Annex No. 1
to the Bulletin for absentee voting
at the Annual General Meeting of
Shareholders of UKTMP JSC
dd. July 26, 2023

Ust-Kamenogorsk Titanium and Magnesium Plant JSC

Consolidated financial statements

for the year ended 31 December 2022
prepared in accordance with IFRSs
with Independent auditors' report

Ust-Kamenogorsk 2023

CONTENTS

Moore Kazakhstan
2nd floor, 1A, Business Centre Nurly-Tau
5 al-Farabi Av., Almaty,
Kazakhstan, 050059
T +7 727 266 99 04
E info@moore.kz
kazakhstan.moore-global.com

INDEPENDENT AUDITORS' REPORT

To: Owners of Ust-Kamenogorsk Titanium and Magnesium Plant JSC

Opinion

We have audited the accompanying consolidated financial statements of Ust-Kamenogorsk Titanium and Magnesium Plant JSC and its subsidiaries (hereinafter – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter – "IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – "ISAs"). Our responsibilities under those standards are further described in the *Auditors' 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 (hereinafter – "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code, together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report:

Useful Lives of property, plant and equipment

Risk The balance value of property, plant and equipment and depreciation expenses make up significant items in the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income. We view the determination of the useful life of property, plant and equipment as a significant risk, as the process of determining the useful life (capacity of production equipment) and depreciation period is subject to a significant degree of management judgment.

An independent member firm of Moore Global Network Limited – members in principal cities throughout the world

Key Audit Matters, continued

Our Measures Our audit procedures in this area included the following:

- Achieving an understanding of the control procedures of the process of determining the useful lives of property, plant and equipment and depreciation;
- Analysis of the applicable accounting policy for property, plant and equipment;
- Analysis of the useful lives of property, plant and equipment, verification of the correctness of depreciation, as well as a survey of technical specialists on selected positions;
- Assessment of the Group's management's judgments regarding the absence of indicators of impairment of the cost of property, plant and equipment at the reporting date;
- Verification of the acceptability and completeness of disclosure of information related to property, plant and equipment.

Other Matter

The financial statements of the Group for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 30 April 2022.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, continued

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Approve

Serik Kozhikenov
Auditor, audit certificate No. 0000557
dated 24 December 2003
Chief Executive
Moore Kazakhstan LLP
23 May 2023

Anastassiya Kulikova
Project manager

General licence No. 22011362 for audit activity issued 16 June 2022 by the Ministry of Finance of the Republic of Kazakhstan

MOORE

Ust-Kamenogorsk Titanium and Magnesium Plant JSC
Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2022

KZT'000 (unless otherwise stated)	Note	2022	2021
Revenues	4	75,626,462	66,854,736
Cost of sales	5	(47,606,167)	(54,428,880)
Gross profit		**28,020,295**	**12,425,856**
Selling and distribution costs	6	(4,462,301)	(2,231,183)
Administrative expenses	7	(8,815,292)	(6,192,922)
Other operating income	8(a)	2,078,117	2,380,493
Other operating expenses	8(b)	(4,940,199)	(1,555,699)
Operating profit		**11,880,620**	**4,826,545**
Finance costs, net	9	(2,233,471)	(2,116,089)
Share of profits from associate	14	199,042	588,059
Profit before taxation		**9,846,191**	**3,298,515**
Income tax expense	10(a)	(3,105,050)	(721,215)
Profit for the year		**6,741,141**	**2,577,300**
Other comprehensive income (loss) for the year after tax			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on retranslation to presentation currency		2,083,592	1,124,853
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on employee benefits, net of income tax	23	17,953	(1,890)
Other comprehensive income for the year		**2,101,545**	**1,122,963**
Total comprehensive income for the year		**8,842,686**	**3,700,263**
Basic and diluted earnings per share, KZT	20(d)	3,288	1,257

These consolidated financial statements have been approved for issue on 23 May 2023 and signed on behalf of the Group's management by:

Mamutova Assem Tlekovna
President
Ust-Kamenogorsk Titanium and Magnesium Plant JSC

Serikpaev Sultan Bulatovich
Financial Director
Ust-Kamenogorsk Titanium and Magnesium Plant JSC

KZT'000	Note	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	11	83,293,172	72,702,135
Right-of-use asset	12(a)	223,220	330,379
Intangible assets	13	2,829,790	2,243,663
Investments in associate	14	2,040,046	1,717,727
Deferred tax asset	10(b)	47,341	123,553
Other non-current assets	15	118,210	434,823
		88,551,779	77,552,280
Current assets			
Inventories	16	56,389,076	41,052,694
Value-added tax and other taxes receivable	17	8,797,108	5,238,090
Corporate income tax prepaid		206,473	324,175
Trade and other receivables	18	22,211,130	22,243,999
Cash	19	4,640,992	6,582,036
		92,244,779	75,440,994
TOTAL ASSETS		**180,796,558**	**152,993,274**
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	20(a)	159,988	159,988
Additional paid in capital	20(b)	1,282,401	1,282,401
Reserve for translation to presentation currency		12,865,912	10,782,320
Reserve fund		(26,568)	(44,521)
Retained earnings		33,596,797	28,398,769
		47,878,530	40,578,957
Non-current liabilities			
Borrowings	21	8,944,368	10,199,975
Provisions	22	1,342,233	902,075
Deferred tax liability	10(b)	5,330,846	4,782,223
Lease liabilities	12(b)	115,283	155,887
Non-current employee benefit obligations	23	127,256	163,343
Non-current accounts payable	25	2,708	45,683
		15,862,694	16,249,186
Current liabilities			
Borrowings	21	24,582,648	31,375,067
Dividends payable	20(c)	546,819	166,308
Lease liabilities	12(b)	65,857	111,283
Current provisions		42,361	–
Current employee benefit liabilities	23	29,579	25,919
Income tax payable		29,016	–
Other taxes payable	24	841,854	63,576
Trade and other payables	25	80,549,340	63,473,594
Advances received	26	10,367,860	949,384
		117,055,334	96,165,131
TOTAL LIABILITIES		132,918,028	112,414,317
TOTAL EQUITY AND LIABILITIES		**180,796,558**	**152,993,274**

Mamutova Assem Tlekovna
President
Ust-Kamenogorsk Titanium and Magnesium Plant JSC

Serikpaev Sultan Bulatovich
Financial Director
Ust-Kamenogorsk Titanium and Magnesium Plant JSC

The notes on pages 5 to 34 are an integral part of these consolidated financial statements

KZT'000	Note	2022	2021
OPERATING ACTIVITIES			
Sale of finished goods		85,960,147	54,395,410
Other receipts		122,497	295,738
VAT refund from the budget		3,525,983	5,005,875
Interest received		–	75
Payments to suppliers and subcontractors		(42,080,683)	(29,775,290)
Salary paid		(8,050,997)	(6,207,768)
Settlements with the budget		(7,875,030)	(3,967,412)
Corporate income tax paid		(2,675,788)	(1,077,265)
Interest paid	21	(984,501)	(1,052,763)
Other payments		(3,320,065)	(2,782,817)
Net cash from operating activities		**24,621,563**	**14,833,783**
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	11	19,011	17,857
Acquisition of property, plant and equipment and intangible assets	11,13	(14,960,124)	(12,122,588)
Increase of restricted cash		35,693	(1,078)
Other payments		(1,544)	–
Net cash used in investing activities		**(14,906,964)**	**(12,105,809)**
FINANCING ACTIVITIES			
Proceeds from borrowings	21	59,134,949	43,891,167
Repayment of borrowings	21	(70,586,870)	(42,175,700)
Lease payments	12(b)	(107,800)	(116,800)
Dividends paid to the shareholders	20(c)	(1,172,103)	(1,312,640)
Net cash (used in) from financing activities		**(12,731,824)**	**286,027**
Net (decrease) increase in cash		(3,017,225)	3,014,001
Effect of exchange rate changes on cash		1,076,181	244,328
Cash at the beginning of the year		6,582,036	3,323,707
Cash at the end of the year	19	**4,640,992**	**6,582,036**

Non-cash transactions

In 2022, the loan under the Societe Generale Corporate and Investment Banking credit line was paid by the buyer against accounts receivable in the amount of KZT 1,418,729 thousand.

