

KAZ Minerals Aktogay Finance Limited

Annual Report and Financial Statements

31 December 2019

Registered Number: 7570226

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COMPANIES HOUSE

Directors

John Hadfield
Andrew Paton
Andrew Southam

Secretary

Susanna Freeman

Auditor

KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

Registered Office

6th Floor
Cardinal Place
100 Victoria Street
London SW1E 5JL
United Kingdom

Registered No. 7570226

Strategic report

The Directors present their Strategic report together with the audited financial statements of KAZ Minerals Aktogay Finance Limited (the 'Company') for the year ended 31 December 2019.

Principal activities and review of the business

The principal activity of the Company is to act as a primary financing vehicle for the KAZ Minerals PLC Group (the 'Group') by borrowing money externally and investing money internally to fund specific development projects, namely the financing of the Aktogay mining project in Kazakhstan through its subsidiary, KAZ Minerals Aktogay Project Finance Limited. The purpose of the Company is not expected to change significantly during the forthcoming year.

The Company has two loan facilities with China Development Bank ('CDB') to be used for the development of the Aktogay mining project in Kazakhstan. During 2019, principal of \$119 million and accrued interest of \$89 million was repaid on the borrowings. At 31 December 2019, the carrying value of the borrowings outstanding to CDB were \$1,214 million (2018: \$1,331 million).

The Company received dividends during 2019 of \$82 million from its subsidiary, KAZ Minerals Aktogay Project Finance Limited, and reinvested \$133 million through the subscription of ordinary shares, which was used by the subsidiary to finance the construction of a second sulphide plant at Aktogay.

At 31 December 2019, the Company held cash and cash equivalents of \$3 million (2018: \$262 million) following the above transactions. A review of the carrying value of the Company's investment in its subsidiary of \$802 million at 31 December 2019 was undertaken and no impairment was recognised.

Key performance indicators

The Companies Act 2006 requires Directors to disclose the Company's key performance indicators ('KPIs').

The Group manages its KPIs at a segment level and, as a result, the Directors have taken the decision not to disclose KPIs in individual subsidiary financial statements. The Group KPIs are included in the KAZ Minerals PLC 2019 Annual Report and Accounts.

Principal risks and uncertainties

The principal risks affecting the Company primarily relate to impairment risk and financial risks being foreign exchange risk, interest rate risk, credit risk and liquidity risk with further details reflected in note 16 to the financial statements.

Impairment risk arises from the Company's non-current investment in its subsidiary, KAZ Minerals Aktogay Project Finance Limited, whose assets are denominated in Kazakhstan Tenge ('KZT'). The value of the subsidiary is therefore dependent on the KZT and US dollar exchange rate as well as commodity prices. A devaluation in the KZT would reduce the US dollar value of the subsidiary's assets and consequently the recoverability of the Company's investment. Similarly, a fall in commodity prices, in particular for copper, which is dependent on a number of factors including world supply and demand and investor sentiment could have a material impact on the earnings and cash flows of the Aktogay mine. The Directors review the Company's assets to determine whether the carrying value of the investment may not be recoverable.

Other risk factors which could have a material impact on the Group and therefore the Company are disclosed in the KAZ Minerals PLC Annual Report and Accounts 2019.

Strategic report(continued)

UK Departure from the European Union ('EU')

The Committee, in conjunction with management, have considered the effect of the UK's departure from the EU ('Brexit') on the Company and its operations. The operations of the KAZ Minerals Group ('the Group') are located in Kazakhstan, Kyrgyzstan and Russia, with the majority of sales made into China and non-EU countries. The principal business carried out by the Group in the UK relates to its listing on the London Stock Exchange and it maintains a small office in London where corporate functions such as Company Secretarial, Investor Relations and Treasury are located. The Group's Board and Committee meetings are mostly held at the London office. From a tax perspective, the Group's arrangements are largely subject to bi-lateral agreements between the UK and Kazakhstan; the UK and the Netherlands; and the Netherlands and Kazakhstan, which are generally expected to remain in place post-Brexit. Taking into account the circumstances of the Group, the Directors do not expect Brexit to have a significant impact on the Company.

Statement by the Directors in performance of their statutory duties in accordance with section 172(1) Companies Act 2006

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1) when discharging their duty to promote the success of the Company and forms the Directors' statement required under section 414CZA of the Companies Act 2006 (the 'Act').

The Company's ultimate parent is KAZ Minerals PLC, which is responsible for setting the overall strategy of the KAZ Minerals PLC group ('Group') and maintaining oversight of the Group's activities. Decisions and policies affecting the Group's shareholders, customers, employees and wider workforce, suppliers, local communities and governments, lenders and the environment are made at Group level, with directors of each company in the Group ensuring that they apply those policies as relevant, meeting their duties to the individual companies and their respective stakeholders.

The Board of Directors of the Company considers the Company's main stakeholder groups to be its lenders, the Group subsidiaries to whom it provides finance and on whose behalf it makes investment decisions and its shareholder. Stakeholder interests are key to the long-term sustainable success of the Company and the Board engages with its stakeholders as appropriate, including Directors meeting directly with lenders periodically and identifying the impact of its decisions on its stakeholders, especially with regard to strategy, investments and finance.

An explanation of how the Group board has considered the matters set out in section 172 (for the Group and for the Company) is set out on pages 16 to 19 of the KAZ Minerals PLC Annual Report and Accounts for the year ended 31 December 2019, which does not form part of this report.

COVID-19 coronavirus

The Group's risk and impact assessment in respect of the outbreak of the pandemic at the beginning of 2020 is referred to in Note 20(d) on page 26.

Registered No. 7570226

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2019. These financial statements have been prepared under International Financial Reporting Standards ('IFRSs') as adopted by the EU.

Results and dividends

The loss for the year after taxation amounted to \$5 million (2018: loss of \$149 million). The Directors do not recommend the payment of a dividend for the year (2018: \$nil).

Other information

The Company has chosen to include an indication of likely future developments in the business in the Strategic report, details of events which have taken place subsequent to the balance sheet date in note 20 and matters concerning financial risk management in note 16, which would otherwise be required to be disclosed in the Directors' report.

Directors

The Directors who served during the year are listed on page 1.

None of the Directors had any interest in the shares of the Company during the year ended 31 December 2019.

