АО «Усть-Каменогорский титано-магниевый комбинат»

Annex No.4
to Bulletin for absentee voting at
the Annual General Meeting
of Shareholders dd. 28.08.2024

Ust-Kamenogorsk Titanium and Magnesium Plant JSC

Consolidated financial statements

for the year ended 31 December 2023
prepared in accordance with IFRSs
with Independent auditors' report

Ust-Kamenogorsk 2024

CONTENTS

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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 2023, 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 2023, 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.

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;

Key Audit Matters, continued

- 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 Information Included to the Group's 2023 Annual Report

Other information includes information contained in the Group's 2023 Annual Report but does not include the consolidated financial statements and our audit report. Management is responsible for the other information. The Group's 2023 Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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
Audit partner
Moore Kazakhstan LLP
18 June 2024

Vasily Nikitin
Managing partner

General licence No. 23023540 for audit activity issued 27 October 2023 by the Ministry of Finance of the Republic of Kazakhstan

KZT'000 (unless otherwise stated)	Note	**2023**	**2022**, restated
Revenues	5	81,790,472	75,626,462
Cost of sales	6	(59,745,789)	(47,645,887)
Gross profit		**22,044,683**	**27,980,575**
Selling and distribution costs	7	(4,088,172)	(4,462,301)
Administrative expenses	8	(7,660,610)	(8,782,866)
Other operating income	9(a)	2,845,880	2,102,228
Other operating expenses	9(b)	(3,592,140)	(4,921,049)
Operating profit		**9,549,641**	**11,916,587**
Finance costs, net	10	(3,597,496)	(2,290,211)
Share of profits from associate	15	203,646	170,386
Profit before taxation		**6,155,791**	**9,796,762**
Income tax expense	11(a)	(2,084,924)	(3,105,050)
Profit for the year		**4,070,867**	**6,691,712**
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		(1,057,403)	2,083,592
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on employee benefits, net of income tax	24	(2,233)	17,953
Other comprehensive income for the year		**(1,059,636)**	**2,101,545**
Total comprehensive income for the year		**3,011,231**	**8,793,257**
Basic and diluted earnings per share, KZT	21(d)	1,986	3,264

These consolidated financial statements have been approved for issue on 18 June 2024 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

Budukova Aliya Serikovna
Chief accountant
Ust-Kamenogorsk Titanium and Magnesium Plant JSC

KZT'000	Note	2023	2022, restated	2021, restated
ASSETS				
Non-current assets				
Property, plant and equipment	12	88,832,870	83,509,537	72,966,276
Right-of-use asset	13(a)	89,224	223,220	330,379
Intangible assets	14	2,759,624	3,103,992	2,609,079
Investments in associate	15	1,725,747	1,557,773	1,264,110
Deferred tax asset	11(b)	46,514	47,341	123,553
Other non-current assets	16	395,073	118,210	434,823
		93,849,052	88,560,073	77,728,220
Current assets				
Inventories	17	72,379,735	56,389,076	41,052,694
Value-added tax and other taxes receivable	18	13,366,108	8,797,108	5,238,090
Corporate income tax prepaid		32,128	206,473	324,175
Trade and other receivables	19	14,646,850	22,211,130	22,243,999
Cash	20	4,382,954	4,640,992	6,582,036
		104,807,775	92,244,779	75,440,994
TOTAL ASSETS		**198,656,827**	**180,804,852**	**153,169,214**
EQUITY AND LIABILITIES				
Equity and reserves				
Share capital	21(a)	159,988	159,988	159,988
Additional paid in capital	21(b)	1,282,401	1,282,401	1,282,401
Reserve for translation to presentation currency		11,808,509	12,865,912	10,782,320
Reserve fund		(28,801)	(26,568)	(44,521)
Retained earnings		36,890,760	32,911,617	27,763,018
		50,112,857	47,193,350	39,943,206
Non-current liabilities				
Borrowings	22	11,380,683	8,944,368	10,199,975
Provisions	23	2,608,454	2,048,424	1,691,616
Deferred tax liability	11(b)	5,015,739	5,330,846	4,782,223
Lease liabilities	13(b)	–	115,283	155,887
Non-current employee benefit obligations	24	127,595	127,256	163,343
Non-current accounts payable	26	1,739	2,708	45,683
		19,134,210	16,568,885	17,038,727
Current liabilities				
Borrowings	22	31,589,182	24,582,648	31,375,067
Dividends payable	21(c)	552,138	546,819	166,308
Lease liabilities	13(b)	72,289	65,857	111,283
Current provisions	23	126,909	29,644	22,150
Current employee benefit liabilities	24	28,798	29,579	25,919
Income tax payable		42,794	29,016	–
Other taxes payable	25	843,904	841,854	63,576
Trade and other payables	26	91,806,658	80,549,340	63,473,594
Advances received	27	4,347,088	10,367,860	949,384
		129,409,760	117,042,617	96,187,281
TOTAL LIABILITIES		148,543,970	133,611,502	113,226,008
TOTAL EQUITY AND LIABILITIES		**198,656,827**	**180,804,852**	**153,169,214**

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

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

Budukova Aliya Serikovna
Chief accountant
Ust-Kamenogorsk Titanium and Magnesium Plant JSC