Mamutova Assem Tlekovna
President
Ust-Kamenogorsk Titanium and Magnesium Plant JSC

Serikpaev Sultan Bulatovich
Financial Director
Ust-Kamenogorsk Titanium and Magnesium Plant JSC

KZT'000	Note	Share capital	Additional paid in capital	Reserve for translation to presentation currency	Reserve fund	Retained earnings	Total
At 1 January 2021		**159,988**	**1,282,401**	**9,657,467**	**(42,631)**	**27,257,212**	**38,314,437**
Profit for the year		–	–	–	–	2,577,300	2,577,300
Other comprehensive income		–	–	1,124,853	(1,890)	–	1,122,963
Dividends declared	20(c)	–	–	–	–	(1,435,743)	(1,435,743)
At 31 December 2021		**159,988**	**1,282,401**	**10,782,320**	**(44,521)**	**28,398,769**	**40,578,957**
Profit for the year		–	–	–	–	6,741,141	6,741,141
Other comprehensive income		–	–	2,083,592	17,953	–	2,101,545
Dividends declared	20(c)	–	–	–	–	(1,543,113)	(1,543,113)
At 31 December 2022		**159,988**	**1,282,401**	**12,865,912**	**(26,568)**	**33,596,797**	**47,878,530**

Mamutova Assem Tlekovna
President
Ust-Kamenogorsk Titanium and Magnesium Plant JSC

Serikpaev Sultan Bulatovich
Financial Director
Ust-Kamenogorsk Titanium and Magnesium Plant JSC

1. General information

(a) Organisation and operation

Ust-Kamenogorsk Titanium and Magnesium Plant JSC (hereinafter – the "Company") is open joint-stock company incorporated in Kazakhstan.

The Company's registered office and principal place of business is building 1/1, Bagdat Shayakhmetov str., Ust-Kamenogorsk, 070017, Kazakhstan.

These consolidated financial statements comprise the Company and its subsidiaries (hereinafter – the "Group"). Refer to note 30 for a list of all the Company's subsidiaries. The ultimate controlling party of the Group is Johann Dumont, Managing Director of SPECIALTY METALS HOLDING COMPANY.

The Group deals is the:

- production of high-grade titanium sponge, titanium ingots and magnesium of Mg-90 grade for use in aviation and other industries
- production of ilmenite.

As at 31 December 2022, the Group had 2,281 employees (2021: 2,064 employees).

(b) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, imposition or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The financial statements include management's estimates of Kazakhstan economic conditions and their impact on the results and financial position of the Group. Actual economic conditions can differ from those estimates.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – "IFRSs") as issued by the International Accounting Standards Board (hereinafter – "IASB") and interpretations issued by the International Financial Reporting Interpretations Committee (hereinafter – "IFRIC") of the IASB.

(b) Going concern

As at 31 December 2022, the Group's current liabilities exceeded its current assets by KZT 24,810,555 thousand. As at the date, current liabilities mainly include trade payables of the UKTMPi subsidiary to suppliers of raw materials. The subsidiary received letters from the suppliers of raw materials with the extension of the payment period.

Taking into account extension of the payment period received and the positive cash flows from operating activities, management believes that the necessary financing is available to meet the expected cash flow needs of the Group. After making appropriate enquiries, and having considered the outlook of product pricing, production levels, debt repayments and capital expenditure commitments and assessing reasonably possible adverse operational impacts such as lower prices, increased operational and capital expenditure costs, management has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(c) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis.

(d) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2022 and the Group's financial performance for the year ended 31 December 2022.

2. Basis of preparation, continued

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to direct those activities of an enterprise that most significantly affect the returns the Group earns from its involvement with the enterprise. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This treatment may mean that amounts previously recognised in other comprehensive income are recycled through profit or loss.

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(e) Functional and presentation currency

The functional currency of each consolidated entity of the Group is the United States dollar, except for the subsidiary Satpayevsk Mining and Processing Plant LLP, which operates in the national currency of the Republic of Kazakhstan, Kazakhstan tenge ("tenge"). The reporting currency of the Company is the national currency of the Republic of Kazakhstan - Kazakhstan tenge ("tenge").

(f) Adoption of standards and interpretations

In preparing the financial statements, the Group has applied the following standards and amendments effective from 1 January 2022:

- Reference to the Conceptual Framework (Amendments to IFRS 3);
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements (2018-2020 Cycle).

The standards and amendments listed above did not have a material impact on the Group's financial statements.

(g) New standards and interpretations not yet adopted

The Group has not early adopted new standards, interpretations or amendments that were issued but are not yet entered into force, and their requirements have not been considered when preparing the financial statements. These standards and interpretations are not expected to have a material impact on these financial statements.

(h) Use of estimates and judgments

The Group's management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRSs. 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. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments made by management for preparation of these financial statements is described in the following notes below. However, management does not expect a significant risk of a material change to the Company's carrying value of the assets and liabilities affected by these factors in the next 12 months, within a reasonably possible range, unless described otherwise.

- Note 10 – Income tax. Management made estimates in relation to the level of taxes payable which may then be audited by the tax authorities and timing of realisation of temporary differences;
- Note 11 – Property, plant and equipment. Estimates were made in relation to the useful lives of assets;
- Note 12 – Lease. Estimates were made in determining the lease term of contracts with renewal option and incremental borrowing rates;
- Note 13 – Intangible assets. Estimates were made in relation to the useful lives of assets;
- Note 16 – Inventories. Estimates were made in relation to the allowance for obsolete inventories;

2. Basis of preparation, continued

- Note 18 – Trade and other receivables. Management made estimates in relation to the allowance for expected credit losses;
- Note 22 – Provisions. Estimates were made in relation to fair value of provisions based on estimated future cash flows and risk-free discount rate;
- Note 23 – Employee benefit liabilities. The estimate is made for the fair value of the defined benefit obligation;
- Note 27 – Financial risk management objectives and policies. Fair value analysis is based on estimated future cash flows and discount rates;
- Note 28 – Commitments and contingencies. These require management to make estimates as to amounts payable and to determine the likelihood of cash outflows in the future

(i) Comparative information

Where a change in the presentation format of the financial statements has been made during the year, comparative figures have been restated accordingly, to conform with the new presentation format. The following changes were made to the comparative data:

- In the consolidated statement of financial position, advances received and dividends payable are separated from trade and other payables.
- In the consolidated statement of income and expenses, foreign exchange differences within other operating income and expenses are shown on a net basis.

3. Segment information

Operating segments are separate components that carry out business activities that can generate revenue and be related to expenses, the operating results of which are regularly reviewed by the top management body, and for which there is separate financial information. The top management body may be represented by one person or a group of persons who allocate resources and evaluate the results of the Group. The functions of the top management body of the Group are performed by the President of the Company.

Description of operating segments

The Group operates within the following main operating segments:

- Segment "Sponge Titanium";
- Segment "Titanium alloys and ingots";
- Other segments: other activities not material to the Group as a whole.

Factors used by the management to determine reportable segments

The segments of the Group are strategic business units that produce various products with different added value and target different customers. They are managed separately since each business unit requires its own sales market and in-house technologies.

Measurement of profit or loss, assets and liabilities of operating segments

The top management body evaluates the performance of each segment based on gross profit under IFRS financial statements.

Mutual settlements between segments are included in the assessment of the performance of each segment. Information on sales proceeds to third parties provided to the top management body is prepared based on the same accounting principles that were used in preparing the statement of profit or loss and other comprehensive income.

The Group does not provide information on the assets and liabilities of the segment since such information is not regularly submitted to the top management body for consideration.

3. Segment information, continued

Segment information for the reportable segments for the year ended 31 December 2022 is presented as follows:

KZT'000	Titanium sponge	Titanium ingots and alloys	Other	Eliminated inter-segment revenue	Total
Revenues	42,525,041	32,752,427	348,994	–	75,626,462
Inter-segment revenue	13,256,756	–	–	(13,256,756)	–
Segment revenue	**55,781,797**	**32,752,427**	**348,994**	**(13,256,756)**	**75,626,462**
Cost of sales	(25,841,466)	(21,599,657)	(165,044)	–	(47,606,167)
Gross profit	**29,940,331**	**11,152,770**	**183,950**	**(13,256,756)**	**28,020,295**
Selling and distribution costs					(4,462,301)
Administrative expenses					(8,815,292)
Other operating income					2,078,117
Other operating expenses					(4,940,199)
Finance expenses, net					(2,233,471)
Share of profits from associate					199,042
Profit before taxation					**9,846,191**
Income tax expense					(3,105,050)
Profit for the year					**6,741,141**
Depreciation	(4,138,762)	(3,187,640)	(33,966)	–	(7,360,368)

Segment information for the reportable segments for the year ended 31 December 2021 is presented as follows:

KZT'000	Titanium sponge	Titanium ingots and alloys	Other	Eliminated inter-segment revenue	Total
Revenues	31,075,888	34,083,876	1,694,972	–	66,854,736
Inter-segment revenue	14,384,191	–	–	(14,384,191)	–
Segment revenue	**45,460,079**	**34,083,876**	**1,694,972**	**(14,384,191)**	**66,854,736**
Cost of sales	(24,053,531)	(30,907,958)	532,609	–	(54,428,880)
Gross profit	**21,406,548**	**3,175,918**	**2,227,581**	**(14,384,191)**	**12,425,856**
Selling and distribution costs					(2,231,183)
Administrative expenses					(6,192,922)
Other operating income					2,380,493
Other operating expenses					(1,555,699)
Finance expenses, net					(2,116,089)
Share of profits from associate					588,059
Profit before taxation					**3,298,515**
Income tax expense					(721,215)
Profit for the year					**2,577,300**
Depreciation	(3,103,150)	(3,284,470)	(163,335)	–	(6,550,955)

3. Segment information, continued

Geographical information

Below is information on sales revenue to customers and long-term segment assets by their geographical location:

KZT'000	2022	2021
Korea	19,047,652	13,924,561
France	18,060,360	14,885,622
USA	17,384,464	10,711,485
China	13,400,812	16,617,000
Kazakhstan	2,034,920	657,400
United Kingdom	1,067,641	1,434,811
Switzerland	–	279,745
Other	4,630,613	8,344,112
	75,626,462	**66,854,736**

4. Revenues

KZT'000	2022	2021
Titanium sponge	42,525,041	31,075,888
Titanium ingots	32,752,427	34,083,876
Magnesium Mg-90	–	1,281,637
Vanadium	113,366	220,323
Master alloy	235,628	193,012
	75,626,462	**66,854,736**

The Group's revenues are recognised at a certain point in time.

5. Cost of sales

KZT'000	2022	2021
Raw and materials	16,577,143	21,946,253
Chemicals, fuel and other materials	11,495,993	8,149,112
Electrical power	9,203,684	8,800,555
Salaries and payroll taxes	7,795,132	6,348,443
Depreciation and amortisation	5,288,572	5,513,453
Ingots manufacture services	4,859,552	5,453,976
Repair and maintenance	726,658	478,860
Other expenses	391,570	532,875
Cost of production	56,338,304	57,223,527
Change in finished goods and work in progress	(8,732,137)	(2,794,647)
	47,606,167	**54,428,880**

6. Selling and distribution costs

KZT'000	2022	2021
Transportation expenses	4,114,172	1,900,748
Packaging	110,577	86,116
Customs export duties	38,758	38,741
Other expenses	198,794	205,578
	4,462,301	**2,231,183**

7. Administrative expenses

KZT'000	2022	2021
Salaries and payroll taxes	2,804,132	2,233,381
Third party services	1,210,577	1,210,952
Fines, penalties	1,181,769	78,714
Depreciation and amortisation	1,068,664	780,730
Financial aid and social support	362,878	354,175
Inventory	301,756	227,823
Advisory and audit services	235,066	179,074
Taxes other than on income tax	254,138	160,659
Business trips	178,683	51,383
Mandatory insurance	133,183	114,104
Financial assistance	128,694	74,200
Bank services	109,952	91,239
Electrical power	70,590	66,763
Repair and maintenance	82,842	33,816
Medical services	66,789	49,409
Maintenance of social infrastructure expenses	50,219	83,142
Environmental costs	33,555	14,394
Communication services	22,096	14,507
Other expenses	519,709	374,457
	8,815,292	**6,192,922**

During 2022, the Group repaid in full the amounts due to Prestwick Trading Limited for the supply of raw materials. Since the debt was repaid later than the contractual due date, the accrued forfeit for collection and repayment amounted to KZT 1,132,578 thousand.

8. Other operating income and expenses

(a) Operating income

KZT'000	2022	2021
Income from the sale of materials and provision of services	1,171,545	658,272
Leases	701,353	438,105
Income from disposal of property, plant and equipment	19,011	18,688
Foreign exchange gain	–	54,132
Income from sales of titanium scrap	–	923,913
Other incomes	186,208	287,383
	2,078,117	**2,380,493**

(b) Operating expenses

KZT'000	2022	2021
Loss from disposal of property, plant and equipment	1,566,067	350,419
Impairment losses	1,516,718	–
Cost of sale of materials and provision of services	705,308	529,297
Leases	206,032	–
Foreign exchange loss	20,664	–
Cost of sale of titanium scrap	–	47,302
Other expenses	925,410	628,681
	4,940,199	**1,555,699**

9. Finance costs, net

KZT'000	2022	2021
Interest income	11,809	3,281
Interest expense:		
- Credit line from Societe Generale	(1,086,328)	(819,244)
- Development Bank of Kazakhstan	(984,605)	(1,052,155)
- Credit line from Banque Cantonale Vaudoise	(62,526)	(162,002)
Unwinding of present value discount on:		
- rehabilitation provision	(76,857)	(46,181)
- employee benefit obligations	(15,736)	(5,806)
- right of use	(11,630)	(17,268)
- non-current accounts payable	(7,598)	(16,714)
	(2,233,471)	**(2,116,089)**

10. Income tax

(a) Income tax expense

The major components of income tax expense are as follows:

KZT'000	2022	2021
Corporate income tax – current period	2,832,648	1,048,320
Corporate income tax – prior periods	(5,918)	87,905
Origination and reversal of temporary differences	278,320	(415,010)
Income tax expense	**3,105,050**	**721,215**

A reconciliation of income tax expense applicable to accounting profit before tax at the statutory rate to income tax expense at the effective tax rate is as follows:

KZT'000	2022	2021
Profit before taxation	**9,846,191**	**3,298,515**
Income tax rate	20.0%	20.0%
At statutory income tax rate	1,969,238	659,703
Corporate income tax – prior periods	(5,918)	87,905
Share in non-taxable profit of associate	(40,190)	(117,612)
Non-deductible expenses	1,181,920	91,219
Income tax expense	**3,105,050**	**721,215**
Effective income tax rate	31.5%	21.9%

(b) Deferred tax asset

The amounts of deferred tax assets (liabilities) are as follows:

KZT'000	2022	2021
Property, plant and equipment	(6,360,190)	(5,387,001)
Lease	(8,416)	(12,805)
Inventory	562,534	316,515
Receivables	43,740	39,043
Interests payable	485	536
Rehabilitation provision	268,447	180,415
Accrued liabilities related to employees	31,367	37,852
Taxes payable	44,173	72,522
Provision for vacations	134,355	94,253
	(5,283,505)	**(4,658,670)**
Deferred tax asset	47,341	123,553
Deferred tax liability	(5,330,846)	(4,782,223)

10. Income tax, continued

Movement in deferred tax asset is as follows:

KZT'000	2022	2021
At 1 January	(4,658,670)	(5,073,680)
(Charged) credited to profit or loss	(278,320)	415,010
Effect of translation to presentation currency	(346,515)	–
At 31 December	**(5,283,505)**	**(4,658,670)**

11. Property, plant and equipment

KZT'000	Land	Buildings and constructions	Machinery and equipment	Vehicles	Construction in progress	Total
At 31 December 2020	1,156,863	16,626,662	29,949,936	2,964,283	18,171,892	68,869,636
Cost	1,156,863	23,678,832	81,570,816	5,467,893	18,227,297	130,101,701
Depreciation	–	(7,052,170)	(51,620,880)	(2,503,610)	–	(61,176,660)
Impairment	–	–	–	–	(55,405)	(55,405)
Additions	7,172	753,995	1,315,464	246,410	10,522,257	12,845,298
Transfers	–	1,655,517	2,270,086	11,337	(3,936,940)	–
Changing in accounting estimates	–	40,323	–	–	–	40,323
Disposals	(15,298)	(341,297)	(804,486)	(70,870)	(175,434)	(1,407,385)
Depreciation charged on disposals	–	3,719	803,796	47,326	–	854,841
Depreciation charge	–	(1,259,987)	(4,639,251)	(506,099)	–	(6,405,337)
Effect of translation to presentation currency	29,228	515,154	959,171	63,193	(3,661,987)	(2,095,241)
At 31 December 2021	**1,177,965**	**17,994,086**	**29,854,716**	**2,755,580**	**20,919,788**	**72,702,135**
Cost	1,177,965	26,419,747	86,588,581	5,787,706	20,976,637	140,950,636
Depreciation		(8,425,661)	(56,733,865)	(3,032,126)		(68,191,652)
Impairment	–	–	–	–	(56,849)	(56,849)
Additions	–	799,074	2,843,154	1,037,564	9,557,871	14,237,663
Transfers	–	5,584,108	3,059,253	452,614	(9,095,975)	–
Disposals	–	(24)	(5,546,270)	(68,420)	–	(5,614,714)
Depreciation charged on disposals	–	22	4,269,165	35,607	–	4,304,794
Depreciation charge	–	(1,072,908)	(5,215,416)	(650,054)	–	(6,938,378)
Effect of translation to presentation currency	82,554	1,352,535	2,078,315	201,825	886,443	4,601,672
At 31 December 2022	**1,260,519**	**24,656,893**	**31,342,917**	**3,764,716**	**22,268,127**	**83,293,172**
Cost	1,260,519	34,683,583	92,174,418	7,613,219	22,329,056	158,060,795
Depreciation	–	(10,026,690)	(60,831,501)	(3,848,503)	–	(74,706,694)
Impairment	–	–	–	–	(60,929)	(60,929)

Construction in progress as at 31 December 2022 is presented by the reconstruction and repair of buildings, structures and equipment. Upon completion of the work, these assets are transferred to the categories "Buildings and constructions" and "Machinery and equipment".