Directors' indemnity

The Company indemnifies the Directors in its Articles of Association to the extent allowed under Section 232 of the Companies Act 2006.

Furthermore, KAZ Minerals PLC maintains liability insurance for its Directors and officers and those Directors and officers of its associated companies.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Auditor

KPMG LLP have expressed their willingness to continue in office and are deemed to be re-appointed under Section 487(2) of the Companies Act 2006.

Disclosure of information to the auditor

As required by Section 418(2) of the Companies Act 2006, each of the Directors, who were Directors at the date of this report, has approved this report and confirmed that so far as he is aware:

- there is no relevant audit information (being information needed by the auditors in connection with preparing their audit report), of which the Company's auditors are unaware; and
- Each Director has taken all steps that he ought to have reasonably taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report (continued)

The Strategic report, on page 2 and 3 and the Directors' report, comprising pages 4 and 5, have been approved by the Board of Directors and signed on its behalf by:



Susanna Freeman
Company Secretary
15 June 2020

Registered Office
6th Floor
Cardinal Place
100 Victoria Street
London SW1E 5JL
United Kingdom

Statement of Directors' Responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of KAZ Minerals Aktogay Finance Limited

Opinion

We have audited the financial statements of KAZ Minerals Aktogay Finance Limited ("the Company") for the year ended 31 December 2019 which comprise the Income statement, Balance sheet, Statement of changes in equity, Statement of cash flow and related notes, including the accounting policies in note 21.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company'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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Juliette Lowes (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

E14 5GL

15 June 2020

Registered Number: 7570226

Income statement

for the year ended 31 December 2019

	<i>Notes</i>	<i>2019</i> \$ million	<i>2018</i> \$ million
Dividend income	7	82	138
Impairment losses	10	–	(203)
Operating profit/(loss)		82	(65)
Finance income	8	1	7
Finance costs	8	(88)	(95)
Loss before taxation		(5)	(153)
Income tax credit	9(a)	–	4
Loss for the year		(5)	(149)

The notes on pages 13 to 30 are an integral part of these financial statements.

There are no items of comprehensive income other than those shown above in the income statement, and therefore a statement of other comprehensive income is not presented. All activities of the Company relate to continuing activities.

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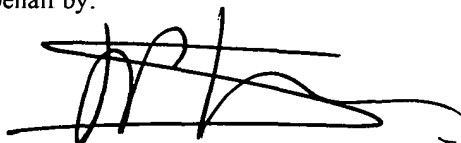
Balance sheet

at 31 December 2019

	<i>Notes</i>	<i>2019</i> <i>\$ million</i>	<i>2018</i> <i>\$ million</i>
Assets			
Non-current assets			
Non-current investments	10	802	669
Deferred tax asset	9(b)	4	4
		<u>806</u>	<u>673</u>
Current assets			
Cash and cash equivalents	11	3	262
		<u>3</u>	<u>262</u>
Total assets		<u>809</u>	<u>935</u>
Equity and liabilities			
Share capital	12	80	80
Retained earnings		(517)	(512)
Attributable to equity holders of the Company		<u>(437)</u>	<u>(432)</u>
Non-current liabilities			
Borrowings	13	1,097	1,214
		<u>1,097</u>	<u>1,214</u>
Current liabilities			
Borrowings	13	117	117
Trade and other payables	14	32	36
		<u>149</u>	<u>153</u>
Total liabilities		<u>1,246</u>	<u>1,367</u>
Total equity and liabilities		<u>809</u>	<u>935</u>

The notes on pages 13 to 30 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 15 June 2020 and signed on its behalf by:



John Hadfield
Director

Statement of changes in equity

for the year ended 31 December 2019

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total</i>
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
<i>At 1 January 2018</i>	80	(363)	(283)
Loss for the year	–	(149)	(149)
<i>At 31 December 2018</i>	80	(512)	(432)
Loss for the year	–	(5)	(5)
<i>At 31 December 2019</i>	80	(517)	(437)

The notes on pages 13 to 30 are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2019

	Notes	2019 \$ million	2018 \$ million
<i>Cash flows from operating activities</i>			
Loss before taxation		(5)	(153)
Finance income	8	(1)	(7)
Finance costs	8	88	95
Dividend income	7	(82)	(138)
Impairment loss	10	–	203
<i>Cash flows from operations before interest paid</i>		<u>–</u>	<u>–</u>
Interest paid		(89)	(88)
<i>Net cash flows used in operating activities</i>		<u>(89)</u>	<u>(88)</u>
<i>Cash flows from investing activities</i>			
Dividends received		82	138
Interest received		–	1
Purchase of ordinary shares	10	(133)	(67)
<i>Net cash flows from investing activities</i>		<u>(51)</u>	<u>72</u>
<i>Cash flows from financing activities</i>			
Repayment of borrowings		(119)	(120)
<i>Net cash flows used in financing activities</i>		<u>(119)</u>	<u>(120)</u>
Net decrease in cash and cash equivalents		(259)	(136)
Cash and cash equivalents at beginning of the year		262	397
Effect of exchange rate changes on cash and cash equivalents		–	1
<i>Cash and cash equivalents at the end of the year</i>	11	<u>3</u>	<u>262</u>

The notes on pages 13 to 30 are an integral part of these financial statements.

Notes to the financial statements

at 31 December 2019

1. General information

KAZ Minerals Aktogay Finance Limited (the 'Company') is a private company limited by shares, incorporated in England and Wales. The Company's registered address is 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom.

The principal activity of the Company is to act as a primary financing vehicle for the KAZ Minerals PLC Group (the 'Group') by borrowing money externally and investing money internally to fund specific development projects, namely the financing of the Aktogay mining project in Kazakhstan through its subsidiary, KAZ Minerals Aktogay Project Finance Limited.

2. Basis of preparation

The financial statements have been prepared on a historical cost basis except for derivative financial instruments which have been measured at fair value. The financial statements are presented in US dollars ('\$'), the functional currency of the Company, and all financial information has been rounded to the nearest million dollars ('\$ million') except where otherwise indicated.

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB, as adopted by the EU and in accordance with the provisions of the Companies Act 2006.

The Company has taken advantage of the available exemption under Section 400 of the Companies Act 2006 allowing it not to prepare consolidated financial statements as it is a wholly owned subsidiary of KAZ Minerals PLC which is incorporated in England and Wales (see note 19). These financial statements present information about the individual Company and not about the Group.

