

Joint Venture South
Mining Chemical Company LLP
Financial Statements
for the year ended
31 December 2020

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Independent Auditors' Report

To Management of Joint Venture South Mining Chemical Company LLP

Opinion

We have audited the financial statements of Joint Venture South Mining Chemical Company LLP (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

«КПМГ Аудит» ЖШС, Қазақстан Республикасы заңнамасына сәйкес тіркелген компания, жауапкершілігі өз қатысушыларының кепілдіктерімен шектелген KPMG International Limited жекеше ағылшын компаниясының құрамына кіретін KPMG тәуелсіз фирмалары жаһандық ұйымының қатысушысы.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Joint Venture South Mining Chemical Company LLP

Independent Auditors' Report

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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.

The engagement partner on the audit resulting in this independent auditors' report is:



Aida Zhunusova
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
MΦ-0000371 of 15 August 2016

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan



Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

31 January 2021

Joint Venture South Mining Chemical Company LLP
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

KZT'000	Note	2020	2019
Revenue	5	76,438,757	57,889,483
Cost of sales	6	(21,420,762)	(21,622,790)
Gross profit		55,017,995	36,266,693
Distribution expenses	7	(474,240)	(1,300,968)
Administrative expenses	8	(923,494)	(946,483)
Other expenses, net		(368,149)	(265,657)
Results from operating activities		53,252,112	33,753,585
Finance income	10	402,504	253,279
Finance costs	10	(1,348,387)	(1,407,776)
Net finance costs		(945,883)	(1,154,497)
Profit before income tax		52,306,229	32,599,088
Income tax expense	11	(10,774,707)	(6,665,740)
Profit for the year		41,531,522	25,933,348

Other comprehensive income

Items that will never be reclassified to profit or loss:

Equity investments at FVOCI – net change in fair value	(41,021)	(166,231)
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Other comprehensive income for the year, net of income tax

(41,021) (166,231)

Total comprehensive income for the year

41,490,501 25,767,117

These financial statements were approved by management on 31 January 2021 and were signed on its behalf by:


 Ye.L. Tashimov
 General Director





 Ye.S. Churina
 Deputy General Director for
 Economics and Finance


 G.O. Tazhibayeva
 Chief Accountant

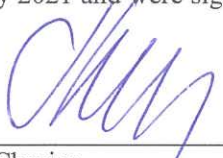
Joint Venture South Mining Chemical Company LLP
Statement of Financial Position as at 31 December 2020

KZT'000	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Mine development assets	12	20,822,016	20,710,572
Property, plant and equipment	13	10,496,061	11,416,579
Intangible assets		135,389	158,608
VAT receivable		-	2,474,380
Restricted cash	14	2,891,084	2,652,635
Deferred tax asset	11	212,180	216,209
Other non-current assets		427,336	558,066
Total non-current assets		34,984,066	38,187,049
Current assets			
Inventories	15	2,182,293	3,799,983
Trade and other receivables	16	13,769,249	20,068,453
Income tax prepaid		-	79,579
Cash and cash equivalents	17	24,618,810	9,135,683
Other current assets		3,874	-
Total current assets		40,574,226	33,083,698
Total assets		75,558,292	71,270,747
EQUITY AND LIABILITIES			
Equity	18		
Charter capital		64,000	64,000
Other reserves		(444,638)	(403,617)
Retained earnings		41,460,900	25,862,726
Total equity		41,080,262	25,523,109
LIABILITIES			
Non-current liabilities			
Loans and borrowings	19	6,719,032	7,498,457
Provisions	20	3,085,381	3,350,026
Total non-current liabilities		9,804,413	10,848,483
Current liabilities			
Loans and borrowings	19	19,900,339	13,043,428
Trade and other payables	21	3,913,371	5,940,044
Dividends payable	18	-	15,915,683
Income tax payable		859,907	-
Total current liabilities		24,673,617	34,899,155
Total liabilities		34,478,030	45,747,638
Total equity and liabilities		75,558,292	71,270,747

These financial statements were approved by management on 31 January 2021 and were signed on its behalf by:


Ye.L. Tashimov
General Director




Ye.S. Churina
Deputy General Director for
Economics and Finance


G.O. Tazhibayeva
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 11 to 39.

