

During the year the Group applied the following exchange rates:

In thousands of Tenge	**For the year ended 31 December 2019**	2018	**31 December 2019**	2018
Tenge for 1 EUR	**428.51**	406.77	**429**	439.37
Tenge for 1 US Dollar	**382.75**	344.90	**382.59**	384.20
Tenge for 1 RUR	**5.92**	5.50	**6.16**	5.52

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates for US Dollar, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

In thousands of Tenge	**Increase/ decrease in rates**	**Effect on profit before tax US Dollar**	**Effect on profit before tax EUR**	**Effect on profit before tax RUR**
2019	**12.00%**	**(9,705,920)**	**(15,092,866)**	**(81,052)**
	-9.00%	**7,279,440**	**11,319,650**	**60,789**
2018	14.00%	(8,440,084)	(67,536)	–
	-10.00%	6,028,631	48,240	–

Commodity price risk

Under the business combination the Group acquired financial instrumens with the cashflows tied to the risk of changes in commodity prices. Specifically, the Group is exposed to the effect of fluctuations in the price of gold, which is quoted in US Dollars per ounce on the international markets. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of gold prices in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Commodity price risk (continued)

The Group's exposure to the risk of changes in gold prices is shown in the following table:

In thousands of Tenge	**Effect on profit before taxes for the year ended 31 December 2019**
Increase/(decrease) in gold prices	
An increase by USD 70 / ounce (2018: USD 60 / ounce)	458,203
A decrease by USD 70 / ounce (2018: USD 60 / ounce)	(458,203)

Credit risk

Credit risk is the risk that counterparty to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to potential credit risk from potential default by the counterparty. Taking into account the specific nature of the business in the reporting period the Group has a significant concentration of credit risk since the main income of the Group is received from one major counterparty *(Note 7)*. The Group's policy provides for credit risk management through executing transactions with financial instruments with a number of creditworthy counterparties. The maximum exposure to credit risk of the Group is expressed by the carrying amount of each financial asset recognised in the consolidated statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to settle all liabilities when they are due. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

The summary of the maturity profile of the Group's financial liabilities as at 31 December 2019 and 2018 based on contractual payments are presented below.

In thousands of Tenge	**On demand**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**	**Total**
As at 31 December 2019						
Bank loans	**–**	**11,594,762**	**27,104,679**	**154,048,602**	**9,680,631**	**202,428,674**
Loans received from related parties	**–**	**–**	**–**	**44,919,875**	**8,629,809**	**53,549,684**
Finance lease liability	**–**	**714,041**	**396,377**	**–**	**–**	**1,110,418**
Historical cost liabilities	**–**	**135,775**	**219,011**	**182,157**	**–**	**536,943**
Social sphere liabilities	**–**	**1,862,421**	**146,904**	**176,854**	**136,059**	**2,322,238**
Trade and other accounts payable	**37,877,500**	**–**	**–**	**–**	**–**	**37,877,500**
	37,877,500	**14,306,999**	**27,866,971**	**199,327,488**	**18,446,499**	**297,825,457**

In thousands of Tenge	On demand	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
As at 31 December 2018						
Bank loans	–	21,004,722	14,389,415	16,498,681	–	51,892,818
Loans received from related parties	–	–	2,826,111	3,475,252	–	6,301,363
Finance lease liability	–	670,199	514,601	–	–	1,184,800
Historical cost liabilities	–	149,061	161,954	149,977	–	460,992
Social sphere liabilities	–	46,792	91,075	101,218	53,843	292,928
Trade and other accounts payable	5,637,624	–	–	–	–	5,637,624
	5,637,624	21,870,774	17,983,156	20,225,128	53,843	65,770,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Changes in liabilities arising from financing activities