The notes on pages 5 to 35 are an integral part of these consolidated financial statements

	Note	2023	2022
OPERATING ACTIVITIES			
Sale of finished goods		79,287,879	85,960,147
Other receipts		1,158,054	122,497
VAT refund from the budget		4,019,405	3,525,983
Payments to suppliers and subcontractors		(50,459,215)	(42,080,683)
Salary paid		(9,328,230)	(8,050,997)
Settlements with the budget		(11,932,501)	(7,875,030)
Corporate income tax paid		(2,114,264)	(2,675,788)
Interest paid	22	(827,262)	(984,501)
Other payments		(724,195)	(3,320,065)
Net cash from operating activities		**9,079,671**	**24,621,563**
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	12	40,757	19,011
Acquisition of property, plant and equipment and intangible assets	12,14	(17,103,086)	(14,960,124)
Increase of restricted cash		8,523	35,693
Other payments		–	(1,544)
Net cash used in investing activities		**(17,053,806)**	**(14,906,964)**
FINANCING ACTIVITIES			
Proceeds from borrowings	22	87,247,678	59,134,949
Repayment of borrowings	22	(79,282,013)	(70,586,870)
Lease payments	13(b)	(111,804)	(107,800)
Dividends paid to the shareholders	21(c)	(72,553)	(1,172,103)
Net cash (used in) from financing activities		**7,781,308**	**(12,731,824)**
Net (decrease) increase in cash		(192,827)	(3,017,225)
Effect of exchange rate changes on cash		(65,211)	1,076,181
Cash at the beginning of the year		4,640,992	6,582,036
Cash at the end of the year	20	**4,382,954**	**4,640,992**

Non-cash transactions

- The reassessment of the provision for site restoration during the year resulted in an increase of KZT 749,319 thousand (2022: KZT 420,553 thousand) to property, plant and equipment and a decrease of KZT 49,329 thousand (2022: KZT 35,918 thousand) to intangible assets, with a corresponding change in the provision for site restoration.
- 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.

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The notes on pages 5 to 35 are an integral part of these consolidated financial statements

KZT'000	Note	Share capital	Additional paid in capital	Reserve for translation to presentation currency	Reserve fund	Retained earnings	Total
At 1 January 2022		**159,988**	**1,282,401**	**10,782,320**	**(44,521)**	**28,398,769**	**40,578,957**
Correction of omissions	3(c)					(635,751)	(635,751)
At 1 January 2022, restated		159,988	1,282,401	10,782,320	(44,521)	27,763,018	39,943,206
Profit for the year, restated		–	–	–	–	6,691,712	6,691,712
Other comprehensive income		–	–	2,083,592	17,953	–	2,101,545
Dividends declared	21(c)	–	–	–	–	(1,543,113)	(1,543,113)
At 31 December 2022, restated		**159,988**	**1,282,401**	**12,865,912**	**(26,568)**	**32,911,617**	**47,193,350**
Profit for the year		–	–	–	–	4,070,867	4,070,867
Other comprehensive income		–	–	(1,057,403)	(2,233)	–	(1,059,636)
Dividends declared	21(c)	–	–	–	–	(91,724)	(91,724)
At 31 December 2023		**159,988**	**1,282,401**	**11,808,509**	**(28,801)**	**36,890,760**	**50,112,857**

Mamutova Assem Tlekovna
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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 2023, the Group had 2,211 employees (2022: 2,281 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 2023, the Group's current liabilities exceeded its current assets by KZT 24,601,985 thousand. Principal liabilities include trade payables to the raw material supplier in the amount of KZT 60,822,464 thousand and borrowings under Societe Generale credit lines in the amount of KZT 29,488,581 thousand.

Taking into account confirmation from raw material supplier regarding deferred payments, profitability and positive cash flows from the Group's operating activities, management reasonably believes that the Group has sufficient resources to continue operating 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 2023 and the Group's financial performance for the year ended 31 December 2023.

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 2023:

- IFRS 17 “Insurance Contracts”;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).

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 11 – 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 12 – Property, plant and equipment. Estimates were made in relation to the useful lives of assets;
- Note 13 – Lease. Estimates were made in determining the lease term of contracts with renewal option and incremental borrowing rates;
- Note 14 – Intangible assets. Estimates were made in relation to the useful lives of assets;
- Note 17 – Inventories. Estimates were made in relation to the allowance for obsolete inventories;

2. Basis of preparation, continued

- Note 19 – Trade and other receivables. Management made estimates in relation to the allowance for expected credit losses;
- Note 23 – Provisions. Estimates were made in relation to fair value of provisions based on estimated future cash flows and risk-free discount rate;
- Note 24 – Employee benefit liabilities. The estimate is made for the fair value of the defined benefit obligation;
- Note 28 – Financial risk management objectives and policies. Fair value analysis is based on estimated future cash flows and discount rates;
- Note 29 – Commitments and contingencies. These require management to make estimates as to amounts payable and to determine the likelihood of cash outflows in the future.

3. Restatement of comparative information

(a) Prior period omissions

Prior period omissions are misstatements in financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those statements.

Prior period omissions are corrected retrospectively by restating the comparative data for the given period, in which the omissions occurred.