Collateral

As at 31 December 2022, shop No. 14 and related equipment for the production of titanium ingots and alloys with a carrying amount of KZT 9,132,664 thousand (2021: KZT 8,774,139 thousand) were pledged as collateral for loans received by the Group from Development Bank of Kazakhstan JSC (Note 21). The carrying value of the pledged collateral as at 31 December 2022 increased due to the equipment and shop modernisation.

Fully depreciated assets

As at 31 December 2022, the cost of fully depreciated property, plant and equipment in use was KZT 25,274,730 thousand (2021: KZT 21,966,538 thousand).

12. Lease

The Group leases office premises. Rental contract is typically made for fixed periods of equal of less than 12 months but have extension options. The lease contract do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be subleased or used as security for borrowing purposes.

The lease liabilities for these properties were calculated as the present value of the outstanding rentals, using an incremental borrowing rate of 12.3%. Expected lease term until the end of 2024.

(a) Right-of-use asset

KZT'000	2022	2021
Cost		
At 1 January	562,872	407,414
Additions	–	145,264
Disposals	(133,364)	–
Effect of translation to presentation currency	36,813	10,194
At 31 December	466,321	562,872
Amortisation		
At 1 January	232,493	105,726
Amortisation charge	130,128	117,839
Disposals	(133,364)	–
Effect of translation to presentation currency	13,844	8,928
At 31 December	243,101	232,493
Net book value	**223,220**	**330,379**

(b) Lease liabilities

KZT'000	2022	2021
At 1 January	267,170	261,718
Additions	–	145,264
Unwinding of discount	11,630	17,268
Payments	(107,800)	(116,800)
Effect of translation to presentation currency	10,140	(40,280)
At 31 December	**181,140**	**267,170**
Non-current	115,283	155,887
Current	65,857	111,283

13. Intangible assets

KZT'000	Subsoil use rights	Software	Total
At 31 December 2020	363,538	786,905	1,150,443
Cost	462,249	1,170,065	1,632,314
Amortisation	(98,711)	(383,160)	(481,871)
Additions	–	1,127,665	1,127,665
Disposals	–	(4,916)	(4,916)
Amortisation charged on disposals	–	4,916	4,916
Amortisation charge	(14,445)	(131,173)	(145,618)
Effect of translation to presentation currency	–	111,173	111,173
At 31 December 2021	**349,093**	**1,894,570**	**2,243,663**
Cost	462,249	2,414,167	2,876,416
Amortisation	(113,156)	(519,597)	(632,753)
Additions	–	722,461	722,461
Amortisation charge	(14,445)	(277,417)	(291,862)
Effect of translation to presentation currency	–	155,528	155,528
At 31 December 2022	**334,648**	**2,495,142**	**2,829,790**
Cost	462,249	3,331,168	3,793,417
Amortisation	(127,601)	(836,026)	(963,627)

14. Investments in associate

The Group exercises significant influence over Posuk Titanium LLP based on interest in charter capital and having one out of three representatives in the Supervisory Committee of this entity.

KZT'000	2022 Ownership interest	2022 Net book value	2021 Ownership interest	2021 Net book value
Posuk Titanium LLP	38.31%	2,040,046	38.31%	1,717,727
		2,040,046		**1,717,727**

The table below summarises the movements in the carrying amount of investments of the Group in associate:

KZT'000	2022	2021
At 1 January	1,717,727	1,100,980
Share in profit of associated company	199,042	588,059
Effect of translation to presentation currency	123,277	28,688
At 31 December	**2,040,046**	**1,717,727**

Information on the financial position

KZT'000	2022	2021
ASSETS		
Non-current assets	18,272,825	17,248,238
Current assets	2,868,893	3,167,594
LIABILITIES		
Non-current liabilities	(8,259,690)	(14,571,884)
Current liabilities	(7,556,925)	(1,360,192)
EQUITY	5,325,103	4,483,756
Ownership interest	38.31%	38.31%
Net book value of investments	**2,040,046**	**1,717,727**

14. Investments in associate, continued

Information of profit or loss

KZT'000	2022	2021
Revenue	**4,511,783**	**5,442,959**
Profit from continued operations for the year	526,789	1,517,093
Reference		
Administrative expenses	(623,029)	(647,992)
Finance costs	(658,026)	(468,207)
Other income/(expense)	(75,519)	69,017
Income tax expenses	179,587	(77,963)

15. Other non-current assets

KZT'000	2022	2021
Restricted deposits	78,209	42,516
Financial instruments in other non-current assets	78,209	42,516
Advances paid for non-current assets	40,001	392,307
	118,210	**434,823**

Restricted deposits are intended for the accumulation of funds for the rehabilitation of land located under waste polygons and sludge dumps.

Prepayments for property, plant and equipment mainly relate to the acquisition of equipment to modernise the existing property, plant and equipment.

16. Inventories

KZT'000	2022	2021
Raw and materials	23,817,567	15,757,207
Work in progress	24,338,141	19,822,644
Finished goods	10,087,626	5,870,986
	58,243,334	41,450,837
Allowance for obsolete inventories	(1,854,258)	(398,143)
	56,389,076	**41,052,694**

Movement in the allowance for obsolete inventories is as follows:

KZT'000	2022	2021
At 1 January	398,143	388,035
Accrued	1,427,541	–
Effect of translation to presentation currency	28,574	10,108
At 31 December	**1,854,258**	**398,143**

17. Value-added tax and other taxes receivable

KZT'000	2022	2021
VAT reclaimable	8,563,744	5,039,479
Overpayment on other taxes	233,364	198,611
	8,797,108	**5,238,090**

18. Trade and other receivables

KZT'000	2022	2021
Trade receivables from third parties	18,603,782	19,843,630
Allowance for expected credit losses	(218,701)	(204,056)
Financial instruments in accounts receivable	**18,385,081**	**19,639,574**
Advances paid to suppliers	3,487,762	2,128,031
Customs duties receivable	23,146	26,153
Other receivables	505,069	544,245
Allowance for expected credit losses	(189,928)	(94,004)
	22,211,130	**22,243,999**

Movement in the allowance for expected credit losses is as follows:

KZT'000	2022	2021
At 1 January	204,056	199,117
Effect of translation to presentation currency	14,645	4,939
At 31 December	**218,701**	**204,056**

Movement in the allowance for doubtful assets is as follows:

KZT'000	2022	2021
At 1 January	94,004	91,617
Accrued	89,177	–
Effect of translation to presentation currency	6,747	2,387
At 31 December	**189,928**	**94,004**

19. Cash

KZT'000	2022	2021
Bank deposit	3,238,550	–
Cash at bank	1,368,596	6,575,955
Petty cash	33,846	6,081
	4,640,992	**6,582,036**

In July 2022, the Group opened a bank deposit with a maturity of one year with no withdrawal restrictions

20. Equity

(a) Share capital

As at 31 December 2022 and 2021, the total number of authorised and issued ordinary shares equalled 1,942,380 pieces. All issued ordinary shares are paid in full. Each ordinary share provides one vote.

As at 31 December 2022 and 2021 the total number of authorised and issued preferred shares equalled 107,910 pieces. All issued preferred shares are paid in full.

	2022		2021	
	Number of shares	Cost, KZT'000	Number of shares	Cost, KZT'000
Common shares (par value – KZT 140 per share)	971,190	135,967	971,190	135,967
Common shares (par value – KZT 20 per share)	971,190	19,424	971,190	19,424
Preferred shares (par value – KZT 20 per share)	107,910	2,158	107,910	2,158
Total share capital at a par value	**2,050,290**	**157,549**	**2,050,290**	**157,549**
Hyperinflation adjustment		2,439		2,439
Total share capital		**159,988**		**159,988**

The preferred shares rank ahead of the ordinary shares in the event of the Company's liquidation. The preferred shares give the holders the right to participate in general shareholders' meetings without voting rights except in instances where decisions are made concerning re-organisation and liquidation of the Company, and restrictions of the rights of preferred shareholders are proposed.