Joint Venture South Mining Chemical Company LLP
Statement of Changes in Equity for the year ended 31 December 2020

KZT'000	Charter capital	Other reserves	Retained earnings	Total
As at 1 January 2019	64,000	(237,386)	24,845,061	24,671,675
Total comprehensive income				
Profit for the year	-	-	25,933,348	25,933,348
Other comprehensive income				
Equity investments at FVOCI – net change in fair value	-	(166,231)	-	(166,231)
Total comprehensive income for the year	-	(166,231)	25,933,348	25,767,117
Transactions with owners of the Company				
Dividends declared	-	-	(24,915,683)	(24,915,683)
At 31 December 2019	64,000	(403,617)	25,862,726	25,523,109
As at 1 January 2020	64,000	(403,617)	25,862,726	25,523,109
Total comprehensive income				
Profit for the year	-	-	41,531,522	41,531,522
Other comprehensive income				
Equity investments at FVOCI – net change in fair value	-	(41,021)	-	(41,021)
Total comprehensive income for the year	-	(41,021)	41,531,522	41,490,501
Transactions with owners of the Company				
Dividends declared	-	-	(25,933,348)	(25,933,348)
At 31 December 2020	64,000	(444,638)	41,460,900	41,080,262

These financial statements were approved by management on 31 January 2021 and were signed on its behalf by:


Ye.L. Tashimov
General Director




Ye.S. Churina
Deputy General Director for
Economics and Finance


G.O. Tazhibayeva
Chief Accountant

Joint Venture South Mining Chemical Company LLP
Statement of Cash Flows for the year ended 31 December 2020

KZT'000	2020	2019
Cash flows from operating activities		
Cash receipts from customers	86,548,553	59,193,582
Other receipts	601,780	395,533
Proceeds from VAT refund	619,737	597,830
Payments to employees	(3,382,871)	(3,125,787)
Other payments	(1,769,005)	(1,449,536)
Advances paid to suppliers for goods and services	(30,654)	(15,611)
Cash paid to suppliers for goods and services	(10,238,476)	(11,034,273)
Payments under insurance contracts	(53,356)	(42,032)
Payments to the budget	(4,148,634)	(6,020,124)
Cash flows from operations before income tax and interest paid	68,147,074	38,499,582
Income tax paid	(9,831,503)	(7,064,275)
Interest paid	(1,097,602)	(686,476)
Net cash flows from operating activities	57,217,969	30,748,831
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	415	-
Acquisition of intangible assets	(1,274)	(44,296)
Acquisition of property, plant and equipment	(792,312)	(459,916)
Acquisition of mine development assets	(4,376,626)	(4,489,107)
Placement of bank deposits	(2,957,805)	(2,682,528)
Withdrawal of bank deposits	2,682,528	2,260,414
Acquisition of equity instrument	(41,021)	-
Net cash used in investing activities	(5,486,095)	(5,415,433)

Joint Venture South Mining Chemical Company LLP
Statement of Cash Flows for the year ended 31 December 2020

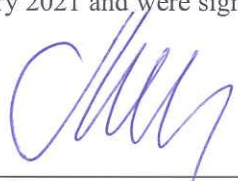
KZT'000	2020	2019
Cash flows from financing activities		
Proceeds from loans and borrowings	26,187,697	24,120,712
Repayment of loans and borrowings	(22,474,258)	(8,679,533)
Transaction costs related to loans and borrowings	-	(122,229)
Payment of dividends*	(41,947,054)	(36,800,640)
Net cash used in financing activities	(38,233,615)	(21,481,690)
Net increase in cash and cash equivalents	13,498,259	3,851,708
Cash and cash equivalents at 1 January	9,135,683	5,389,541
Effect of movements in exchange rates on cash and cash equivalents	1,986,798	(105,709)
Effect of expected credit losses on cash and cash equivalents	(1,930)	143
Cash and cash equivalents as at 31 December (Note 17)	24,618,810	9,135,683

* In 2020 the payment of dividends includes the withholding tax at the source of payment in the amount of KZT 1,562,738 thousand (2019: excludes withholding tax at the source of payment in the amount of KZT 146,978 thousand).

These financial statements were approved by management on 31 January 2021 and were signed on its behalf by:


 Ye.L. Tashimov
 General Director




 Ye.S. Churina
 Deputy General Director for
 Economics and Finance


 G.O. Tazhibayeva
 Chief Accountant

1 Reporting entity

(a) Organisation and operations

Joint Venture South Mining Chemical Company LLP (the “Company”) was incorporated on 1 August 2014 under the laws of the Republic of Kazakhstan. On 17 October 2014 National Atomic Company “Kazatomprom” JSC (hereinafter, “NAC KAP”) transferred the subsoil use rights in accordance with the Addendum No.4 to the Exploration and Production Contract No.1800 on the block 4 of Inkai deposit, and Addendum No.7 to the Exploration and Production Contract No.647 on Akdala deposit (hereinafter, the “Contracts”) to the Company. The subsoil use contract for Akdala field is valid for the period of 25 years, starting from 28 March 2001. The subsoil use contract for block 4 of Inkai deposit is valid for 24 years, starting from 8 July 2005.