(a) Going concern

The Company is a vehicle for financing the Aktogay project in Kazakhstan. The Company's liabilities principally relate to borrowings and interest payable thereon. The Company receives dividend income from its subsidiary, KAZ Minerals Aktogay Project Finance Limited, which is used to make repayments on borrowings. Accordingly, the Company is dependent on the ability of the Aktogay mining project in Kazakhstan to continue as a going concern. Additionally, KAZ Minerals PLC acts as guarantor of the Company's borrowing facilities. The Company participates in the Group's centralised treasury arrangements and it shares banking arrangements with its parent undertakings and fellow subsidiaries.

A going concern assessment has been performed at a Group level for a period covering the 12 months following the date of approval of these financial statements. This assessment takes into account reasonably possible downside scenarios which could negatively affect the liquidity of the Group and its operations (including Aktogay), incorporating lower commodity prices and lower production as well as possible impacts as a result of the COVID-19 pandemic. This assessment shows that the Group has adequate liquidity to continue in operational existence for the foreseeable future.

In the more severe down cases of lower commodity prices combined with lower than expected production the Group may need to take certain mitigating actions to ensure the Group has adequate liquidity and its debt facilities remain available. Such mitigating actions could include the deferral of certain uncommitted capital expenditure, including the Aktogay expansion. Management is confident this could be achieved given the relatively modest amount of mitigating actions required and the fact that any shortfall would only occur at the end of the going concern period.

On this basis the Directors of the Company are satisfied that it is appropriate to adopt the going concern basis of accounting in the preparation of these financial statements.

Notes to the financial statements

at 31 December 2019

2. Basis of preparation (continued)

(b) Adoption of new standards and interpretations (continued)

The following accounting standards, amendments and interpretations, which had no significant impact on these financial statements, became effective in the current reporting period as adopted by the EU through the European Financial Reporting Advisory Group ('EFRAG'):

- IFRS 16 '*Leases*' was adopted on 1 January 2019, replacing IAS 17 '*Leases*'. The new standard has been applied using the 'modified retrospective approach', which did not result in a classification or measurement adjustment to retained earnings on transition or a restatement of comparative information, and there was no impact on opening equity at 1 January 2019. The standard changes the identification of leases and how they will be recognised, measured and disclosed by lessees, requiring the recognition of a right-of-use asset and liability for the future lease payments on the balance sheet. The standard requires the right-of-use asset to be depreciated over the duration of the lease term and shown within operating profit in the income statement, with the interest cost associated with the financing of the asset included within interest expense. The application of this standard had no material impact on the amounts reported in the Company's financial statements due to the nature of its operations.
- IFRIC 23 '*Uncertainty over Income Tax Treatments*' was adopted on 1 January 2019. The interpretation clarifies that income tax and deferred tax assets and liabilities should be measured reflecting the uncertainty of any positions adopted under IAS 12 '*Income Taxes*', where acceptance of such position by the tax authorities is considered as less than probable. The application of this interpretation had no material impact on the amounts reported in the Company's financial statements.
- The application of a number of minor amendments, including those from the 2015-2017 annual improvement cycle which became effective on 1 January 2019, had no impact on the Company's financial statements due to the nature of its operations. This includes '*Borrowing Costs Eligible for Capitalisation (Amendments to IAS 23)*', '*Previously Held Interests in a Joint Operation (Amendments to IFRS 3 and IFRS 11)*', '*Income Tax Consequences of Payments on Instruments Classified as Equity (Amendments to IAS 12)*', '*Prepayment Features with Negative Compensation (Amendments to IFRS 9)*', '*Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*', and '*Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*'.

(c) New standards and interpretations not yet adopted

The key new standards, interpretations and amendments, as issued by the IASB are expected to be adopted by the Company once they are effective for application in the EU:

- '*Definition of Material (Amendments to IAS 1 and IAS 8)*': the IASB effective date is 1 January 2020 and the amendment has been endorsed by the EU. The amendment revises the definition of material stating that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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'. This amendment is not expected to have an impact on the Company's financial statements.
- '*Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*': the IASB effective date is 1 January 2020 and the amendment has been endorsed by the EU. The amendment requires that for interest rate hedges affected by Interbank Offered Rate ('IBOR') reform, the interest rate benchmark is not altered when considering whether a forecast transaction is highly probable, or whether there is an economic relationship between the hedged cash flow and the hedging instrument. This would apply for a limited period until there is no longer uncertainty relating to IBOR reform. This amendment is not expected to have an impact on the Company's financial statements.
- '*IFRS 17 Insurance Contracts*': the IASB effective date is 1 January 2021 and the standard is yet to be endorsed by the EU. IFRS 17 will replace IFRS 4 '*Insurance Contracts*' and applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. This standard is not expected to have an impact on the Company's financial statements due to the nature of its operations.

Notes to the financial statements

at 31 December 2019

2. Basis of preparation (continued)

(c) *New standards and interpretations not yet adopted*

- There are a number of other amendments which have not yet been endorsed by the EU and are not expected to have a material impact on the Company's financial statements.

The Company has not early adopted any new standards or interpretations.

3. Significant accounting judgements and key sources of estimation uncertainty

In the course of preparing these financial statements, management make necessary judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Judgements are based on management's best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the financial statements.

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, but actual results may differ from these estimates. The estimates and underlying assumptions applied 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.

The following are the critical judgements, key assumptions and sources of estimation uncertainty concerning the future that arise mainly from the nature of the Company's operations and which management believe are likely to have the greatest effect on the amounts recognised in the financial statements.

Impairment of assets

Significant accounting judgements

Management review the carrying value of the Company's assets to determine whether there are any indicators of impairment such that the carrying values of the assets may not be recoverable. The assessment of whether an indicator of impairment or reversal thereof has arisen requires considerable judgement, taking account of future operational and financial plans of the underlying investment and the interest accruing on its loans receivable.

Where such indicators exist, the carrying value of the assets is compared with the recoverable amount of the asset, that is, the higher of its fair value less costs to sell and value in use, which for its investment in subsidiary is typically determined on a net asset basis and takes into account the discounted future cash flows arising on the subsidiary's loan receivable.