20. Equity, continued

Preferred shares dividends are set at KZT 5 per share. Preferred shares dividends should not be declared in the amount, which is below an amount declared for ordinary shareholders. If preferred shares' dividends are not repaid in full within three months from the moment of their payment period termination, the preferred shareholders obtain the right to vote until such time that the dividends are paid.

The structure of ordinary shareholders is as follows:

	2022	2021
	share, %	share, %
Specialty Metals Company	47%	47%
New Asia Investment Group Limited	10%	10%
MetalCapital Investments PTE. LTD	9%	9%
Metal Resource & Technology PTE. LTD	8%	8%
New Metal Investments PTE. LTD	8%	8%
Kolur Holding AG	7%	7%
Other	11%	11%
	100%	**100%**

(b) Additional paid in capital

Additional paid-in capital represents funds invested by SPECIALTY METALS COMPANY, the Company's majority shareholder under Contract No. 04/006-96 dated 28 November 1996 and Contract No. 04/037-97 dated 8 July 1997 between SPECIALTY METALS COMPANY and the Government of the Republic of Kazakhstan.

(c) Dividends

Dividends declared and paid during the year were as follows:

KZT'000	2022 Ordinary shares	2022 Preferred shares	2021 Ordinary shares	2021 Ordinary shares
Dividends payable at 1 January	113,145	53,163	3,862	40,167
Dividends declared during the year	1,456,785	86,328	1,359,666	76,077
Dividends paid during the year	(1,095,555)	(76,548)	(1,250,383)	(62,257)
Effect of translation to presentation currency	9,098	403	–	(824)
Dividends payable at 31 December	**483,473**	**63,346**	**113,145**	**53,163**

(d) Earnings per share

Basic earnings per share are calculated as the ratio of profit or loss for the year to the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. The Company does not have ordinary shares with a potential dilutive effect, therefore, diluted earnings per share are the same as basic earnings per share.

For the years ended 31 December 2022 and 2021, basic and diluted earnings per share were:

	2022	2021
Profit for the year due to ordinary shareholders, KZT'000	6,386,344	2,441,653
Profit for the year due to preferred shareholders, KZT'000	354,797	135,647
Weighted average number of ordinary shares outstanding	1,942,380	1,942,380
Weighted average number of preferred shares outstanding	107,910	107,910
Basic and diluted earnings per preferred share, KZT per share	**3,288**	**1,257**
Basic and diluted earnings per preferred share, KZT per share	**3,288**	**1,257**

20. Equity, continued

(e) Book value of shares

Under the requirements of the Listing Rules of Kazakhstan Stock Exchange JSC (KASE), it is necessary to disclose the book value of the share at the date of the report, calculated as the total amount of assets less intangible assets and the total amount of liabilities divided by the total number of shares.

As at 31 December the value of the stock was as follows:

KZT'000 (unless stated otherwise)	2022	2021
Total assets of the Group	180,796,558	152,993,274
Intangible assets	(2,829,790)	(2,243,663)
Total liabilities of the Group	(132,918,028)	(112,414,317)
Charter capital for preferred shares	(2,158)	(2,158)
Total net assets for ordinary shares	45,046,582	38,333,136
Ordinary shares for calculating book value of shares	1,942,380	1,942,380
Book value of ordinary share, KZT	**23,191**	**19,735**

21. Borrowings

KZT'000	Currency of denomination	2022	2021
Societe Generale Corporate and Investment Banking	USD	22,272,309	23,090,999
Development Bank of Kazakhstan JSC	USD	10,932,003	12,054,516
Banque Cantonale Vaudoise	USD	320,274	6,426,848
Interests payable	USD	2,430	2,679
		33,527,016	**41,575,042**
Non-current		8,944,368	10,199,975
Current		24,582,648	31,375,067

Credit line from Societe Generale

In May 2013, the Company signed an agreement with Societe Generale Corporate and Investment Banking ("Societe Generale") on the provision of a credit line for the total amount of USD 25 million. In 2017 the terms of financing within the credit line were revised, which resulted in a credit line assigned for financing and purchase of pre-sales goods from affiliate UKTMPI and other suppliers acceptable by Societe Generale (plus transportation).

As at 31 December 2022, the Company used USD 20,091 thousand (2021: USD 24,160 thousand).

In February 2015 the affiliate UKTMP concluded an agreement with Societe Generale concerning the provision of a credit line for a total amount of USD 20 million, in 2018 the total amount was revised and it equalled USD 5 million.

As at 31 December 2022, the affiliate UKTMPI has utilised USD 28,050 (2021: USD 29,332 thousand).

The interest rate under the credit line agreement is accepted under the terms of the agreement.

Collateral under credit line from Societe Generale is goods purchased using the funds received within the credit line, other financing-related funds, and claims arising under contracts that were financed using this credit line funds.

Development Bank of Kazakhstan

On 17 January 2014, the Company signed an agreement with the Development Bank of Kazakhstan JSC on the provision of a credit line for the total amount of USD 52,297 thousand to refinance an investment loan from Ardor (UK) Ltd. amounting to USD 52,297 thousand. The funds under this limit were received for USD 51,554 thousand. In June 2016 a supplementary agreement was concluded, according to which the maturity of the load was set to January 2028.

The grace period for repayment of the principal amount under limit 1 is 24 months from the date of signing the agreement.

The interest rate under the loan from Development Bank Kazakhstan was accepted under the terms of the credit agreement

The collateral under these credit lines is shop No. 14 which produces titanium ingots, and other assets related to this workshop.

21. Borrowings, continued

According to the agreement, the Group undertakes to comply with the following financial covenants:

- The ratio of financial debt, excluding short-term accounts payable, and own capital not more than 3.6;
- The volume of export earnings is not less than KZT 26 billion;
- The ratio of debt, excluding short-term accounts payable, and earnings before tax, interests, depreciation and amortisation (EBITDA indicator) in 2018-2028, is not more than 4.5.
- ICR (EBITDA/interest payable) – not less than 1.5.

The Group fulfilled all financial covenants as at 31 December 2022 and 2021.

Banque Cantonale Vaudoise

In February 2015, the subsidiary UKTMP International Ltd signed an agreement with Banque Cantonale Vaudoise ("BCV") to provide a credit line totalling USD 30 million, including:

- sub-limit 1 for the financing of documentation ("Sub-limit 1") for USD 20 million. To be repaid within 45 days;
- sub-limit 2 for the financing of goods transit ("Sub-limit 2") for USD 20 million. To be repaid within 60 days;
- sub-limit 3 for the financing of storage costs ("Sub-limit 3") for USD 30 million. To be repaid within 120 days;
- sub-limit 4 for the financing of UKTMK supplies ("Sub-limit 4") for USD 20 million. To be repaid within 90 days;
- sub-limit 5 for the financing of settlements between the companies ("Sub-limit 5") for USD 20 million. To be repaid within 90 days.

The interest rate under the credit line agreement is applied under the contractual terms of the agreement.

As at 31 December 2022, the Company has utilised the amount of USD 692 thousand (2021: USD 14,888 thousand) under these credit lines.

Collateral under the credit line from BCV is goods purchased using the funds received within the credit line, other financing-related funds, and claims arising under contracts that were financed using this credit line funds.

Movement in borrowings

KZT'000	2022	2021
At 1 January	41,575,042	38,457,339
Proceeds from borrowing	59,134,949	43,891,167
Repayment of borrowings	(70,586,870)	(42,175,700)
Non-cash transactions	(1,418,729)	–
Interest accrued	2,133,459	2,033,401
Interest paid	(984,501)	(1,052,763)
Net exchange adjustment	3,673,666	421,598
At 31 December	**33,527,016**	**41,575,042**

22. Provisions

In accordance with environmental legislation, the Group has a legal obligation to recultivate and restore lands that have been violated in the course of operating activities. Provisions represent the discounted value of the estimated costs of eliminating the consequences of subsurface use. The current cost of provisions is calculated using discount rates from 6.95% to 12.39%, depending on the terms of reclamation (2021: 12.8%).