Previously the Contracts were owned by Joint Venture Betpak Dala LLP, a related party. During 2014, according to the court decision, Joint Venture Betpak Dala LLP’s contractual subsoil use rights were revoked, and the Contracts were returned to the original owner – NAC KAP; all respective contractual mine development assets were acquired from Joint Venture Betpak Dala LLP at their carrying amounts. In 2014, a new company – Joint Venture South Mining Chemical Company LLP – was established, and NAC KAP transferred the Contracts and sold the mine development assets at their carrying amounts to it. In 2015, based on the decision of the Company’s participants, the production assets were acquired from Joint Venture Betpak Dala LLP according to the sale and purchase agreement dated 1 October 2015.

The Company’s principal activity is extraction and primary processing of uranium ore. Uranium ore, extracted using the in-situ leaching method, is produced at the Company’s block 4 of Inkai deposit and Akdala deposit located in Turkestanskaya Oblast, Kazakhstan. Commercial production at block 4 of Inkai deposit and Akdala deposit started in 2004 and 2009, respectively. The Company produces its finished product (U_3O_8) at the processing facilities located at South Inkai mine with capacity about 3,000 tons per year.

The Company’s participants are NAC KAP and Uranium One Rotterdam B.V. that own 30% and 70% interests in the Company, respectively.

The Company’s registered office is: apart. 36, h. 23, microdistrict 1, Kyzemshek Village, Suzaksky District, Turkestanskaya Oblast, 161006, Republic of Kazakhstan.

Export of uranium from Kazakhstan is regulated by a respective export licence. The Government of the Republic of Kazakhstan represented by the Committee for Atomic and Energy Supervision and Control under the Ministry of Energy of the Republic of Kazakhstan (hereinafter, the “MoE”) and Ministry of Environment Protection and Water Resources and other authorised bodies exercise supervision over the operations, exports and imports of uranium products in Kazakhstan.

As at 31 December 2020 the Company’s average annual number of employees was 856 (31 December 2019: 858).

(b) Kazakhstan business environment

The Company’s operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakhstan Tenge, volatility in the global price of oil and the COVID-19 coronavirus pandemic have also increased the level of uncertainty in the business environment.

On 11 March 2020 the World Health Organization made an official announcement about the coronavirus (COVID-19) pandemic outbreak. In accordance with the Decree of the President of the Republic of Kazakhstan dated 15 March 2020 No.285 “On Introduction of the State of Emergency in the Republic of Kazakhstan” to ensure safety, the state of emergency was introduced effective from 16 March 2020. Due to the growing number of coronavirus infection cases in Kazakhstan, the restrictive measures were extended until 16 August 2020. Due to these measures, the Company had to reduce the production level for a period of up to five months during the year and limit the employees’ entry to/exist from the mines. However, this fact did not have a significant negative effect on the Company’s financial performance for the year, as well as on its liquidity position. As at the date of these financial statements, the uncertainty still exists as to how the pandemic will affect the Company’s operations and level of uranium oxide production and sale in future reporting periods.

The financial statements reflect management’s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

2 Basis of accounting

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

(b) Basis for measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan Tenge (“KZT”) that is the Company’s functional currency and the currency in which these financial statements are presented. All financial information presented in KZT has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- Note 20 – Provision for decommissioning the consequences of uranium exploration and production on the deposits;
- Note 12 – Mine development assets;
- Note 23 – Contingencies.

Critical judgements also relate to the following:

(i) Useful lives of property, plant and equipment and mine development assets

The Company reviews the remaining useful lives of these assets at each reporting date, and, if the expected useful lives differ from prior periods estimates, the changes are accounted for as a change in the accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The factors affecting the estimated useful lives of mine development assets include the following:

- changes in proved and probable ore reserves;
- differences in the grade and quality of mineral resources;
- changes in the actual commodity prices and estimated commodity prices used to assess the ore reserves;
- operating issues related to production on the deposit; and
- changes in production, processes, decommissioning costs, discount rates and currency exchange rates that may negatively affect the economic viability of uranium ore mining.

Any of these changes may have impact on the future amortisation and carrying amount of capitalised costs. Management regularly reviews the appropriateness of the useful lives of non-current assets. The analysis is based on the current condition of the assets and the estimated period during which they will continue to generate economic benefits for the Company.