Provision recognition

The Group recognised insignificant adjustments to provisions for obligations for the restoration of the contract area occupied by tailings dumps, as well as for contributions to the socio-economic development of the region, professional training of Kazakhstani specialists, financing of research, scientific, technical, and development work in connection with the recalculation of financial statements subsidiary organisation.

Recalculation of accumulated depreciation and amortisation

The Group recognised insignificant adjustments to depreciation and amortisation for a number of items of property, plant and equipment and subsoil use rights in connection with the restatement of the financial statements of the subsidiary.

Recalculation of investment in associate

The Group recognised immaterial adjustments to the investment in the associate due to the restatement of the latter's financial statements.

Due to the intangible nature of the amounts, deferred tax and income tax expense for these adjustments were not recalculated.

(b) Consolidated statement of financial position as at 31 December 2022

The items in the consolidated statement of financial position as at 31 December 2022, that contain omissions and their recalculation are presented in the following table:

KZT'000	**2022**, before restarted	Provision recognition	Recalculation of accumulated depreciation and amortisation	Recalculation of investment in associate	**2022**, restated
Non-current assets					
Property, plant and equipment	83,293,172	155,122	61,243	–	83,509,537
Intangible assets	2,829,790	569,334	(295,132)	–	3,103,992
Investments in associate	2,040,046	–	–	(482,273)	1,557,773
Equity					
Retained earnings	33,596,797	30,982	(233,889)	(482,273)	32,911,617
Non-current liabilities					
Provisions	1,342,233	706,191	–	–	2,048,424
Current liabilities					
Provisions	42,361	(12,717)	–	–	29,644

3. Restatement of comparative information, continued

(c) Consolidated statement of financial position as at 31 December 2021

The items in the consolidated statement of financial position as at 31 December 2021, that contain omissions and their recalculation are presented in the following table:

KZT'000	**2021**, before restarted	Provision recognition	Recalculation of accumulated depreciation and amortisation	Recalculation of investment in associate	**2021**, restated
Non-current assets					
Property, plant and equipment	72,702,135	202,181	61,960	–	72,966,276
Intangible assets	2,243,663	632,721	(267,305)	–	2,609,079
Investments in associate	1,717,727	–	–	(453,617)	1,264,110
Equity					
Retained earnings	28,398,769	23,211	(205,345)	(453,617)	27,763,018
Non-current liabilities					
Provisions	902,075	789,541	–	–	1,691,616
Current liabilities					
Provisions	–	22,150	–	–	22,150

(d) Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022

The items in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022, that contain omissions and their recalculation are presented in the following table:

KZT'000	**2022**, before restarted	Provision recognition	Recalculation of accumulated depreciation and amortisation	Recalculation of investment in associate	**2022**, restated
Cost of sales	(47,606,167)	(7,579)	(32,141)	–	(47,645,887)
Administrative expenses	(8,815,292)	32,426	–	–	(8,782,866)
Other operating income	2,078,117	–	24,111	–	2,102,228
Other operating expenses	(4,940,199)	19,150	–	–	(4,921,049)
Finance costs, net	(2,233,471)	(56,740)	–	–	(2,290,211)
Share of profits from associate	199,042	–	–	(28,656)	170,386

4. 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.

4. Segment information, continued

Valuation 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.

Segment information for the reportable segments for the year ended 31 December 2023 is presented as follows:

KZT'000	Titanium sponge	Titanium ingots and alloys	Other	Eliminated inter-segment revenue	Total
Revenues	34,043,592	47,349,074	397,806	–	81,790,472
Inter-segment revenue	13,509,104	–	–	(13,509,104)	–
Segment revenue	**47,552,696**	**47,349,074**	**397,806**	**(13,509,104)**	**81,790,472**
Cost of sales	(29,924,521)	(29,611,514)	(209,754)	–	(59,745,789)
Gross profit	**17,628,175**	**17,737,560**	**188,052**	**(13,509,104)**	**22,044,683**
Selling and distribution costs					(4,088,172)
Administrative expenses					(7,660,610)
Other operating income					2,845,880
Other operating expenses					(3,592,140)
Finance expenses, net					(3,597,496)
Share of profits from associate					203,646
Profit before taxation					**6,155,791**
Income tax expense					(2,084,924)
Profit for the year					**4,070,867**
Depreciation	(4,156,719)	(5,781,318)	(48,572)	–	(9,986,609)

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, restated	(25,409,643)	(22,071,199)	(165,045)	–	(47,645,887)
Gross profit	**30,372,154**	**10,681,228**	**183,949**	**(13,256,756)**	**27,980,575**
Selling and distribution costs					(4,462,301)
Administrative expenses, restated					(8,782,866)
Other operating income, restated					2,102,228
Other operating expenses, restated					(4,921,049)
Finance expenses, net, restated					(2,290,211)
Share of profits from associate, restated					170,386
Profit before taxation					**9,796,762**
Income tax expense					(3,105,050)
Profit for the year					**6,691,712**
Depreciation	(4,168,370)	(3,210,444)	(34,209)	–	(7,413,023)

4. Segment information, continued

Geographical information

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

KZT'000	2023	2022
France	34,552,856	18,060,360
USA	30,148,743	17,384,464
Kazakhstan	6,185,541	2,034,920
Korea	3,038,985	19,047,652
Italy	2,463,979	1,496,594
United Kingdom	1,899,360	1,067,641
India	1,669,281	1,315,671
China	–	13,400,812
Other	1,831,727	1,818,348
	81,790,472	**75,626,462**