Movements in provisions

KZT'000	2022	2021
At 1 January	902,075	817,574
Property, plant and equipment	452,721	(137,813)
Provision for the year	–	178,136
Use of the reserve	(89,420)	–
Unwinding of discount	76,857	46,181
Effect of translation to presentation currency	–	(2,003)
	1,342,233	**902,075**

23. Employee benefit liabilities

Employee benefit liabilities under various plans to be paid under collective agreements concluded between the Company and employees. As at 31 December pension plan obligations with set payments included:

		2022			2021	
KZT'000	Current	Non-current	Total	Current	Non-current	Total
Post-employment benefits	13,371	72,973	86,344	13,050	97,558	110,608
Other long-term employee benefits	16,208	54,283	70,491	12,869	65,785	78,654
Total employee benefit obligations	**29,579**	**127,256**	**156,835**	**25,919**	**163,343**	**189,262**

The movement of the current liabilities for the years ended 31 December 2022 and 2021 is presented below:

KZT'000	Post-employment benefits	Other long-term employee benefits	Total
At 31 December 2020	53,202	57,698	110,900
Unwinding of discount	2,925	2,881	5,806
Payments made	(13,665)	(18,770)	(32,435)
Current services cost	640	1,147	1,787
Past services cost	65,143	3,808	68,951
Actuarial revaluation recognised in other comprehensive income	2,363	–	2,363
Actuarial revaluation recognised in profit or loss	–	31,890	31,890
At 31 December 2021	**110,608**	**78,654**	**189,262**
Unwinding of discount	9,710	6,026	15,736
Payments made	(16,433)	(20,208)	(36,641)
Current services cost	412	1,388	1,800
Actuarial revaluation recognised in other comprehensive income	(17,953)	–	(17,953)
Actuarial revaluation recognised in profit or loss	–	4,631	4,631
At 31 December 2022	**86,344**	**70,491**	**156,835**

Unwinding of discount were included in finance costs (Note 9).

Total pension plan obligations with the established payments and other long-term employee benefits recognised in profit or loss are presented below:

KZT'000	2022	2021
Cost of sales	23,953	80,800
Administrative expenses	6,257	21,828
	30,210	**102,628**

Remeasurement of post-employment benefit liabilities includes the following:

KZT'000	2022	2021
Experience-based adjustments	8,075	23,864
Gain/(loss) from change in demographic assumptions	(1,615)	(1,785)
Loss from change in financial assumptions	(24,413)	(19,716)
	(17,953)	**2,363**

The calculation of the Group's liabilities was prepared based on published mortality statistics and actual data on the number, age, gender and length of service of employees and pensioners, and statistics on changes in the number of employees.

Other key assumptions at the date of the consolidated statement of financial position, are as follows:

KZT'000	2022	2021
Discount rate	10.70%	10.31%
Future salary growth	6.20%	5.48%
Average staff turnover rate	19.80%	18.82%

23. Employee benefit liabilities, continued

The analysis of defined post-employment benefit obligations sensitivity to changes in key assumptions at 31 December 2022 is as follows:

KZT'000	2022
Discount rate	
Increase by 20%	150,258
Decrease by 20%	164,704
Future salary growth rate	
Increase by 20%	169,442
Decrease by 20%	149,818
Average staff turnover rate	
Increase by 20%	145,641
Decrease by 20%	159,351

24. Other taxes payable

KZT'000	2022	2021
Income tax withheld at source	487,937	13,776
Social tax	111,953	39,930
Personal income tax	109,015	9,870
Other taxes	132,949	–
	841,854	**63,576**

25. Trade and other payables

KZT'000	2022	2021
Trade payables	79,028,337	62,373,353
Provision for unused vacations	671,774	471,263
Salaries payable	511,332	335,789
Mandatory pension contributions payable	209,981	218,308
Other payables	99	15,516
Financial instruments within trade payables	80,421,523	63,414,229
Other payables	130,525	105,048
	80,552,048	**63,519,277**
Non-current	2,708	45,683
Current	80,549,340	63,473,594

26. Payments received in advance

The article includes advances received under contracts with buyers for the supply of finished products.

27. Financial instruments and financial risk management objectives and policies

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

Management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

27. Financial instruments and financial risk management objectives and policies, continued

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Management oversees compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Categories and fair values of financial assets and financial liabilities

Categories of financial assets and financial liabilities

KZT'000	Note	2022	2021
Financial assets at amortised costs			
Other non-current assets	15	78,209	42,516
Trade and other receivables	18	18,385,081	19,639,574
Cash	19	4,640,992	6,582,036
		23,104,282	**26,264,126**
Financial liabilities at amortised cost			
Borrowings	21	(33,527,016)	(41,575,042)
Dividends payable	20(c)	(546,819)	(166,308)
Provisions	22	(1,342,233)	(902,075)
Lease liabilities	12(b)	(181,140)	(267,170)
Trade and other payables	25	(80,421,523)	(63,414,229)
		(116,018,731)	**(106,324,824)**

Fair values

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

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises mainly from the Group's trade receivables and cash.

The carrying value of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at 31 December was:

KZT'000	2022	2021
Other non-current assets	78,209	42,516
Trade and other receivables	18,385,081	19,639,574
Cash (less petty cash)	4,607,146	6,575,955
	23,070,436	**26,258,045**

Trade receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. These trade receivables relate to customers that make payment in instalments. The Group regularly monitors its exposure to bad debts in order to minimise this exposure.

The Group's exposure to credit risk relates entirely to Kazakhstan customers.

In 2022, two buyers (2021: two) represent 34% of the Group's revenues (2021: 66%). Dependence on these customers is significant, and the potential negative consequences in case of its loss might be material.

27. Financial instruments and financial risk management objectives and policies, continued

The Group creates an allowance for impairment of trade receivables, which represents its estimate of expected credit losses. The ageing of trade receivables at 31 December was:

KZT'000	Gross	Expected loss rate	Impairment
2022			
Not past due	18,603,782	1%	218,701
2021			
Not past due	19,843,630	1%	204,056

Cash

Credit risk related to cash is monitored by management in accordance with the policies of the Group. Free funds are held with the most reliable banks in Kazakhstan with ratings of Moody's from "B1" to "Aa2". The purpose of this policy is to reduce concentration of credit risk and minimise possible financial loss due to banks' failure to meet their contractual obligations.

KZT'000	2022	2021
Ratings from "B1" – "B3"	4,674,000	6,586,663
Ratings from "Baa1" – "Baa3"	3,036	9,641
Ratings from "A1" – "Aaa3"	6,926	21,837
Without ratings	1,393	–
	4,685,355	**6,618,471**

(d) Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring continuity of funding and flexibility through the use of bank loans and purchases on credit.

Maturity of financial liabilities

The table below provides an analysis of the Group's financial liabilities to be settled on a gross basis by relevant maturity groups from the balance sheet date to the contractual settlement date:

KZT'000	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2022					
Borrowings	–	24,582,648	9,434,456	970,513	34,987,617
Dividends payable	546,819	–	–	–	546,819
Provisions	12,438	44,361	165,327	–	222,126
Lease liabilities	–	–	–	1,963,527	1,963,527
Trade and other payables	1,393,186	79,028,337	–	–	80,421,523
	1,952,443	**103,655,346**	**9,599,783**	**2,934,040**	**118,141,612**
2021					
Borrowings	–	18,731,842	11,359,023	16,183,015	46,273,880
Dividends payable	166,308	–	–	–	166,308
Provisions	5,390	5,390	33,843	186,620	231,243
Lease liabilities	–	–	–	1,372,182	1,372,182
Trade and other payables	151	62,395,149	147,565	12,312	62,555,177
	171,849	**81,132,381**	**11,540,431**	**17,754,129**	**110,598,790**

Borrowings include expected future interest payments calculated on the basis of interest rates effective on the balance sheet date. Lease liabilities are presented on an undiscounted gross basis.

(e) Price risk

The Group is exposed to the risk of changes in prices for titanium sponges, titanium ingots and magnesium as a result of changes in market conditions.

27. Financial instruments and financial risk management objectives and policies, continued

(f) Interest rate risk

The Group has financial liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact borrowings by changing their future cash flows.

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

KZT'000	Floating rate	Fixed rate	Non-interest bearing	Total
2022				
Other non-current assets	–	78,209	–	78,209
Trade and other receivables	–	–	18,385,081	18,385,081
Cash	–	3,238,550	1,402,442	4,640,992
Borrowings	(22,595,013)	(10,932,003)	–	(33,527,016)
Dividends payable	–	–	(546,819)	(546,819)
Provisions	–	–	(1,342,233)	(1,342,233)
Lease liabilities	–	–	(181,140)	(181,140)
Trade and other payables	–	–	(80,421,523)	(80,421,523)
	(22,595,013)	**(7,615,244)**	**(62,704,192)**	**(92,914,449)**
2021				
Other non-current assets	–	42,516	–	42,516
Trade and other receivables	–	–	19,639,574	19,639,574
Cash	–	–	6,582,036	6,582,036
Borrowings	(29,520,526)	(12,054,516)	–	(41,575,042)
Dividends payable		–	(166,308)	(166,308)
Provisions	–	–	(902,075)	(902,075)
Lease liabilities	–	–	(267,170)	(267,170)
Trade and other payables	–	–	(63,414,229)	(63,414,229)
	(29,520,526)	**(12,012,000)**	**(38,528,172)**	**(80,060,698)**

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

Sensitivity analysis

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 2022. This sensitivity does not represent the statement of profit or loss impact that would be expected from a movement in interest rates or outstanding borrowings 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 rates, based on the year-end net debt position and with all other variables held constant, is estimated to be KZT 180,760 thousand (2021: KZT 236,164 thousand).