(ii) Uranium reserves

Uranium reserves represent a significant factor in the Company's activity. All reserves' estimates involve some degree of uncertainty, depending on the amount of reliable geological and engineering information available at the estimation date, and interpretations thereof. Estimates may be reviewed following the completion of various projects as to increase production capacity, improve productivity and change development strategy.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

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 at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on a historical cost are translated using the exchange rate at the date of the transaction.

(b) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company irrevocably has elected to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets – Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses:

Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e., whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In making this evaluation the Company analogises to the guidance on the derecognition of financial liabilities.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e., the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms.

The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion feature;
- change the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(c) Charter capital

Charter capital is classified as equity. Incremental costs directly attributable to increases in charter capital are recognised as a deduction from equity, net of any tax effects.

(d) Mine development assets

(i) Acquisition cost

Mine development costs are measured at cost less accumulated depreciation (amortisation) and accumulated impairment losses, if any.

The Company incurs costs related to finding mineral resources on unexplored blocks of the Deposits. These costs are capitalised as exploration and evaluation assets until the exploration is completed and include costs related to exploratory drilling, topographical, geological and geophysical studies and a pilot plant operation to develop uranium processing technology and confirm the economic feasibility of the project. Once the technical feasibility and commercial viability of the project is demonstrable, costs associated with the exploration and evaluation activities are tested for impairment and reclassified to mine development assets.

The Company also incurs costs to prepare the mining area for commercial extraction of uranium on producing blocks. These costs include costs directly attributable to construction of injection, pumping, inspection and exploratory wells, wells sub-drilling, surface infrastructure of the well field, including piping, solutions distribution units, infield roads, reagents piping racks etc. These well field costs are recognised as tangible mine development costs.

(ii) Amortisation

Amortisation commences on the start of commercial extraction of uranium. Intangible development costs are amortised using the unit-of-production method based on the recoverable reserves on the deposit to which the assets relate.

Tangible mine development costs related to certain block are amortised using the unit-of-production method based on the current extraction and available reserves on this block, determined during the initial exploration and further exploration carried out during the process of well field construction. Tangible mine development costs related to the entire deposit are amortised using the units-of-production method based on the reserves of the deposit, which are planned to be extracted during the Contracts' terms. The unit-of-production method is calculated as a proportion to the amount of reserves extracted.

(e) Property, plant and equipment

(i) Recognition and measurement

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

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 asset 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.

If significant 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 or 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.

(ii) Subsequent costs

The cost of replacing a significant 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 Company 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.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Amortisation is based on the cost of the asset less its estimated residual value.

Buildings and constructions related to the facilities of the mining and industrial complex are depreciated using the unit-of production method based on proven reserves. Equipment that is inseparable from the buildings and constructions is also depreciated using the unit-of production method. However, the straight-line method of depreciation is applied to those machinery and equipment, which are available at the mine but which are used individually, are transportable and may be relocated to other places for operations.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives for other machinery and equipment, transport vehicles and other items of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Buildings and constructions	unit-of-production method;
Residential buildings	20 years;
Machinery and equipment	3-10 years;
Vehicles	5-10 years;
Other	3-7 years.

Depreciation methods, expected useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, 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.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

(i) *Non-derivative financial assets*

Financial instruments

The Company recognises loss allowances for ECLs on

- financial assets measured at amortised cost;
- equity investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard and Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Company's corporate assets do not generate separate cash inflows and are utilised by more than one unit, generating cash flow. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of the cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An 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.

(h) Employee benefits

(i) Defined contribution plans

The Company does not incur any expenses in relation to provision of pensions or other post-employment benefits to employees. In accordance with the State pension social insurance regulations, the Company withholds pension contributions from employee salaries and transfers them into pension funds. Once the pension contributions have been paid, the Company has no further pension obligations. Upon retirement of employees, all pension payments are administrated by the pension fund directly.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(i) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Decommissioning the consequences of uranium exploration and production on the deposits

Mining operations of the Company are subject to various environmental laws and regulations. The Company estimates the provision for decommissioning the consequences of uranium exploration and production on the deposits based on management's understanding of the current legal requirements and terms of the Contracts. Provision is determined based on net present value of the costs on elimination of consequences of uranium exploration and production on the deposits when such liability arises. The actual costs incurred in future may substantially differ from the provision amount. Future amendment of environmental laws and regulations, field valuation terms and discount rates may also affect the carrying amount of the provision.

(j) Revenue

(i) Sale of finished goods

The buyer obtains control of finished goods when the goods are delivered to and have been accepted at the destination point. The destination point under the contract is the buyer's warehouse, the seller's warehouse, the convertor or the processing factory. Invoices are generated at that point in time. Invoices are usually payable within 30-60 days.