In 2019 and 2018, the declaration and payment of dividend income of \$82 million (2018: \$138 million) from the subsidiary was considered to be an impairment indicator and an impairment review was undertaken (see note 10).

Key sources of estimation uncertainty

The net asset basis used to assess the recoverable amount of the Company's non-current investments includes management estimates of foreign exchange rates since the subsidiary's assets are denominated in KZT. The value of the subsidiary to the Company is therefore dependent on the KZT and US dollar exchange rate. A devaluation in the KZT would reduce the US dollar value of the subsidiary's assets and consequently the recoverability of the Company's investment. Similarly, a fall in commodity prices, in particular for copper, which is dependent on a number of factors including world supply and demand and investor sentiment could have a material impact on the earnings and cash flows of the Aktogay mine.

A 10% devaluation of the KZT at 31 December 2019 relative to the US dollar would have resulted in the Company's investment exceeding the carrying value of the subsidiary's net assets by approximately \$63 million. This is equivalent to a 10% sustained devaluation in forecast exchange rates reducing the US dollar value of the future repayments due under the subsidiary's loan receivable. A devaluation of the KZT has in the past resulted in impairments of the Company's non-current investments, notably in 2015.

Notes to the financial statements

at 31 December 2019

4. Employee information

There were no employees of the Company in the year (2018: nil).

5. Directors' remuneration

No Directors received any emoluments in connection with their services as a Director of the Company during the year (2018: \$nil).

6. Auditor's remuneration

The auditor's remuneration for services provided to the Company during the year ended 31 December 2019, was \$7,744 (2018: \$8,168). The costs were borne entirely by a fellow group subsidiary, KAZ Minerals Services Limited.

7. Dividend income

	2019 \$ million	2018 \$ million
Dividend income	<u>82</u>	<u>138</u>

8. Finance income and costs

	2019 \$ million	2018 \$ million
Finance income		
Interest income	–	1
Foreign exchange gain	1	6
	<u>1</u>	<u>7</u>
Finance costs		
Interest expense on borrowings	85	90
Amortisation of capitalised arrangement fees	2	2
Loss on derivative financial instruments	1	3
	<u>88</u>	<u>95</u>

9. Income taxes

(a) Income tax credit

Major components of income tax credit are:

	2019 \$ million	2018 \$ million
Current income tax		
Corporate income tax – current year (credit)	(17)	(16)
Waiver of group relief ¹	17	16
	<u>–</u>	<u>–</u>
Deferred income tax		
Corporate income tax – current year (credit)	(2)	(4)
Corporate income tax – prior year	2	–
	<u>–</u>	<u>(4)</u>
	<u>–</u>	<u>(4)</u>

9. Income taxes (continued)

(a) Income tax credit (continued)

A reconciliation of the income tax credit applicable to the accounting result before tax at the statutory income tax rate, to the income tax credit at the effective income tax rate, is as follows:

	2019 \$ million	2018 \$ million
Loss before taxation	(5)	(153)
At statutory income tax rate of 19% (2018: 19%)	(1)	(29)
Non-deductible expenses – impairments	–	39
Non-taxable income – dividend income	(15)	(26)
Recognised tax losses	–	(4)
Unrecognised tax losses	(2)	–
Deferred tax – prior year	2	–
Waiver of group relief ¹	16	16
Income tax (credit)	–	(4)

¹ All UK subsidiaries of the KAZ Minerals Group are considered part of a tax group for corporation tax purposes. At 31 December 2019, all outstanding group relief balances across the tax group were waived.

(b) Recognised deferred tax assets

Details of the deferred tax assets provided in the financial statements are as follows:

	At 1 January \$000	Charged to income statement \$000	At 31 December \$000
2019			
Tax losses	4	–	4
2018			
Tax losses	–	4	4

The recognised deferred tax asset balance arises from tax losses incurred by the Company from April 2017. In April 2017, tax legislation was amended whereby tax losses incurred in an individual entity could be used for Group relief purposes. As such, it is expected that tax losses in the Company from April 2017 will be available against future income of the UK tax group. These amount to \$26 million and a deferred tax asset has been recognised as it is probable that these tax losses will be utilised within the next five to 10 years. The deferred tax asset was recognised at 17%, being the enacted tax rate at which these tax losses are expected to be utilised.

(c) Unrecognised deferred tax assets

At 31 December 2019, tax losses available by the Company against which future taxable income can be utilised, which are not available for utilisation in the UK tax group and for which no deferred tax asset was recognised was \$55 million (2018: \$58 million).

10. Non-current investments

	2019	2018
	<i>\$ million</i>	<i>\$ million</i>
<i>Cost</i>		
At 1 January	1,252	1,185
Additions	133	67
At 31 December	1,385	1,252
<i>Provision for impairment</i>		
At 1 January	583	380
Impairment charges	–	203
At 31 December	583	583
Net book value	802	669

The Company holds a 100% interest in KAZ Minerals Aktogay Project Finance Limited, as outlined in note 18. The subsidiary is a UK incorporated company whose activity is to act as a special purpose financing company for the Group, principally to facilitate the financing of the Group's Aktogay mining project in Kazakhstan. The subsidiary has finance income which arises on its loans advanced to the Aktogay mining project.

During 2019, the Company subscribed for 132,970,000 (2018: 66,640,000) ordinary shares of US\$1 each in the subsidiary, amounting to \$133 million (2018: \$67 million).

In 2019, the investment was subject to an impairment review following the identification of an impairment indicator, namely dividend income of \$82 million received during the year. The assessment of whether impairment indicators exist requires judgement, taking into account the future operational and financial plans of the underlying investment. The impairment review resulted in the carrying value of the investment being below its recoverable amount of \$813 million and no impairment was recognised. The recoverable amount was determined as the carrying value of its net assets when translated to US dollars at the exchange rate prevailing at 31 December 2019, which takes into account the discounted future cash flows arising on the subsidiary's loan receivable that accrues interest at a rate of US\$ LIBOR plus 10%. The fair value less cost to sell estimate is a fair value measure that is categorised within Level 3 of the fair value hierarchy.

As a sensitivity, a 10% devaluation of the KZT at 31 December 2019 relative to the US dollar would have resulted in the Company's investment exceeding the carrying value of the subsidiary's net assets by approximately \$63 million (see note 3).