27. Financial instruments and financial risk management objectives and policies, continued

(g) Currency risk

The Group is subject to currency risk exposure when performing transactions in currencies other than its functional currency.

The Group's exposure to foreign currency risk was as follows:

KZT'000	KZT	USD	EUR	GBP	RUB	Other	Total
2022							
Other non-current assets	78,209	–	–	–	–	–	78,209
Trade and other receivables	21,894	18,363,187	–	–	–	–	18,385,081
Cash	268,137	4,365,929	5,634	888	–	404	4,640,992
Borrowings	–	(33,527,016)	–	–	–	–	(33,527,016)
Dividends payable	(546,819)	–	–	–	–	–	(546,819)
Provisions	(1,342,233)	–	–	–	–	–	(1,342,233)
Lease liabilities	(112,890)	(68,250)	–	–	–	–	(181,140)
Trade and other payables	(5,504,750)	(73,345,310)	(55,284)	–	(1,516,179)	–	(80,421,523)
	(7,138,452)	**(84,211,460)**	**(49,650)**	**888**	**(1,516,179)**	**404**	**(92,914,449)**
2021							
Other non-current assets	42,516	–	–	–	–	–	42,516
Trade and other receivables	15,375,255	3,994,534	–	–	269,785	–	19,639,574
Cash	144,702	6,415,154	8,884	4,459	–	8,837	6,582,036
Borrowings	–	(41,575,042)	–	–	–	–	(41,575,042)
Dividends payable	(166,308)	–	–	–	–	–	(166,308)
Provisions	(902,075)	–	–	–	–	–	(902,075)
Lease liabilities	(267,170)	–	–	–	–	–	(267,170)
Trade and other payables	(5,136,020)	(56,364,460)	(69,152)	–	(985,545)	–	(62,555,177)
	9,090,900	**(87,529,814)**	**(60,268)**	**4,459**	**(715,760)**	**8,837**	**(79,201,646)**

Since the change of functional currency dated 01 September 2015 (Note 2), the Group has been exposed to currency risk mainly in respect of loans and receivables to suppliers and contractors denominated in KZT. Such risk arises as a result of sale and purchase transactions made in currencies other than the functional currency. The main risks arising from the Group's financial instruments are liquidity risk, currency risk and credit risks.

Given that the Company's functional currency is the US dollar, at 31 December 2022, if USD had strengthened (weakened) by 20% against KZT with all other variables held constant, profit for the year would have been KZT 1,392,478 thousand decreased (increased) (2021: KZT 1,332,507 thousand).

(h) Capital management

The overriding objectives of the Group's capital management policy are to safeguard and support the business as a going concern and to maintain an optimal capital structure with a view to maximising returns to owners and benefits to other stakeholders by reducing the Group's cost of capital. The Group's overall policy remains unchanged from 2021.

28. Commitments and contingencies

(a) Kazakhstan's taxation contingencies

Inherent uncertainties in interpreting tax legislation

The Group is subject to uncertainties relating to the determination of its tax liabilities. Kazakhstan tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and changes which may be applied retrospectively.

28. Commitments and contingencies, continued

Management interpretations of such legislation in applying it to business transactions of the Group may be challenged by the relevant tax authorities and, as a result, the Group may be claimed for additional tax payments, including fines, penalties and interest charges that could have a material adverse effect on the Group's financial position and results of operations.

Period for additional tax assessments

Tax authorities in Kazakhstan have the right to raise additional tax assessments for three or five years after the end of the relevant tax period, depending on the taxpayer category or tax period. In certain cases, as determined by the tax legislation, the terms could be extended for three years.

Possible additional tax liabilities

Management believes that the Group is in compliance with the tax laws and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a differing position with regard to the interpretation of contractual provisions or tax law.

The resulting effect of this matter is that additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for management to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Group may be liable.

(b) Insurance

The insurance industry in Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. Available insurance programs may not provide full coverage in the event of a major loss.

(c) Transfer pricing controls

Transfer pricing controls in Kazakhstan have a very wide range and apply to any transactions that are directly or indirectly related to international transactions, regardless of whether the parties to the transactions are related or not. The Transfer Pricing Act requires that all taxes applicable to transactions be based on market prices determined on an arm's length basis.

The new transfer pricing law in Kazakhstan entered into force on 01 January 2019. The new law is not clearly expressed and some of its provisions have little experience in the application. Moreover, the law does not provide detailed instructions that are under development.

As a result, the application of the law on transfer pricing to various types of transactions is not clearly expressed due to the uncertainties associated with the Kazakhstan law on transfer pricing. There is a risk that the position of the tax authorities may differ from the position of the Group, which may lead to additional taxes, penalties and interest as at 31 December 2022.

Management believes that, as at 31 December 2022, its interpretation of the applicable transfer pricing legislation is appropriate and it is probable that the transfer pricing position of the Group will be confirmed.

(d) Environmental protection

The application of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is periodically being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, the financial impact of those is recognised immediately in the financial statements. Thus, since the Ecological Code of the Republic of Kazakhstan was adopted, decommissioning funds representing special accounts for accumulating funds for the waste polygon retirement actions and environmental impact monitoring after their closure has been created in 2008.

The Group's management believes it is currently in compliance with all effective local environmental laws and regulations. However, Kazakhstan's environmental laws and regulations may change in the future. The Group's management is unable to predict the timing or extent to which these environmental laws and regulations may change. Such change, if it occurs, may require the Group to update technology to meet the higher standards.

(e) Legal commitments

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial condition or results of operations of the Group. As at 31 December 2022, the Group was not involved in any significant legal proceedings.

28. Commitments and contingencies, continued

(f) Capital expenditure commitments

As at 31 December 2022, the Group has contractual capital expenditure commitments in the total amount of KZT 210,000 thousand (2021: KZT 653,000 thousand) The Group has already allocated the necessary resources concerning these commitments. The management of the Group believes that future net income and funding will be sufficient to cover these or similar commitments

29. Related party disclosures

Related parties include the following:

- Key executives;
- Shareholders;
- Associate company.

(a) Management remuneration

Rewards received by key executives are included in personnel costs of administrative expenses (see note 7) amounted to KZT 132,408 thousand (2021: KZT 103,366 thousand).

(b) Transactions with related parties

KZT'000	Shareholders	Associate company
2022		
Purchases from related parties	–	(4,518,990)
Sales to related parties	–	1,151,898
Due to related parties	546,819	789,856
2021		
Purchases from related parties	–	(5,327,786)
Sales to related parties	–	623,638
Due to related parties	166,308	1,466,290

No allowance is held against the amounts owed by related parties at 31 December 2022 and 2021. The impairment losses in relation to amounts owed by related parties was nil for the year (2021: nil).

(c) Terms and conditions of transaction with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction and the law on transfer pricing.

30. Group information

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed in the following table:

	Principal activities	Country of incorporation	% equity interest 2022	% equity interest 2021
Satpaevsk Mining and Processing Plant LLP	exploration and extraction of ilmenite on the Bektemir field located in Eastern Kazakhstan	Kazakhstan	100%	100%
UKTMP International Ltd	sales of titanium sponges and titanium ingots and purchased the main raw materials for the Company's production of titanium sponges	United Kingdom	100%	100%

31. Significant accounting policies

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

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange ruling rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate ruling at the date when their fair value was determined. Foreign currency differences arising on retranslation at the exchange rate on the date of the transaction as well as those from retranslation of monetary assets and liabilities at the reporting date are recognised in profit or loss.

The following exchange rates were used in preparing the consolidated financial statements:

	2022		2021	
	Year-end	Average	Year-end	Average
US dollar	462.65	460.48	431.67	426.03
Euro	492.86	484.22	487.79	503.88
UK pounds sterling	556.57	568.22	580.90	586.25
Russian rouble	6.43	6.96	5.77	5.79

(b) Property, plant and equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain (loss) on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income (other expenses) in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of the individual asset to its estimated residual value. The expected remaining useful lives as follows:

- buildings and constructions 15-50 years;
- machinery and equipment 5-15 years;
- vehicles 3-10 years;

Depreciation on the main metallurgical equipment is calculated using the production method to write off the actual cost of property, plant and equipment less the liquidation value.