5. Revenues

KZT'000	2023	2022
Titanium sponge	34,043,592	42,525,041
Titanium ingots	47,349,074	32,752,427
Vanadium	137,497	113,366
Master alloy	260,309	235,628
	81,790,472	**75,626,462**

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

6. Cost of sales

KZT'000	2023	2022, restated
Raw and materials	24,626,378	16,616,863
Chemicals, fuel and other materials	15,848,307	11,495,993
Electrical power	12,742,727	9,203,684
Salaries and payroll taxes	9,134,315	7,795,132
Depreciation and amortisation	8,829,980	5,288,572
Repair and maintenance	871,475	726,658
Ingots manufacture services	782,820	4,859,552
Other expenses	1,576,058	391,570
Cost of production	74,412,060	56,378,024
Change in finished goods and work in progress	(14,666,271)	(8,732,137)
	59,745,789	**47,645,887**

7. Selling and distribution costs

KZT'000	2023	2022
Transportation expenses	3,440,009	4,114,172
Packaging	150,160	110,577
Customs export duties	57,484	38,758
Other expenses	440,519	198,794
	4,088,172	**4,462,301**

8. Administrative expenses

KZT'000	**2023**	**2022**, restated
Salaries and payroll taxes	3,101,667	2,804,132
Depreciation and amortisation	1,156,629	1,068,664
Third party services	1,118,991	1,210,577
Advisory and audit services	261,339	235,066
Fines, penalties	256,037	1,181,769
Taxes other than on income tax	204,094	254,138
Financial aid and social support	199,142	362,878
Inventory	194,170	301,756
Business trips	119,479	178,683
Mandatory insurance	104,652	133,183
Electrical power	88,462	70,590
Financial assistance	86,831	128,694
Bank services	84,890	109,952
Medical services	58,754	66,789
Repair and maintenance	28,171	82,842
Maintenance of social infrastructure expenses	23,652	50,219
Communication services	21,080	22,096
Environmental costs	276	33,555
Other expenses	552,294	487,283
	7,660,610	**8,782,866**

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.

9. Other operating income and expenses

(a) Operating income

KZT'000	**2023**	**2022**, restated
Income from the sale of materials and provision of services	1,055,250	1,171,545
Leases	816,007	701,353
Foreign exchange gain	369,370	–
Income from impairment reversal	218,818	–
Income from disposal of property, plant and equipment	40,757	19,011
Other incomes	345,678	210,319
	2,845,880	**2,102,228**

(b) Operating expenses

KZT'000	**2023**	**2022**, restated
Loss from disposal of property, plant and equipment	1,762,751	1,566,067
Cost of sale of materials and provision of services	750,488	705,308
Leases	239,678	206,032
Impairment losses	–	1,516,718
Foreign exchange loss	–	20,664
Other expenses	839,223	906,260
	3,592,140	**4,921,049**

10. Finance costs, net

KZT'000	2023	2022, restated
Interest income	9,000	11,809
Interest expense:		
- Credit line from Societe Generale	(2,319,970)	(1,086,328)
- Development Bank of Kazakhstan	(822,774)	(984,605)
- Credit line from China Construction Bank	(157,801)	–
- Credit line from Banque Cantonale Vaudoise	(14,125)	(62,526)
Unwinding of present value discount on:		
- rehabilitation provision	(158,134)	(114,447)
- employee benefit obligations	(13,666)	(15,736)
- right of use	(7,857)	(11,630)
- non-current accounts payable	(112,169)	(26,748)
	(3,597,496)	**(2,290,211)**

11. Income tax

(a) Income tax expense

The major components of income tax expense are as follows:

KZT'000	2023	2022
Corporate income tax – current period	2,288,789	2,832,648
Corporate income tax – prior periods	12,881	(5,918)
Origination and reversal of temporary differences	(216,746)	278,320
Income tax expense	**2,084,924**	**3,105,050**

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	2023	2022
Profit before taxation	**6,155,791**	**9,796,762**
Income tax rate	20.0%	20.0%
At statutory income tax rate	1,231,158	1,959,352
Corporate income tax – prior periods	12,881	(5,918)
Share in non-taxable profit of associate	(47,815)	(11.370)
Non-deductible expenses	888,700	1,162,986
Income tax expense	**2,084,924**	**3,105,050**
Effective income tax rate	33.9%	31.7%

(b) Deferred tax asset (liability)

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

KZT'000	2023	2022
Property, plant and equipment	(6,523,189)	(6,360,190)
Subsoil use right	(106,827)	–
Lease	(3,387)	(8,416)
Inventory	833,377	562,534
Receivables	44,146	43,740
Interests payable	29,544	485
Rehabilitation provision	547,073	268,447
Accrued liabilities related to employees	31,279	31,367
Taxes payable	45,326	44,173
Provision for vacations	133,433	134,355
	(4,969,225)	**(5,283,505)**
Deferred tax asset	46,514	47,341
Deferred tax liability	(5,015,739)	(5,330,846)

11. Income tax, continued

Movement in deferred tax liability is as follows:

KZT'000	2023	2022
At 1 January	(5,283,505)	(4,658,670)
(Charged) credited to profit or loss	216,746	(278,320)
Effect of translation to presentation currency	97,534	(346,515)
At 31 December	**(4,969,225)**	**(5,283,505)**

12. Property, plant and equipment

KZT'000	Land	Buildings and constructions	Machinery and equipment	Vehicles	Construction in progress	Total
At 31 December 2021, restated	1,177,965	18,240,313	29,872,630	2,755,580	20,919,788	72,966,276
Cost	1,177,965	26,746,947	86,588,581	5,787,706	20,976,637	141,277,836
Depreciation	–	(8,506,634)	(56,715,951)	(3,032,126)	–	(68,254,711)
Impairment		–	–	–	(56,849)	(56,849)
Additions	–	791,018	2,843,154	1,037,564	9,557,871	14,229,607
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, restated	–	(1,101,002)	(5,227,042)	(650,054)	–	(6,978,098)
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, restated	**1,260,519**	**24,866,970**	**31,349,205**	**3,764,716**	**22,268,127**	**83,509,537**
Cost	1,260,519	35,002,725	92,174,418	7,613,219	22,329,056	158,379,937
Depreciation	–	(10,135,755)	(60,825,213)	(3,848,503)	–	(74,809,471)
Impairment	–	–	–	–	(60,929)	(60,929)
Additions	34,370	762,511	7,367,431	41,383	9,579,974	17,785,669
Transfers	–	8,875,653	8,177,233	5,145	(17,058,031)	–
Disposals	–	(18,064)	(5,905,867)	(134,790)	(29,873)	(6,088,594)
Depreciation charged on disposals	–	2,275	4,231,147	63,690	29,873	4,326,985
Depreciation charge	–	(1,496,567)	(7,419,648)	(619,718)	–	(9,535,933)
Effect of translation to presentation currency	(21,935)	262,069	(70,984)	(57,146)	(1,276,798)	(1,164,794)
At 31 December 2023	**1,272,954**	**33,254,847**	**37,728,517**	**3,063,280**	**13,513,272**	**88,832,870**
Cost	1,272,954	44,729,137	99,533,619	7,378,314	13,537,512	166,451,536
Depreciation	–	(11,474,290)	(61,805,102)	(4,315,034)	–	(77,594,426)
Impairment	–	–	–	–	(24,240)	(24,240)

Construction in progress as at 31 December 2023 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 2023, shop No. 14 and related equipment for the production of titanium ingots and alloys with a carrying amount of KZT8,641,441 thousand (2022: KZT 9,132, 664 thousand) were pledged as collateral for loans received by the Group from Development Bank of Kazakhstan JSC (Note 22). The carrying value of the pledged collateral as at 31 December 2023 increased due to the equipment and shop modernisation.

Fully depreciated assets

As at 31 December 2023, the cost of fully depreciated property, plant and equipment in use was KZT 27,911,803 thousand (2023: KZT 25,274,730 thousand).

13. 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	2023	2022
Cost		
At 1 January	466,321	562,872
Disposals	(5,780)	(133,364)
Effect of translation to presentation currency	(8,053)	36,813
At 31 December	452,488	466,321
Amortisation		
At 1 January	243,101	232,493
Amortisation charge	126,978	130,128
Disposals	(4,503)	(133,364)
Effect of translation to presentation currency	(2,312)	13,844
At 31 December	363,264	243,101
Net book value		
	89,224	**223,220**

(b) Lease liabilities

KZT'000	2023	2022
At 1 January	181,140	267,170
Disposals	(3,711)	–
Unwinding of discount	7,857	11,630
Payments	(111,804)	(107,800)
Effect of translation to presentation currency	(1,193)	10,140
At 31 December	**72,289**	**181,140**
Non-current	–	115,283
Current	72,289	65,857

14. Intangible assets

KZT'000	Subsoil use rights	Software	Total
At 31 December 2021, restated	714,509	1,894,570	2,609,079
Cost	969,951	2,414,167	3,384,118
Amortisation	(255,442)	(519,597)	(775,039)
Additions	(78,279)	722,461	644,182
Amortisation charge, restated	(27,380)	(277,417)	(304,797)
Effect of translation to presentation currency	–	155,528	155,528
At 31 December 2022, restated	**608,850**	**2,495,142**	**3,103,992**
Cost	891,672	3,331,168	4,222,840
Amortisation	(282,822)	(836,026)	(1,118,848)
Additions	–	66,736	66,736
Change in accounting estimates	(49,329)	–	(49,329)
Disposal	–	(183,112)	(183,112)
Amortisation charged on disposals	–	181,970	181,970
Amortisation charge	(25,386)	(298,312)	(323,698)
Effect of translation to presentation currency	(2)	(36,933)	(36,935)
At 31 December 2023	**534,133**	**2,225,491**	**2,759,624**
Cost	842,343	3,127,133	3,969,476
Amortisation	(308,210)	(901,642)	(1,209,852)

15. 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.