In 2018, the investment was subject to an impairment review following the declaration and payment of dividend income of \$138 million from the subsidiary. The impairment charge of \$203 million reduced the value of the investment in the subsidiary to the carrying value of its net assets when translated to US dollars at the exchange rate prevailing at 31 December 2018.

11. Cash and cash equivalents

	2019	2018
	<i>\$ million</i>	<i>\$ million</i>
Cash at bank	<u>3</u>	<u>262</u>

12. Share capital and reserves

Allotted, called up and paid share capital - ordinary shares of \$1.00 each

	<i>Number</i>	<i>\$ million</i>
At 31 December 2019 and 2018	<u>80,000,000</u>	<u>80</u>

The Company's issued share capital carries voting rights of one vote per share and each share carries equal dividend rights.

Notes to the financial statements

at 31 December 2019

13. Borrowings

	<i>Maturity</i>	<i>Average interest rate during the year</i>	<i>Currency of denomination</i>	<i>Current \$ million</i>	<i>Non- current \$ million</i>	<i>Total \$ million</i>
31 December 2019						
CDB-Aktogay facility (US\$ LIBOR + 4.2%)	2029	6.69%	US dollar	105	1,012	1,117
CDB-Aktogay facility (PBoC 5 year)	2028	5.42%	CNY	12	85	97
				<u>117</u>	<u>1,097</u>	<u>1,214</u>
31 December 2018						
CDB-Aktogay facility (US\$ LIBOR + 4.2%)	2029	6.45%	US dollar	105	1,116	1,221
CDB-Aktogay facility (PBoC 5 year)	2028	5.17%	CNY	12	98	110
				<u>117</u>	<u>1,214</u>	<u>1,331</u>

The CDB-Aktogay facilities consist of a CNY 1.0 billion facility and a \$1.3 billion US dollar facility.

At 31 December 2019, the drawn US dollar equivalent amount under the CNY facility was \$97 million (2018: \$110 million). The facility accrues interest at the applicable benchmark lending rate published by the People's Bank of China. This facility is repayable in semi-annual instalments in March and September of each year until final maturity in 2028. \$12 million was repaid in 2019, while \$12 million is due to be repaid within 12 months of the balance sheet date. To protect the Company from currency risks arising on the CNY denominated debt, the Company has entered into CNY/US\$ cross currency swaps for a portion of the exposure. This derivative instrument provides a hedge against movements in the CNY exchange rate against the US dollar and also swaps the interest basis from a CNY interest rate into a US\$ LIBOR interest basis. The fair value of the swaps at 31 December 2019, included within payables, is \$12 million (2018: \$12 million).

The US dollar facility accrues interest at US\$ LIBOR plus 4.20%. At 31 December 2019, \$1.1 billion (2018: \$1.2 billion) was outstanding under the facility. Arrangement fees with an amortised cost of \$9 million (2018: \$11 million) have been netted off against these borrowings in accordance with IFRS 9. The facility is repayable in semi-annual instalments in March and September until final maturity in 2029. During 2019, \$107 million was repaid, with \$105 million (net of \$2 million of unamortised debt costs) due to be repaid within 12 months of the balance sheet date. KAZ Minerals PLC acts as guarantor of both facilities.

14. Trade and other payables

	<i>2019 \$ million</i>	<i>2018 \$ million</i>
Interest payable	20	24
Derivative financial instrument	12	12
	<u>32</u>	<u>36</u>

14. Trade and other payables (continued)

The derivative financial instrument relates to two CNY/US\$ cross currency and interest rate swaps entered into in 2013, relating to the CDB-Aktogay CNY facility, which have a maturity date of March 2020. At 31 December 2019, \$98 million (before arrangement fees which have been netted off in accordance with IFRS 9) was outstanding under the CNY facility (2018: \$110 million). Of this amount, \$92 million (being the US dollar equivalent of CNY 640 million on the date of draw down) was swapped to a US\$ LIBOR floating rate. The fair value of the derivative has been determined on a mark-to-market basis using a forward yield curve and current exchange rates. The fair value of the different legs under the swaps was as follows:

	<i>Maturity</i>	<i>Applicable interest rate</i>	<i>Notional principal</i>	<i>Fair value \$ million</i>
31 December 2019				
CNY leg receivable (fixed)	2020	5.50%	CNY 350	51
US\$ leg payable (floating)	2020	US\$ LIBOR + 3.85%	USD (56)	(58)
				<u>(7)</u>
CNY leg receivable (fixed)	2020	5.50%	CNY 290	42
US\$ leg payable (floating)	2020	US\$ LIBOR + 1.98%	USD (46)	(47)
				<u>(5)</u>
				<u><u>(12)</u></u>
31 December 2018				
CNY leg receivable (fixed)	2020	5.50%	CNY 350	53
US\$ leg payable (floating)	2020	US\$ LIBOR + 3.85%	USD (56)	(60)
				<u>(7)</u>
CNY leg receivable (fixed)	2020	5.50%	CNY 290	43
US\$ leg payable (floating)	2020	US\$ LIBOR + 1.98%	USD (46)	(48)
				<u>(5)</u>
				<u><u>(12)</u></u>

Movements in the fair value of the derivative are recognised within finance costs in the income statement.

15. Movement in net debt

	<i>At 1 January 2019</i>	<i>Cash flow</i>	<i>Other movements</i>	<i>At 31 December 2019</i>
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
Cash and cash equivalents	262	(259)	–	3
Borrowings ¹	(1,331)	119	(2)	(1,214)
Net debt	(1,069)	(140)	(2)	(1,211)
	<i>At 1 January 2018</i>	<i>Cash flow</i>	<i>Other movements</i>	<i>At 31 December 2018</i>
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
Cash and cash equivalents	397	(136)	1	262
Borrowings ¹	(1,455)	120	4	(1,331)
Net debt	(1,058)	(16)	5	(1,069)

¹ The cash flows on borrowings in 2019 reflect repayments on the CDB-Aktogay USD and CNY facilities of \$119 million (2018: \$120 million). Other movements include non-cash amortisation of fees on borrowings of \$2 million (2018: \$2 million) and foreign exchange gains on the CDB-Aktogay CNY facility of \$nil (2018: \$6 million).