All contracts for sale of finished goods have one performance obligation. Revenue is recognised when the goods have been delivered and accepted at the buyer's warehouse, the convertor or the processing factory.

Revenue is measured based on the consideration specified in a contract with a customer. Under IFRS 15, revenue will be recognised for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Based on its assessment, the Company also believes that the current contracts do not contain a significant financing component because there is no difference between the transaction price and the price at which uranium is sold, provided that it is immediately paid in cash, and duration of a period between the time when obligation is performed and payment is made has no significant effect.

(ii) Processing services

The Company provides uranium processing services. The contract is concluded for one year. Invoices for the provision of services are issued on a monthly basis for actual work performed, which is confirmed by the relevant act of work performed. Payments are made within 30 days.

(k) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(m) Finance income and costs

Finance income comprises interest income on funds invested and net foreign currency gains.

Finance costs comprise interest expenses on loans and borrowings, lease liabilities, unwinding of discount on provisions for elimination of consequences of uranium exploration and production on the deposits, as well as net foreign exchange loss.

Interest income and expenses are recognised in the statement of profit or loss and other comprehensive income as they accrue and are calculated using the effective interest method.

(n) New standards and interpretations not yet adopted

A number of new standards is effective for annual periods beginning from 1 January 2021 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);*

- *COVID-19-Related Rent Concessions (Amendment to IFRS 16);*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);*
- *Reference to Conceptual Framework (Amendments to IFRS 3);*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1);*
- *IFRS 17 Insurance Contracts.*

4 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables and loans issued

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other receivable with short maturity does not differ much from the carrying amount as the impact of the time value of money is insignificant.

(b) Non-derivative financial liabilities

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Management believes that fair value of the financial asset and liabilities of the Company approximates their carrying amount.

(c) Investments in equity instruments

The fair value of equity instruments is determined in case of unquoted equity securities using the valuation methods. The used valuation methods include discounted cash flows analysis using the expected cash flows and market discount rates.

5 Revenue

KZT'000	2020	2019
Sale of uranium oxide	76,047,564	57,745,483
Other revenue	391,193	144,000
Revenue from contracts with customers	76,438,757	57,889,483

During 2020 the Company sold 70% and 30% of uranium produced to Uranium One Inc. (Canada) and NAC KAP (Kazakhstan), respectively (2019: 70% and 30% - to Uranium One Inc. and NAC KAP, respectively). The entire revenue was recognised at a certain point of time, when the products were transferred to the buyers.

The Company enters into one-year contracts with customers specifying estimated quantity of planned deliveries. Uranium selling prices are determined at the time of the transfer of control of the goods for each delivery on the basis of the arithmetic mean value of spot prices adjusted for discount agreed by the parties. The Company has determined that each delivery is one performance obligation and revenue thereon is recognised when the goods are delivered to and have been accepted on the territory agreed on in the contracts.

The Company may also have an obligation to store and/or transport the goods to the specified destination after sales of the goods; however, due to short-term nature of such obligations and insignificance of expenses related to such obligations, the Company considers that revenue from such services is insignificant and, therefore, does not separate a performance obligation under such contract.

6 Cost of sales

KZT'000	2020	2019
Raw materials and consumables	6,740,371	7,187,798
Taxes (including MET)	3,690,726	3,882,727
Wages and salaries	3,226,843	2,846,378
Depreciation of mine development assets	3,128,126	3,312,602
Depreciation and amortisation	1,607,336	1,707,453
Third party services	1,065,188	970,324
Salary related taxes	422,167	382,619
Vacation and bonus accruals	350,212	359,532
Depreciation of geological exploration assets	234,416	187,047
Maintenance and repair	165,368	156,107
Ion-exchange resin	131,265	125,845
Depreciation of dismantling asset	113,758	58,867
Other	544,986	445,491
	21,420,762	21,622,790

7 Distribution expenses

KZT'000	2020	2019
Transportation expenses on finished goods	427,892	1,257,931
Wages and salaries	29,469	29,059
Salary related taxes	2,890	2,823
Other	13,989	11,155
	474,240	1,300,968

8 Administrative expenses

KZT'000	2020	2019
Wages and salaries	421,991	493,643
Third party services	245,127	245,542
Salary related taxes	43,480	46,637
Vacation and bonus accruals	51,215	6,429
Sponsorship and charity	49,251	-
Depreciation and amortisation	36,959	29,250
Membership fees	15,934	15,442
Raw materials and consumables	10,783	35,840
(Reversal)/accrual of impairment loss allowance for trade receivables	(5,028)	2,744
Other	53,782	70,956
	923,494	946,483