	2023		**2022**, restated	
KZT'000	Ownership interest	Net book value	Ownership interest	Net book value
Posuk Titanium LLP	38.31%	1,725,747	38.31%	1,557,773
		1,725,747		**1,557,773**

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

KZT'000	**2023**	**2022**, restated
At 1 January	1,557,773	1,264,110
Share in profit of associated company	239,077	56,852
Effect of translation to presentation currency	(71,103)	236,811
At 31 December	**1,725,747**	**1,557,773**

Information on the financial position

KZT'000	**2023**	**2022**, restated
ASSETS		
Non-current assets	17,711,022	18,272,824
Current assets	4,701,060	2,868,893
LIABILITIES		
Non-current liabilities	(2,129,614)	(9,518,561)
Current liabilities	(15,777,778)	(7,556,925)
EQUITY	4,504,690	4,066,231
Ownership interest	38.31%	38.31%
Net book value of investments	**1,725,747**	**1,557,773**

15. Investments in associate, continued

Information of profit or loss

KZT'000	2023	2022, restated
Revenue	**9,344,772**	**4,511,783**
Profit from continued operations for the year	361,398	527,250
Reference		
Administrative expenses	(649,785)	(611,517)
Finance costs	(988,824)	(658,026)
Other income/(expense)	(158,796)	(93,938)
Income tax expenses	31,029	198,647

16. Other non-current assets

KZT'000	2023	2022
Restricted deposits	86,732	78,209
Financial instruments in other non-current assets	86,732	78,209
Advances paid for non-current assets	308,341	40,001
	395,073	**118,210**

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.

17. Inventories

KZT'000	2023	2022
Raw and materials	24,890,714	23,817,567
Work in progress	36,004,214	24,338,141
Finished goods	13,087,824	10,087,626
	73,982,752	58,243,334
Allowance for obsolete inventories	(1,603,017)	(1,854,258)
	72,379,735	**56,389,076**

Movement in the allowance for obsolete inventories is as follows:

KZT'000	2023	2022
At 1 January	1,854,258	398,143
Accrued	(218,818)	1,427,541
Effect of translation to presentation currency	(32,423)	28,574
At 31 December	**1,603,017**	**1,854,258**

18. Value-added tax and other taxes receivable

KZT'000	2023	2022
VAT reclaimable	12,609,068	8,563,744
Overpayment on other taxes	757,040	233,364
	13,366,108	**8,797,108**

19. Trade and other receivables

KZT'000	2023	2022
Trade receivables from third parties	12,723,370	18,603,782
Allowance for expected credit losses	(220,751)	(218,701)
Financial instruments in accounts receivable	**12,502,619**	**18,385,081**
Advances paid to suppliers	2,157,579	3,487,762
Customs duties receivable	12,681	23,146
Other receivables	67,878	505,069
Allowance for expected credit losses	(93,907)	(189,928)
	14,646,850	**22,211,130**

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

KZT'000	2023	2022
At 1 January	218,701	204,056
Accrued	5,874	–
Effect of translation to presentation currency	(3,824)	14,645
At 31 December	**220,751**	**218,701**

Movement in the allowance for doubtful assets is as follows:

KZT'000	2023	2022
At 1 January	189,928	94,004
(Recovered) Accrued	(41,797)	89,177
Written off	(44,293)	–
Effect of translation to presentation currency	(9,931)	6,747
At 31 December	**93,907**	**189,928**

20. Cash

KZT'000	2023	2022
Cash at bank	4,377,275	1,368,596
Petty cash	5,679	33,846
Bank deposit	–	3,238,550
	4,382,954	**4,640,992**

21. Equity

(a) Share capital

As at 31 December 2023 and 2022, 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 2023 and 2022 the total number of authorised and issued preferred shares equalled 107,910 pieces. All issued preferred shares are paid in full.

		2023		2022
	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.

21. 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:

	2023	2022
	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:

		2023		2022
KZT'000	Ordinary shares	Preferred shares	Ordinary shares	Ordinary shares
Dividends payable at 1 January	483,473	63,346	113,145	53,163
Dividends declared during the year	–	91,724	1,456,785	86,328
Dividends paid during the year	–	(72,553)	(1,095,555)	(76,548)
Taxes withheld from dividends	–	(7,857)	–	(21)
Effect of translation to presentation currency	(6,262)	**267**	9,098	424
Dividends payable at 31 December	**477,211**	**74,927**	**483,473**	**63,346**

(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.

	2023	2022
Profit for the year due to ordinary shareholders, KZT’000	3,856,611	6,339,517
Profit for the year due to preferred shareholders, KZT’000	214,256	352,195
Weighted average number of ordinary shares outstanding	1,942,380	1,942,380
Basic and diluted earnings per ordinary share, KZT per share	**1,986**	**3,264**

21. 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)	2023	2022
Total assets of the Group	198,656,827	180,804,852
Intangible assets	(2,759,624)	(3,103,992)
Total liabilities of the Group	(148,543,970)	(133,611,502)
Charter capital for preferred shares	(2,158)	(2,158)
Total net assets for ordinary shares	47,351,075	44,087,200
Ordinary shares for calculating book value of shares	1,942,380	1,942,380
Book value of ordinary share, KZT	**24,378**	**22,698**

22. Borrowings

KZT'000	Currency of denomination	2023	2022
Societe Generale Corporate and Investment Banking	USD	29,488,581	22,272,309
Development Bank of Kazakhstan JSC	USD	8,787,964	10,932,003
China Construction Bank	USD	4,545,600	–
Banque Cantonale Vaudoise	USD	–	320,274
Interests payable	USD	147,720	2,430
		42,969,865	**33,527,016**
Non-current		11,380,683	8,944,368
Current		31,589,182	24,582,648

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 2023, the Company used USD 24,098 thousand (2022: USD 20,091 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 2023, the affiliate UKTMPI has utilised USD 40,775 (2022: USD 28,050 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.