Notes to the financial statements

at 31 December 2019

16. Financial risk management

The main risks arising from the Company's financial instruments are foreign exchange risk, interest rate risk, credit risk and liquidity risk. These risks arise from exposures that occur in the normal course of business and are managed by the Group's Treasury department under oversight of a Treasury Committee, which is chaired by the Group Chief Financial Officer. The responsibilities of the Treasury Committee include the monitoring of financial risks, management of the Group's cash resources, debt funding programmes and capital structure, approval of treasury counterparties and relevant transaction limits, and oversight of all significant treasury activities undertaken by the Group.

A Group Treasury Policy has been approved by the KAZ Minerals PLC Board of Directors and is periodically updated to reflect developments in the financial markets and the financial exposures facing the Group. The Treasury Policy covers specific areas of financial risk management, in particular liquidity risk, credit risk, interest rate risk, foreign exchange risk and commodity price risk. The Group's Treasury Committee and the Group's Internal Audit department monitor compliance with the Treasury Policy on a regular basis.

The Company's principal financial instruments comprise cash and cash equivalents, borrowings and the cross-currency swap arrangement. The Company's borrowings and surplus liquidity are controlled and managed centrally by the Group's Treasury department.

The Company's accounting policies with regard to financial instruments are detailed in note 21(g).

(a) Derivatives, financial instruments and risk management

The Company periodically uses derivative financial instruments to manage certain exposures to fluctuations in interest rates and exchange rates. In periods of significant market volatility or uncertainty, the Company may use derivative instruments as a means of reducing volatility on its financing cash flows. Limits on the size and type of any derivative hedge transaction are laid down by the KAZ Minerals PLC Board of Directors and subject to strict internal controls.

(b) Categories of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities by categories are as follows:

	2019	2018
	<i>\$ million</i>	<i>\$ million</i>
Financial assets at amortised cost		
Cash and cash equivalents	<u>3</u>	<u>262</u>
Financial liabilities at amortised cost		
Borrowings ¹	(1,214)	(1,331)
Interest payable	<u>(20)</u>	<u>(24)</u>
	<u>(1,234)</u>	<u>(1,355)</u>
Financial liabilities at fair value through profit and loss		
Derivative financial instrument ²	<u>(12)</u>	<u>(12)</u>

¹ The fair value of borrowings approximates its carrying value and is measured by discounting future cash flows using currently available interest rates for debt of similar maturities, which is a level 3 valuation method within the fair value hierarchy.

² Derivative financial instruments, representing a cross currency and interest rate swap, are measured according to inputs other than quoted prices that are observable for the derivative financial instrument, either directly or indirectly, which is a level 2 valuation method within the fair value hierarchy.

The fair values of each category of financial asset and liability are not materially different from their carrying values as presented.

Notes to the financial statements

at 31 December 2019

16. Financial risk management (continued)

(c) Foreign exchange risk

The Company has foreign currency exposures which arise from transactions in currencies other than the Company's functional currency. The functional currency of the Company is the US dollar and the currency giving rise to this foreign currency risk is the CNY. Exchange gains and losses arise from borrowings on the CDB-Aktogay CNY facility.

Where possible, the Company attempts to conduct its business, maintain its monetary assets and source corporate debt capital in US dollars to minimise its exposure to other currencies. The Company retains surplus cash balances in US dollars for servicing of debt and returns to shareholders. Rates of exchange for the CNY relative to the US dollar could fluctuate significantly and may materially impact the profitability and the net assets of the Company.

To protect the Company from currency risks arising on the CDB-Aktogay CNY denominated debt, the Company has entered into a CNY/US\$ cross currency swap (see note 14). This derivative instrument provides a hedge against movements in the CNY exchange rate against the US dollar and also swaps the interest basis from a CNY interest rate into a US\$ LIBOR interest basis. This derivative is measured at fair value with the fair value adjustment recorded in profit and loss.

(i) Foreign currency exposure by balance sheet account profile

The Company's exposure to foreign currency risk is shown below. The table sets out the Company's financial assets and liabilities which are denominated in the stated currencies, thereby exposing the Company to transactional net currency gains and losses which are recognised in the income statement:

	<i>CNY</i> <i>\$ million</i>	<i>Total</i> <i>\$ million</i>
2019		
Cash and cash equivalents	2	2
Borrowings	<u>(97)</u>	<u>(97)</u>
	<u>(95)</u>	<u>(95)</u>
2018		
Cash and cash equivalents	1	1
Borrowings	<u>(110)</u>	<u>(110)</u>
	<u>(109)</u>	<u>(109)</u>

(ii) Foreign currency sensitivity analysis

The estimated impact of a movement in foreign currencies has been determined based on the balances of financial assets and liabilities at 31 December 2019 that are not denominated in the functional currency of the Company. This sensitivity does not represent the income statement impact that would be expected from a movement in exchange rates over the course of a period of time and assumes that all other variables, in particular interest rates, remain constant. A 10% strengthening of the US dollar against the CNY at 31 December 2019 would have increased profit after tax by \$7 million (2018: \$9 million), before impact of the cross-currency swap derivative.

A 10% weakening of the US dollar against the above currency at 31 December 2019 would have had an equal but opposite effect, on the basis that all other variables remain constant.

16. Financial risk management (continued)**(d) Interest rate risk**

The Company has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact cash and cash equivalents and borrowings (floating rate debt) by changing their future cash flows. The Company's interest rate management policy is generally to borrow and invest at floating rates of interest. In some circumstances, an element of fixed rate funding may be considered appropriate. Fixed rate hedging using interest rate swaps may be undertaken during periods where the Company's exposure to movements in short-term interest rates is more significant, or in periods when interest rates are perceived to be below long-term historical levels. At 31 December 2019, the Company had an outstanding cross currency and interest rate swap on the CDB-Aktogay CNY facility (see note 14) of \$12 million (2018: \$12 million).