In thousands of Tenge	1 January 2019	**Cash flows**	**Foreign exchange movement**	**Acquisition of subsidia-ries**	**New leases**	**Finance cost**	**Other**	**31 December 2019**
Financial liabilities								
Bank loans	57,198,591	**79,049,370**	**1,084,355**	**26,620,896**	**–**	**3,712,163**	**226,980**	**167,892,355**
Lease liabilities	1,127,615	**(964,992)**	**–**	**–**	**701,318**	**191,997**	**–**	**1,055,938**
Liabilities for subsoil use contracts	664,149	**(294,235)**	**107,983**	**1,752,855**	**–**	**158,507**	**–**	**2,389,259**
Loans received from related parties	5,487,625	**–**	**(391,508)**	**36,345,420**	**–**	**475,229**	**113,123**	**42,029,889**
Total liabilities from financing activities	64,477,980	**77,790,143**	**800,830**	**64,719,171**	**701,318**	**4,537,896**	**340,103**	**213,367,441**

The "Other" column includes the effect from reclassification of withholding tax portion to tax liabilities, other than income tax, capitalised interest, the effect from modification of terms for loans received from related parties *(Note 32)*.

In thousands of Tenge	1 January 2018	Cash flows	Foreign exchange movement	New leases	Change in contract terms	Finance cost	Other	31 December 2018
Financial liabilities								
Bank loans	38,056,817	9,082,386	7,342,436	–	–	2,716,952	–	57,198,591
Finance lease liability	1,229,748	(760,054)	–	586,683	–	71,238	–	1,127,615
Liabilities for subsoil use contracts	608,651	(341,901)	6,508	–	108,976	62,560	219,355	664,149
Loans received from related parties	25,265,229	(4,478,152)	3,202,105	–	(813,738)	1,049,146	(18,736,965)	5,487,625
Total liabilities from financing activities	65,160,445	3,502,279	10,551,049	586,683	(704,762)	3,899,896	(18,517,610)	64,477,980

The "Other" column includes the effect from repayment of loans received from related parties by issuance of additional shares *(Notes 30, 32)* and assumed liabilities for subsoil use contracts under acquisition of 100% share in Aktogay Mys LLP.

Capital management

The overriding objectives of the Group's capital management policy are to safeguard and support the business as a going concern through the commodity cycle and to maintain an optimal capital structure with a view to maximising returns to shareholders and benefits to other stakeholders by reducing the Group's cost of capital.

The Group monitors capital using the gearing ratio, which is the net debt divided by equity plus net debt. The Group includes within net debt interest bearing loans and borrowings, trade accounts payable less cash and cash equivalents.

As at 31 December 2019 and 31 December 2018 the gearing ratio was presented as follows:

In thousands of Tenge	**31 December 2019**	31 December 2018
Interest bearing loans and lease liabilities	**210,978,182**	63,813,831
Trade and other accounts payable	**37,877,500**	5,637,624
Less: cash and cash equivalents	**(17,486,185)**	(4,356,302)
Net debt	**231,369,497**	65,095,153
Equity and net debt	**328,809,666**	92,629,525
Debt-equity ratio	**29.63%**	29.73%

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is needed to arrive at a fair value, based on current economic conditions and the specific risks attributable to the instrument. The following methods and assumptions were used to estimate the fair values:

- The carrying amount of cash and cash equivalents, long-term deposits, trade and other accounts receivable, trade and other accounts payable, other financial liabilities approximates their fair value due to the short-term nature of these financial instruments;
- The fair values of the Group's interest-bearing loans and borrowings are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2019 was assessed to be insignificant;
- The fair value of quoted debentures and bonds is based on the prices at the reporting date. The fair value of unquoted instruments, bank loans, lease liabilities was estimated by discounting the expected future cash flows at current interest rates with similar conditions, credit risk and remaining maturities.