22. 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 2023 and 2022.

China Construction Bank

In May 2023, the Company entered into a loan agreement with China Construction Bank to provide a line of credit in the amount of USD 10,000 thousand for general corporate purposes, including the purchase of necessary materials for production needs, with a maturity date of June 2026.

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. In 2023, the debt was fully repaid.

Movement in borrowings

KZT'000	**2023**	**2022**
At 1 January	33,527,016	41,575,042
Proceeds from borrowing	87,247,678	59,134,949
Repayment of borrowings	(79,282,013)	(70,586,870)
Non-cash transactions	–	(1,418,729)
Interest accrued	3,314,670	2,133,459
Interest paid	(827,262)	(984,501)
Net exchange adjustment	(1,010,224)	3,673,666
At 31 December	**42,969,865**	**33,527,016**

23. 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%.

Movements in provisions

KZT'000	**2023**	**2022**, restated
At 1 January	2,078,068	1,713,766
Provision for the year	939,690	42,361
Change in estimates (attributed to property, plant and equipment)	(190,371)	420,553
Change in estimates (attributed to intangible assets)	(49,329)	(78,279)
Use of the reserve	(200,829)	(134,780)
Unwinding of discount	158,134	114,447
	2,735,363	**2,078,068**
Non-current	2,608,454	2,048,424
Current	126,909	29,644

24. 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:

	2023			2022		
KZT'000	Current	Non-current	Total	Current	Non-current	Total
Post-employment benefits	13,872	73,437	87,309	13,371	72,973	86,344
Other long-term employee benefits	14,926	54,158	69,084	16,208	54,283	70,491
Total employee benefit obligations	**28,798**	**127,595**	**156,393**	**29,579**	**127,256**	**156,835**

The movement of the current liabilities for the years ended 31 December 2023 and 2022 is presented below:

KZT'000	Post-employment benefits	Other long-term employee benefits	Total
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	8,184	5,482	13,666
Payments made	(9,855)	(19,261)	(29,116)
Current services cost	403	1,343	1,746
Actuarial revaluation recognised in other comprehensive income	2,233	–	2,233
Actuarial revaluation recognised in profit or loss	–	11,029	11,029
At 31 December 2023	**87,309**	**69,084**	**156,393**

Unwinding of discount were included in finance costs (Note 10).

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

KZT'000	2023	2022
Cost of sales	12,956	23,953
Administrative expenses	3,385	6,257
	16,341	**30,210**

Remeasurement of post-employment benefit liabilities includes the following:

KZT'000	2023	2022
Experience-based adjustments	(1,461)	8,075
Loss from change in demographic assumptions	2,486	(1,615)
Loss from change in financial assumptions	1,208	(24,413)
	2,233	**(17,953)**

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	2023	2022
Discount rate	10.59%	10.70%
Future salary growth	6.17%	6.20%
Average staff turnover rate	19.73%	19.80%

24. 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	2023
Discount rate	
Increase by 20%	149,830
Decrease by 20%	164,235
Future salary growth rate	
Increase by 20%	168,960
Decrease by 20%	149,391
Average staff turnover rate	
Increase by 20%	145,226
Decrease by 20%	158,897

25. Other taxes payable

KZT'000	2023	2022
Income tax withheld at source	453,758	487,937
Social tax	127,536	109,015
Personal income tax	93,686	111,953
Other taxes	168,924	132,949
	843,904	**841,854**

26. Trade and other payables

KZT'000	2023	2022
Trade payables	90,107,415	79,028,337
Provision for unused vacations	667,163	671,774
Salaries payable	469,024	511,332
Mandatory pension contributions payable	201,255	209,981
Other payables	363,540	99
Financial instruments within trade payables	91,808,397	80,421,523
Other payables	–	130,525
	91,808,397	**80,552,048**
Non-current	1,739	2,708
Current	91,806,658	80,549,340

27. Payments received in advance

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

28. 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.

28. 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	2023	2022
Financial assets at amortised costs			
Other non-current assets	16	86,732	78,209
Trade and other receivables	19	12,502,619	18,385,081
Cash	20	4,382,954	4,640,992
		16,972,305	**23,104,282**
Financial liabilities at amortised cost			
Borrowings	22	(42,969,865)	(33,527,016)
Dividends payable	21(c)	(552,138)	(546,819)
Provisions	23	(2,735,363)	(2,078,068)
Lease liabilities	13(b)	(72,289)	(181,140)
Trade and other payables	26	(91,808,397)	(80,421,523)
		(138,138,052)	**(116,754,566)**

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	2023	2022
Other non-current assets	86,732	78,209
Trade and other receivables	12,502,619	18,385,081
Cash (less petty cash)	4,377,275	4,607,146
	16,966,626	**23,070,436**

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 2023, two buyers (2022: two) represent 33% of the Group's revenues (2022: 34%). Dependence on these customers is significant, and the potential negative consequences in case of its loss might be material.