The exposure of the Company's financial assets and liabilities to interest rate risk is as follows:

	<i>Floating rate</i>	<i>Non-interest</i>	<i>Total</i>
	<i>\$ million</i>	<i>bearing</i>	<i>\$ million</i>
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
At 31 December 2019			
Cash and cash equivalents	3	–	3
Borrowings	(1,214)	–	(1,214)
Trade and other payables	(12)	(20)	(32)
	<u>(1,223)</u>	<u>(20)</u>	<u>(1,243)</u>

	<i>Floating rate</i>	<i>Non-interest</i>	<i>Total</i>
	<i>\$ million</i>	<i>bearing</i>	<i>\$ million</i>
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
At 31 December 2018			
Cash and cash equivalents	262	–	262
Borrowings	(1,331)	–	(1,331)
Trade and other payables	(12)	(24)	(36)
	<u>(1,081)</u>	<u>(24)</u>	<u>(1,105)</u>

The interest charged on floating rate financial assets liabilities is based on the relevant benchmark rate (such as LIBOR). Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

In accordance with IFRS 7, the impact of interest rates has been determined based on the balances of financial assets and liabilities at 31 December 2019. This sensitivity does not represent the income statement impact that would be expected from a movement in interest rates or outstanding balances over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. The effect on profit after tax of a 1% movement in US\$ LIBOR rates, based on the year end net debt position and with all other variables held constant, is estimated to be \$10 million (2018: \$9 million).

(e) Credit risk

Exposure to credit risk arises as a result of transactions in the Company's ordinary course of business and is applicable to all financial assets. The Company has adopted policies and procedures to control and monitor these exposures to minimise the risk of loss in the event of non-performance by counterparties. The maximum exposure with respect to credit risk is represented by the carrying amount of each financial asset on the balance sheet, as outlined in note 16(b).

16. Financial risk management (continued)**(e) Credit risk (continued)***Credit risk relating to cash and cash equivalents*

Credit risk relating to the Company's cash and cash equivalents arises from the potential default of counterparties. Credit risk arising from balances with banks and financial institutions is managed by the Group's Treasury Committee in accordance with the KAZ Minerals PLC Board approved Treasury Policy. The Company's cash management policies emphasise security and liquidity ahead of investment return. Investments of cash and deposits are made only with approved counterparties of high credit worthiness and within credit limits assigned to each counterparty. Exposures are measured against credit limits assigned to each approved counterparty to ensure credit risk is effectively managed. The limits are set to minimise the concentration of risks and therefore mitigate any financial loss through potential counterparty failure.

Funds are held primarily with major European and US financial institutions with minimum ratings of Standard & Poor's 'A-' and Moody's 'A3' and 'AAA' rated liquidity funds. These limits are reviewed on a regular basis to take account of developments in financial markets and updated accordingly. Expected credit losses take into account the maturities of deposits and changes in observable inputs, such as the spread on credit default swaps, which may indicate changes in the probability of potential default of counterparties. There have been no significant increases in credit risk since initial recognition and possible default events have been considered over a period of 12 months after the reporting date. At 31 December 2019, there were no material expected credit losses in respect of cash and cash equivalents (2018: none).

(f) Liquidity risk

The Company's objective is to maintain a balance between availability of funding and maximising investment return on its liquid resources through the use of liquid cash investments and debt facilities of varying maturities. Management regularly reviews the funding requirements of the Company in selecting appropriate maturities for any liquid cash investments.

The Group's policy is to centralise debt and surplus cash balances to the maximum extent possible.

Maturity of financial liabilities

The table below analyses the Company's financial liabilities, which will be settled on a gross basis, into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
At 31 December 2019						
Borrowings ¹	–	(98)	(99)	(712)	(751)	(1,660)
Derivative instrument	–	(12)	–	–	–	(12)
	–	(110)	(99)	(712)	(751)	(1,672)
	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
At 31 December 2018						
Borrowings ¹	–	(101)	(102)	(734)	(911)	(1,848)
Derivative instrument	–	–	–	(12)	–	(12)
	–	(101)	(102)	(746)	(911)	(1,860)

¹ Borrowings include expected future interest payments based on contracted margins and prevailing LIBOR rates at the balance sheet date.

16. Financial risk management (continued)

(g) Capital management

The over-riding objectives of the Company's capital management policy are to safeguard and support the business as a going concern to maximise returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure in order to reduce the Group's cost of capital.

At 31 December 2019, total capital employed (which comprises equity shareholders' funds and borrowings) of the Company amounted to \$777 million (2018: \$899 million). Total capital employed is the measure of capital that is used by the Directors in managing capital. The Company was in a net debt position of \$1,211 million (2018: \$1,069 million).

17. Related party transactions

The following table provides the total amount of transactions which have been entered into with related parties:

	<i>Dividend income 2019 \$ million</i>	<i>Amounts receivable 2019 \$ million</i>	<i>Dividend income 2018 \$ million</i>	<i>Amounts receivable 2018 \$ million</i>
KAZ Minerals Aktogay Project Finance Limited	<u>82</u>	<u>–</u>	<u>138</u>	<u>–</u>

Dividend income of \$82 million (2018: \$138 million) was received in the year from the Company's subsidiary undertaking KAZ Minerals Aktogay Project Finance Limited.

In addition, the Company subscribed for 132,970,000 (2018: 66,640,000) ordinary shares of US\$1 each in the subsidiary (see note 10), amounting to \$133 million (2018: \$67 million).

18. Subsidiaries

	<i>Country of incorporation</i>	<i>Directly or indirectly held subsidiary</i>	<i>Class of shares held</i>	<i>Equity interest at 31 December 2019 %</i>	<i>Equity interest at 31 December 2018 %</i>
KAZ Minerals Aktogay Project Finance Limited	England and Wales	Direct	Ordinary shares	<u>100.0</u>	<u>100.0</u>

The registered address of the above company is 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom.

19. Ultimate parent undertaking and controlling party

The Company is 100% owned by KAZ Minerals Aktogay B.V., an entity incorporated and registered at Strawinskyalaan 453, 1077XX, Amsterdam, The Netherlands.

The ultimate controlling party and ultimate parent undertaking is KAZ Minerals PLC. KAZ Minerals PLC is incorporated in England and Wales and heads the only group in which the results of the Company are consolidated. The consolidated financial statements of this Group are available and may be obtained from:

Company Secretary
KAZ Minerals PLC
6th Floor
Cardinal Place
100 Victoria Street
London
SW1E 5JL
United Kingdom

Notes to the financial statements

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20. Post balance sheet events

(a) Dividends

On 19 March 2020, an interim dividend of \$38 million was received from its subsidiary, KAZ Minerals Aktogay Project Finance Limited.

(b) CDB Loan Facilities

On 20 March 2020, the Company made a principal repayment on the USD facility to CDB for \$54 million (refer to note 13 on page 19 for details of the loan facility), together with semi-annual interest of \$36 million.