9 Personnel costs

KZT'000	2020	2019
Wages and salaries	4,013,489	3,699,091
Social tax and social contributions	302,512	286,698
Obligatory professional pension contributions	110,859	96,955
Obligatory social security contributions	57,825	41,167
	4,484,685	4,123,911

10 Finance income and costs

KZT'000	2020	2019
Net foreign exchange gain	210,709	-
Interest income on deposits	191,795	253,279
Finance income	402,504	253,279
Interest and other finance expense on loans and borrowings (Note 19)	(1,094,882)	(823,423)
Unwinding of discount on provisions (Note 20)	(238,857)	(233,583)
Net change in impairment loss allowance for financial assets	(14,648)	-
Net foreign exchange loss	-	(350,770)
Finance costs	(1,348,387)	(1,407,776)
Net finance costs	(945,883)	(1,154,497)

11 Income tax expense

In 2020, the Company's applicable tax rate is the income tax rate of 20% for Kazakhstan companies.

KZT'000	2020	2019
Current tax expense		
Current tax	10,538,676	6,341,621
Prior year adjustments	232,002	114,775
Deferred tax expense		
Origination and reversal of temporary differences	4,029	209,344
	10,774,707	6,665,740

Reconciliation of effective tax rate:

	2020		2019	
	KZT'000	%	KZT'000	%
Profit before income tax	52,306,229	100.0	32,599,088	100.0
Income tax at applicable tax rate	10,461,246	20.0	6,519,818	20.0
Non-deductible expenses	81,459	0.2	31,147	0.1
Prior year adjustments	232,002	0.4	114,775	0.4
	10,774,707	20.6	6,665,740	20.5

(a) Recognised deferred tax assets and liabilities

Under the current tax legislation of the Republic of Kazakhstan, the Company is obligated to maintain separate tax accounting records of the contractual and non-contractual activities. The taxable income for the contractual operations is determined based on the amount of extracted uranium and taxable income from non-contractual activity is determined as a positive difference between the income in the financial statements and income from contractual operations.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
KZT'000	2020	2019	2020	2019	2020	2019
Intangible assets	-	-	(11,838)	(17,297)	(11,838)	(17,297)
Property, plant and equipment	-	-	(16,209)	(55,124)	(16,209)	(55,124)
Dismantling asset	-	-	(5,256)	(84,091)	(5,256)	(84,091)
Historical costs asset	-	-	(18,745)	(20,972)	(18,745)	(20,972)
Vacation and bonus accruals	52,531	57,816	-	-	52,531	57,816
Taxes	158,925	179,738	-	-	158,925	179,738
Provisions	25,515	133,500	-	-	25,515	133,500
Impairment allowance	20,018	15,596	-	-	20,018	15,596
Trade and other receivables	1,184	2,189	-	-	1,184	2,189
Other payables	6,055	4,854	-	-	6,055	4,854
	264,228	393,693	(52,048)	(177,484)	212,180	216,209

(b) Movement in temporary differences during the year

KZT'000	1 January 2020	Recognised in profit or loss	31 December 2020
Intangible assets	(17,297)	5,459	(11,838)
Property, plant and equipment	(55,124)	38,915	(16,209)
Dismantling asset	(84,091)	78,835	(5,256)
Historical costs asset	(20,972)	2,227	(18,745)
Vacation and bonus accruals	57,816	(5,285)	52,531
Taxes	179,738	(20,813)	158,925
Provisions	133,500	(107,985)	25,515
Impairment allowance	15,596	4,422	20,018
Trade and other receivables	2,189	(1,005)	1,184
Other payables	4,854	1,201	6,055
	216,209	(4,029)	212,180

KZT'000	1 January 2019	Recognised in profit or loss	31 December 2019
Intangible assets	(18,695)	1,398	(17,297)
Property, plant and equipment	(168,326)	113,202	(55,124)
Dismantling asset	(103,113)	19,022	(84,091)
Historical costs asset	(23,323)	2,351	(20,972)
Vacation and bonus accruals	50,545	7,271	57,816
Taxes	477,357	(297,619)	179,738
Provisions	180,100	(46,600)	133,500
Impairment allowance	26,334	(10,738)	15,596
Trade and other receivables	-	2,189	2,189
Other payables	4,674	180	4,854
	425,553	(209,344)	216,209

12 Mine development assets

Costs of development of block 4 of Inkai deposit and Akdala deposit are classified as assets related to the mining of mineral resources.