28. 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
2023			
Not past due	12,723,370	2%	220,751
2022			
Not past due	18,603,782	1%	218,701

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	2023	2022
Ratings from "B1" to "B3"	4,302,365	4,674,000
Ratings from "Baa1" to "Baa3"	11,946	3,036
Ratings from "A1" to "Aaa3"	147,818	6,926
Without ratings	1,878	1,393
	4,464,007	**4,685,355**

(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
2023					
Borrowings	147,720	32,079,190	13,584,999	–	45,811,909
Dividends payable	552,138	–	–	–	552,138
Provisions	–	126,909	168,307	15,188,545	15,483,761
Lease liabilities	44,780	89,560	–	–	134,340
Trade and other payables	670,279	91,138,118	–	–	91,808,397
	1,414,917	**123,433,777**	**13,753,306**	**15,188,545**	**153,790,545**
2022					
Borrowings	–	24,582,648	9,434,456	970,513	34,987,617
Dividends payable	546,819	–	–	–	546,819
Provisions	–	29,644	935,156	3,616,942	4,581,742
Lease liabilities	12,438	44,361	165,327	–	222,126
Trade and other payables	1,393,186	79,028,337	–	–	80,421,523
	1,952,443	**103,684,990**	**10,534,939**	**4,587,455**	**120,759,827**

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.

In 2023, 74% of the supply of ilmenite concentrate, the main raw material for the Group's production, came from one foreign supplier, identified in note 2(b). The dependence on this supplier is significant, and the possible negative consequences in the event of its loss can be significant.

(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.

28. 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
2023				
Other non-current assets	–	86,732	–	86,732
Trade and other receivables	–	–	12,502,619	12,502,619
Cash	–	–	4,382,954	4,382,954
Borrowings	(34,034,181)	(8,787,964)	(147,720)	(42,969,865)
Dividends payable	–	–	(552,138)	(552,138)
Provisions	–	–	(2,735,363)	(2,735,363)
Lease liabilities	–	–	(72,289)	(72,289)
Trade and other payables	–	–	(91,808,397)	(91,808,397)
	(34,034,181)	**(8,701,232)**	**(78,430,334)**	**(121,165,747)**
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	–	–	(2,078,068)	(2,078,068)
Lease liabilities	–	–	(181,140)	(181,140)
Trade and other payables	–	–	(80,421,523)	(80,421,523)
	(22,595,013)	**(7,615,244)**	**(63,440,027)**	**(93,650,284)**

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 2023. 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 272,273 thousand (2022: KZT 180,760 thousand).

28. 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
2023							
Other non-current assets	86,732	–	–	–	–	–	86,732
Trade and other receivables	2,532,713	9,969,906	–	–	–	–	12,502,619
Cash	84,214	4,296,191	266	–	1,473	810	4,382,954
Borrowings	–	(42,969,865)	–	–	–	–	(42,969,865)
Dividends payable	(552,138)	–	–	–	–	–	(552,138)
Provisions	(2,735,363)	–	–	–	–	–	(2,735,363)
Lease liabilities	(72,289)	–	–	–	–	–	(72,289)
Trade and other payables	(4,416,291)	(84,743,028)	(163,962)	–	(2,485,116)	–	(91,808,397)
	(5,072,422)	**(113,446,796)**	**(163,696)**	**–**	**(2,483,643)**	**810**	**(121,165,747)**
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	(2,078,068)	–	–	–	–	–	(2,078,068)
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)
	(7,874,287)	**(84,211,460)**	**(49,650)**	**888**	**(1,516,179)**	**404**	**(93,650,284)**

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 2023, if USD had strengthened (weakened) by 20% against KZT with all other variables held constant, profit for the year would have been KZT 1,235,032 thousand decreased (increased) (2022: KZT 1,510,212 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 2022.

29. 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.

29. 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 2023.

Management believes that, as at 31 December 2023, 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 2023, the Group was not involved in any significant legal proceedings.

29. Commitments and contingencies, continued

(f) Capital expenditure commitments

As at 31 December 2023, the Group has contractual capital expenditure commitments in the total amount of KZT 308,341 thousand (2022: KZT 210,000 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

30. 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 135,791 thousand (2022: KZT 132,408 thousand).

(b) Transactions with related parties

KZT'000	Shareholders	Associate company
2023		
Purchases from related parties	–	(782,820)
Sales to related parties	–	6,775,075
Debt of related parties	–	2,478,441
Due to related parties	552,138	–
2021		
Purchases from related parties	–	(4,518,990)
Sales to related parties	–	1,151,898
Due to related parties	546,819	789,856

No allowance is held against the amounts owed by related parties at 31 December 2023 and 2022. The impairment losses in relation to amounts owed by related parties was nil for the year (2022: 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.

31. 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 2023	% equity interest 2022
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%

32. 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:

	2023		**2022**	
	Year-end	Average	Year-end	Average
US dollar	454.56	456.31	462.65	460.48
Euro	502.24	493.33	492.86	484.22
UK pounds sterling	577.47	567.30	556.57	568.22
Russian rouble	5.06	5.4	6.43	6.96

(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.

32. 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.

32. 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.

32. 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.

32. 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.

32. 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.

32. 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.

33. Events after the reporting period

There were no significant events after the reporting period.