On 20 March 2020, the Company made a principal repayment on the CNY facility to CDB for CNY 40 million (equivalent to \$6 million) (refer to note 13 on page 19 for details of the loan facility), together with quarterly interest of CNY 8 million (equivalent to \$1 million).

(c) CNH Swap extension

On 6 March 2020, the Company executed amendments to the CNY/US\$ cross currency and interest rate swaps relating to the CDB-Aktogay CNY facility, extending the tenor of the derivative instruments from March 2020 to March 2024 and September 2027 (refer to note 14 on pages 19 and 20 for details of the derivative instruments). The notional principal balances were also adjusted to an amortising profile in line with the underlying loan repayment schedule. In addition, the interest rate applicable on the CNY leg receivable was adjusted to 4.90% (fixed) and the interest rates applicable on the USD leg payable were adjusted to 3.64% and 3.72% (fixed). The amendments all came into effect on 20 March 2020.

(d) COVID-19 coronavirus

There has been significant impact on the global markets following the outbreak of the COVID-19 pandemic at the beginning of 2020 which has negatively affected commodity prices and the economic outlook for China and the rest of the World. The Group has taken certain measures to allow operations to continue as normal, with no significant disruption to production and only minor delays in respect of the sale of onward sale of material to customers. Potential risks to KAZ Minerals Group operations include further restrictions on the movement of goods or people, supply chain interruptions or cases of infection occurring on sites.

21. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the financial statements.

(a) Foreign currency translation

The functional currency of the Company is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates, are taken to the income statement. Transactions denominated in foreign currencies and that result in the recognition of non-monetary assets and liabilities are stated at historical cost and translated to the functional currency at the foreign exchange rate ruling at the date of each transaction.

The functional currency of the Company is the US dollar as the majority of the operating activities are conducted in US dollars.

Notes to the financial statements

at 31 December 2019

21. Summary of significant accounting policies (continued)

(a) Foreign currency translation (continued)

The following foreign exchange rates against the US dollar have been used in the preparation of the financial statements:

	2019		2018	
	Spot	Average	Spot	Average
Chinese yuan	6.9632	6.902	6.8785	6.6326

(b) Non-current investments

Non-current investments are held at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount the investment is considered impaired and is written down to its recoverable amount. Any positive change in the amount or timing of estimated future cash flows such that the fair value of the Company's investments increases, consideration will be given to whether previously recognised impairments should be reversed.

Reversals of impairment

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years. Such reversals are recognised in the income statement.

(c) Cash and cash equivalents

Cash and cash equivalents, held for the purpose of meeting short-term commitments, comprise cash at bank and in hand, short-term deposits held on call or with original maturities of three months or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(d) Finance income

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues and calculated in accordance with the effective interest rate method.

(e) Finance costs

Finance costs comprise interest on borrowings, other costs incurred in connection with borrowings and foreign exchange losses. Interest expense on borrowings is determined using the effective interest rate method.

(f) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the period and any adjustment to tax payable in respect of previous periods.

Notes to the financial statements

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21. Summary of significant accounting policies (continued)

(f) Income tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss, are not provided for.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and in combination with other deferred tax assets. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred income tax balances are based on the tax legislation in the countries in which the Company operates. Where tax legislation may not be clear or result in uncertainty, the Company will determine its tax obligations and resulting income tax expense using an approach which it believes has a probable chance of being accepted by the tax authorities based on historical experience, legal advice and communication with the tax authorities, where appropriate. Where the Company adopts an approach to an uncertain tax position that it regards as having a less than probable chance of being accepted by the tax authorities, the income tax expense and resulting income and deferred tax balances are adjusted to reflect this uncertainty using either the most likely outcome method or the expected value method.

(g) Financial instruments

The Company recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Classification and initial measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at amortised cost, fair value through profit or loss or fair value through other comprehensive income. The Company determines this classification at initial recognition depending on the business model for managing the financial asset and the contractual terms of the cash flows.

The Company's financial assets consist of cash and cash equivalents and are classified as amortised cost.

When financial assets are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in the income statement.

The Company's financial assets measured at amortised cost are held for the collection of contractual cash flows where those cash flows have specified dates and represent solely payments of principal and interest.

Subsequent measurement

Financial assets held for the collection of contractual cash flows that are solely payments of principal and interest (and classified as amortised cost) are subsequently measured at amortised cost using the effective interest rate method ('EIR'). Amortised cost is calculated by taking into account any discount or premium

Notes to the financial statements

at 31 December 2019

21. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Allowance for impairment is estimated on a case-by-case basis.

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses that might arise on financial assets measured at amortised cost. This assessment considers the probability of a default event occurring that could result in the expected cash flows due from a counterparty falling short of those contractually agreed.

Expected credit losses are estimated for default events possible over the lifetime of a financial asset measured at amortised cost. However, where the financial asset is not a trade receivable measured at amortised cost and there have been no significant increases in that financial asset's credit risk since initial recognition, expected credit losses are estimated for default events possible within 12 months of the reporting date.

(ii) Financial liabilities

Classification and initial measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost or fair value through profit or loss. The Company determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities include borrowings and interest payable which are classified as amortised cost and a derivative financial instrument which is classified as fair value through profit or loss. Trade payables may be designated and measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis.

All financial liabilities are recognised initially at fair value while financial liabilities at amortised cost additionally include directly attributable transaction costs.

Subsequent measurement

Borrowings and interest payable are subsequently measured at amortised cost using the EIR method after initial recognition. Gains and losses are recognised in the income statement through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

A gain or loss on a financial liability measured at fair value through profit or loss is recognised in the income statement in the period in which it arises.

Where the Company enters into derivative contracts that are not hedging instruments in hedge relationships as defined by IFRS 9, these are carried on the balance sheet at fair value with subsequent changes recognised in finance income or finance costs in the income statement.

Notes to the financial statements

at 31 December 2019

21. Summary of significant accounting policies (continued)

(g) *Financial instruments (continued)*

(ii) *Financial liabilities (continued)*

Derecognition

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 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 in the income statement.

(iii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) *Fair value of financial instruments*

At each reporting date, the fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined 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, discounted cash flow analysis or other valuation models.