KZT'000	Dismantling asset	Historical costs asset	Mine development assets	Geological exploration assets	Ion exchange resin	Total
At 1 January 2019	515,563	116,617	9,615,220	7,868,413	2,145,578	20,261,391
Additions	-	-	4,207,360	-	-	4,207,360
Depreciation	(50,638)	(11,758)	(3,301,586)	(223,766)	(125,962)	(3,713,710)
Change in estimate (Note 20)	(44,469)	-	-	-	-	(44,469)
At 31 December 2019	420,456	104,859	10,520,994	7,644,647	2,019,616	20,710,572
As at 1 January 2020	420,456	104,859	10,520,994	7,644,647	2,019,616	20,710,572
Additions	-	-	3,632,234	-	388,147	4,020,381
Depreciation	(36,792)	(11,136)	(3,010,137)	(222,642)	(124,728)	(3,405,435)
Change in estimate (Note 20)	(357,386)	-	(146,116)	-	-	(503,502)
At 31 December 2020	26,278	93,723	10,996,975	7,422,005	2,283,035	20,822,016
Cost at 31 December 2019	1,212,848	201,548	30,265,457	9,351,193	2,525,061	43,556,107
Cost at 31 December 2020	855,462	201,548	33,751,575	9,351,193	2,913,208	47,072,986
Accumulated depreciation as at 31 December 2019	(792,392)	(96,689)	(19,744,463)	(1,706,546)	(505,445)	(22,845,535)
Accumulated depreciation as at 31 December 2020	(829,184)	(107,825)	(22,754,600)	(1,929,188)	(630,173)	(26,250,970)

Depreciation charges were recognised in cost of sales in the amount of KZT 3,607,565 thousand (2019: KZT 3,684,361 thousand) and have been charged to the finished goods and work-in-progress in the amount of KZT (202,130) thousand (2019: KZT 29,349 thousand).

13 Property, plant and equipment

KZT'000	Buildings and constructions	Machinery and equipment	Vehicles and other	Under construction	Total
<i>Cost</i>					
Balance at 1 January 2019	11,482,424	5,891,305	1,102,234	793,246	19,269,209
Additions	-	122,006	70,573	617,619	810,198
Transfer	1,695,020	(1,625,918)	(69,102)	-	-
Disposals	(12,546)	(47,136)	(2,631)	-	(62,313)
Transfer from assets under construction	27,149	173,470	22,996	(223,615)	-
Balance at 31 December 2019	13,192,047	4,513,727	1,124,070	1,187,250	20,017,094
Balance at 1 January 2020	13,192,047	4,513,727	1,124,070	1,187,250	20,017,094
Additions	4,200	115,100	22,081	484,547	625,928
Disposals	(2,008)	(5,510)	(10,695)	(9,369)	(27,582)
Transfer from assets under construction	794,355	288,959	14,608	(1,097,922)	-
Balance at 31 December 2020	13,988,594	4,912,276	1,150,064	564,506	20,615,440
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2019	(3,427,490)	(3,028,301)	(519,167)	(4,500)	(6,979,458)
Depreciation for the year	(999,313)	(569,616)	(114,098)	-	(1,683,027)
Disposals	12,547	47,120	2,303	-	61,970
Transfer	(762,466)	733,672	28,794	-	-
Balance at 31 December 2019	(5,176,722)	(2,817,125)	(602,168)	(4,500)	(8,600,515)
Balance at 1 January 2020	(5,176,722)	(2,817,125)	(602,168)	(4,500)	(8,600,515)
Depreciation for the year	(911,875)	(513,584)	(112,101)	-	(1,537,560)
Disposals	2,008	5,496	6,692	4,500	18,696
Transfer	-	-	-	-	-
Balance at 31 December 2020	(6,086,589)	(3,325,213)	(707,577)	-	(10,119,379)
<i>Carrying amount</i>					
As at 31 December 2019	8,015,325	1,696,602	521,902	1,182,750	11,416,579
At 31 December 2020	7,902,005	1,587,063	442,487	564,506	10,496,061

Depreciation charges were recognised in cost of sales in the amount of KZT 1,589,497 thousand (2019: KZT 1,674,334 thousand) , administrative expenses - in the amount of KZT 29,517 thousand (2019: KZT 21,630 thousand), finished goods and work-in-progress in the amount of KZT 81,454 thousand (2019: KZT 12,937 thousand).

As at 31 December 2020, the cost of fully amortised, but used in operations property, plant and equipment amounted to KZT 473,044 thousand (31 December 2019: KZT 453,199 thousand).