Useful lives and residual values of property, plant and equipment are analysed at each reporting date.

31. Significant accounting policies, continued

(c) Intangible assets

Subsoil use rights are measured at cost less accumulated amortisation and any accumulated impairment losses. The cost of acquiring subsoil use rights includes the cost of subsoil use rights and capitalised expenses. Other intangible assets acquired by the Group and have a finite useful life are carried at cost less accumulated amortisation and impairment losses. Subsequent costs are capitalised in the cost of a particular asset only if they increase the future economic benefits embodied in that asset.

Amortisation

The expected useful lives of intangible assets in the reporting and comparative periods were as follows:

- Subsoil use rights: 23 years
- Software: 7 - 11 years

(d) Investments in associates and joint ventures

Investments in joint ventures and associates are accounted for using the equity method. In accordance with the equity method, investments in joint ventures and associates are initially recognised at cost. The carrying amount of investments subsequently increases or decreases as a result of the recognition of the Group's share in changes in the net assets of joint ventures and associates arising after the acquisition.

The consolidated statement of income and expenses reflects the Group's share in the financial results of joint ventures and associates. In addition, if there has been a change directly recognised in the equity of a joint venture or associate, the Group recognises its share of such a change and discloses this fact, where applicable, in the consolidated statement of changes in equity. Unrealised gains and losses arising from transactions between the Group and joint ventures and associates are excluded within the limits of the share in the joint venture or associate.

The financial statements of joint ventures and associates are prepared for the same reporting period as the Group's financial statements. If necessary, adjustments are made to it in order to bring the accounting policy in line with the accounting policy of the Group.

In case of loss of significant influence over a joint venture or associate, the Group evaluates and recognises the remaining investments at fair value. The difference between the carrying amount of an investment in a joint venture or associate at the time of the loss of significant influence or joint control and the fair value of the remaining investments and proceeds from disposal is recognised in profit or loss.

(e) Impairment

The carrying amounts of non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset-by-asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset or cash-generating unit at the lower amount. Impairment losses are recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. 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 an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Group's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the 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.

31. Significant accounting policies, continued

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The actual cost of inventories is based the weighted a first-in, first-out (FIFO) basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Cash

Cash comprise cash at bank which is available on demand and subject to insignificant risk of changes in value and petty cash.

(h) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

(i) Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments, discounted by using the incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. Also, the Group remeasures the lease liability to reflect a lease contract modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

For contracts that contain a lease component and one or more additional non-lease components, the Group does not to separate non-lease components, and accounts for any lease and associated non-lease components as a single arrangement.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its buildings. Whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate thereof can be made. If the effect of the time value of money is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The provision is discounted, where material, and the unwinding of the discount is included in finance costs. Over time, the discounted provision is increased (decreased) for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated using a unit of production method.

31. Significant accounting policies, continued

Reserve for reclamation

Rehabilitation provision is recognised when it is probable that commitment will arise and that a reasonable estimate of their amounts can be made. Rehabilitation costs include the costs of dismantling or demolishing infrastructure, cleaning the environment, and monitoring emissions.

Provision for estimated rehabilitation costs is established and allocated to the value of property, plant and equipment in the reporting period in which the obligation arises from the corresponding fact of waste generation based on the net present value of estimated future costs. The rehabilitation provision does not include any additional obligations that are expected to arise in the event of future violations or damage.

Costs are estimated based on a rehabilitation plan. Estimated cost amounts are calculated annually as they are used, taking into account known changes, for example, updated estimated amounts and revised asset life or established operating life, with official reviews conducted regularly.

Although the exact final amount of the required costs are not known, the Group estimates its costs based on a feasibility study and engineering studies under the current technical rules and standards for the implementation of rehabilitation work.

(k) Long-term employee benefits

The Group offers its employees' benefits payable upon termination of employment (lump-sum retirement benefits, retirement burial allowance) and other long-term employee benefits (provision of material assistance to employees in the event of disability, on the occasion of an anniversary or close relations' death) under the provisions of the collective contract.

The right to receive remuneration payable upon termination of employment is usually granted depending on the remaining term of employment until retirement and whether the employee has a minimum length of service.

Post-employment benefits are non-funded defined benefit plans and are measured under the revised IAS 19 Employee Benefits. Actuarial and investment risks for non-funded defined benefit plans lie with the Group.

When evaluating non-funded defined benefit plans, the benefits due to employees for their services in the current and previous periods is initially determined and actuarial assumptions are made. Then, the discounted value of the defined benefit pension plan liabilities and the value of current services are determined using the projected unit credit method.

Unwinding of discount used to determine the net present value of the provisions is recognised in the financial expenses for the period.

The Group recognises in profit or loss:

- the cost of services provided in the current period;
- the cost of any services of previous periods and profit or loss arising in the calculation of the obligations of the plan;
- and the net interest on the defined benefit obligation.

The Group recognises actuarial gains or losses on remeasurement of net employee benefits upon completion of employment as part of other comprehensive income.

The right to receive other long-term employee benefits depends on the employee having a minimum length of service. The assessment of other long-term employee benefits is carried out during the employee's labour activity according to the methodology used in calculating non-funded defined benefit plans. For other long-term employee benefits, the Group recognises the value of current and past services, the net interest on the net liability, actuarial gains and losses (remeasurement of the net liability) in profit or loss. Actuarial gains and losses include both the effect of changes in actuarial assumptions and the effect of the experience of differences between actuarial assumptions and actual data.

Actuarial assumptions include demographic assumptions (employee mortality rate, employee turnover rate, disability and early dismissal) and financial assumptions (discount rate, future wage rate, remuneration level). The most significant assumptions used in accounting for defined benefit plans and other long-term benefits are the discount rate, the level of future wages, and the average turnover rate. The discount rate is used to determine the present value of future liabilities, and each year the unwinding of discount on such liabilities is charged to the profit or loss account for the year as interest expense. The Group uses market yield rates for government bonds with similar conditions as discount rates.

Such obligations are valued annually by independent qualified actuaries.

(l) Retirement employee benefits

On behalf of its employees, the Group pays pension and severance payments provided for by the legal requirements of the Republic of Kazakhstan. Such payments are expensed as they arise. When employees retire, the Group's financial obligations cease, and all subsequent payments to retired employees are made by a single accumulative pension fund.

31. Significant accounting policies, continued

(m) Revenues

At contract inception, the Group assesses the goods or services (assets) promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either an asset that is distinct or series of distinct assets that are substantially the same and that have the same pattern of transfer to the customer.

Sale of goods

Sale of goods is recognised when control of the products has transferred. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed.

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

Financing components

There are no contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the transaction prices are not adjusted for the time value of money.

(n) Finance Income

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

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

(p) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss 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 year and any adjustment to tax payable in respect of previous years.

Deferred tax is determined 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.

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.

Deferred tax asset is recognised only to the extent that it is probable to receive taxable income in future, which can be utilised against this asset. Amount of deferred tax assets are reduced to the extent that it is not probable that appropriate tax savings would be used.

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.

(q) Financial instruments

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

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 Group determines this classification at initial recognition depending on the business model for managing the financial asset and the contractual terms of the cash flows.

31. Significant accounting policies, continued

Financial assets are classified and measured at amortised cost or fair value through OCI if the related cash flows are 'solely payments of principal and interest' on the principal amount outstanding. 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.

At initial recognition financial assets are measured at fair value being the consideration received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in the statement of profit or loss.

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 and fees or costs on acquisition. Unwinding of the difference between nominal and amortised values is included in finance income in the statement of profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset is derecognised when the Group 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 Group 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.

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 Group determines the classification of its financial liabilities at initial recognition.

At initial recognition financial liabilities are measured at fair value being the consideration given. Financial liabilities at amortised cost additionally include directly attributable transaction costs.

Subsequent measurement

Trade and other payables and other financial liabilities are subsequently measured at amortised cost using the EIR method after initial recognition. Amortised cost is calculated by taking into account any discount or premium and fees or costs on acquisition. Unwinding of the difference between nominal and amortised values is included in finance costs in the statement of profit or loss.

Financial liabilities measured at fair value through profit or loss are carried on the balance sheet at fair value with subsequent changes recognised in finance costs in the statement of profit or loss.

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 statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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.

31. Significant accounting policies, continued

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.

32. Events after the reporting period

There were no significant events after the reporting period.