	Carrying amount		Fair value	
In thousands of Tenge	**2019**	2018	**2019**	2018
Financial assets				
Trade and other accounts receivable	**13,717,420**	727,373	**13,717,420**	727,373
Loans given	**1,012,022**	–	**1,012,022**	–
Financial liabilities				
Bank loans	**167,892,355**	57,198,591	**168,965,066**	54,374,794
Loans received from related parties	**42,029,889**	5,487,625	**42,823,802**	5,551,128
Lease liabilities	**1,055,938**	–	**1,055,938**	–
Finance lease liabilities	**–**	1,127,615	**–**	1,078,872
Preferred shares liabilities	**2,092**	2,092	**2,092**	2,092
Liabilities for subsoil use contracts	**2,389,259**	664,149	**2,389,259**	661,836
Trade and other accounts payable	**37,877,500**	5,637,624	**37,877,500**	5,637,624
Other financial liabilities	**2,784,312**	348,044	**2,784,312**	348,044

Fair value hierarchy

The following table provides the fair value measurement hierarchy for assets and liabilities as at 31 December 2019:

In thousands of Tenge	Level 1	Level 2	Level 3	Total
Assets				
Assets measured at fair value				
Trade receivables	**–**	**–**	**5,227,211**	**5,227,211**
Assets for which fair value is disclosed				
Trade and other accounts receivable	**–**	**–**	**8,490,209**	**8,490,209**
Assets available for sale	**–**	**–**	**27,658**	**27,658**
Investment property	**–**	**–**	**359,688**	**359,688**
Loans issued	**–**	**–**	**1,012,022**	**1,012,022**
Liabilities				
Liabilities for which fair value is disclosed				
Bank loans	**–**	**–**	**168,965,066**	**168,965,066**
Loans received from related parties	**–**	**–**	**42,823,802**	**42,823,802**
Lease liabilities	**–**	**–**	**1,055,938**	**1,055,938**
Preferred shares liabilities	**–**	**–**	**2,092**	**2,092**
Financial liabilities under subsoil use contracts	**–**	**–**	**2,389,259**	**2,389,259**
Trade and other accounts payable	**–**	**–**	**37,877,500**	**37,877,500**
Other financial liabilities	**–**	**–**	**2,784,312**	**2,784,312**

There were no transfers between levels within the hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy for assets and liabilities as at 31 December 2018:

In thousands of Tenge	Level 1	Level 2	Level 3	Total
Assets				
Assets measured at fair value				
Trade receivables	–	–	629,297	629,297
Assets for which fair value is disclosed				
Trade and other accounts receivable	–	–	97,939	97,939
Liabilities				
Liabilities for which fair value is disclosed				
Bank loans		–	54,374,794	54,374,794
Loans received from related parties	–	–	5,551,128	5,551,128
Finance lease liability	–	–	1,078,872	1,078,872
Preferred shares liabilities	–	2,092	–	2,092
Liabilities for subsoil use contracts	–	–	661,836	661,836
Trade and other accounts payable	–	–	5,637,624	5,637,624
Other financial liabilities	–	–	348,044	348,044

There were no transfers between levels within the hierarchy.

43. SUBSEQUENT EVENTS

In January-May 2020, the Group received the tranche under Facility C in the amount of 44,664 thousand euros, the tranche under Facility D in the amount of 18,699 thousand euros and the tranche under Facility F in the amount of 6,252 thousand US Dollars under the credit facility agreement with VTB Bank (Europe) SE.

In January-May 2020, the Group received the tranche under credit agreement No. 536 in the amount of 8,593 thousand US Dollars and the tranche under credit agreement No. 537 in the amount of 9,490 thousand US Dollars with Eurasian Development Bank.

In connection with the recent rapid development of the coronavirus pandemic (COVID-19), many countries, including the Republic of Kazakhstan, enforced a quarantine, which had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to minimise its consequences can affect the activities of companies from various industries. The Group regards this pandemic as a non-adjusting event after the reporting period, the quantitative effect of which cannot be reliably measured at the moment.

In March-April 2020, significant volatility has been observed in the stock, currency and commodity markets, including a drop in oil prices and a drop in exchange rate of Tenge against the US Dollar and Euro. The management of the Group is currently analysing the possible impact of changing micro- and macroeconomic conditions on the financial position and performance of the Group.