14 Restricted cash

KZT'000	31 December 2020	31 December 2019
Liquidation fund deposit	2,933,695	2,682,528
Cash pledged	1,000	1,000
	2,934,695	2,683,528
Impairment loss allowance	(43,611)	(30,893)
	2,891,084	2,652,635

The Company's exposure to credit, currency and interest rate risks related to financial assets is disclosed in Note 22.

15 Inventories

KZT'000	31 December 2020	31 December 2019
Raw materials and consumables	1,008,429	871,534
Work-in-progress	644,821	782,597
Finished goods	629,133	2,223,832
Impairment allowance	(100,090)	(77,980)
	2,182,293	3,799,983

16 Trade and other receivables

KZT'000	31 December 2020	31 December 2019
Trade receivables from related parties at amortised cost	12,345,254	19,293,389
Other receivables	86,514	167,133
	12,431,768	19,460,522
Impairment loss allowance	(5,919)	(10,947)
Total financial assets	12,425,849	19,449,575
VAT receivable	1,117,642	458,516
Other receivables	225,758	160,362
Total financial assets	1,343,400	618,878
	13,769,249	20,068,453

Trade and other receivables were denominated in the following currencies at 31 December:

KZT'000	31 December 2020	31 December 2019
USD	9,094,225	17,433,979
KZT	4,675,024	2,634,474
	13,769,249	20,068,453

The Company's exposure to credit and currency risks related to financial assets is disclosed in Note 22.

17 Cash and cash equivalents

KZT'000	31 December 2020	31 December 2019
Bank balances - KZT	12,472,700	4,941,703
Bank balances - USD	12,149,856	4,195,796
	24,622,556	9,137,499
Impairment loss allowance	(3,746)	(1,816)
	24,618,810	9,135,683

The Company's exposure to credit and currency risks related to financial assets is disclosed in Note 22.

18 Equity

(a) Equity

	31 December 2020	Ownership	31 December 2019	Ownership
KZT'000				
Uranium One Rotterdam B.V.	44,800	70%	44,800	70%
NAC KAP	19,200	30%	19,200	30%
	64,000	100%	64,000	100%

(b) Dividends

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's financial statements prepared in accordance with IFRS. As at 31 December 2020, the Company's distributable reserves amounted to KZT 41,460,900 thousand (31 December 2019: KZT 25,862,726 thousand).

During 2020, the General Meeting of the participants decided to distribute 100% of the 2019 net profit in the amount of KZT 25,933,348 thousand among the Company's participants. The amount of KZT 41,947,054 thousand of the distributed net profits for 2017-2019 was fully paid to the participants during 2020, in proportion to their interests.

(c) Other reserves

Other reserves comprise the cumulative net changes in fair value of equity securities designated per Company's discretion at fair value through other comprehensive income.

19 Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. Company's exposure to interest rate risk, currency risk and liquidity risk is provided in more details in Note 22.

KZT'000	31 December 2020	31 December 2019
<i>Non-current liabilities</i>		
Secured loan from SB Alfa-Bank JSC	4,065,104	5,337,242
Secured loan from Halyk Bank of Kazakhstan JSC	2,653,928	2,161,215
	6,719,032	7,498,457
<i>Current liabilities</i>		
Current portion of secured loan from Halyk Bank of Kazakhstan JSC	18,074,553	11,383,605
Current portion of secured loan from SB Alfa-Bank JSC	1,806,713	1,642,229
Interest payable	19,073	17,594
	19,900,339	13,043,428

Terms and debt repayment schedule

Terms and repayment schedule of outstanding loans were as follows:

KZT'000	Currency	Nominal interest rate, %	Year of maturity	31 December 2020		31 December 2019	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Secured loan from Halyk Bank of Kazakhstan JSC	USD	4.0	2021-2023	20,728,481	20,743,542	13,544,820	13,557,064
Secured loan from SB Alfa-Bank JSC	USD	4.1	2021-2023	5,871,817	5,875,829	6,979,470	6,984,821
Total interest-bearing liabilities				26,600,298	26,619,371	20,524,290	20,541,885

SB Alfa-Bank JSC

During 2018 the Company signed a credit line agreement with SB Alfa-Bank JSC for a long-term bank loan in the amount of USD 20 million with an interest rate of 4.6% per annum, which matures in 2020-2023. Under this credit line agreement, in March 2019 the Company received the second tranche of USD 7 million (equivalent to KZT 2,645,930 thousand).

During 2020 the Company repaid the principal debt of KZT 4,292 thousand (equivalent to KZT 1,772,320 thousand). On 11 September 2020 the Company signed an addendum to the credit line agreement to reduce an interest rate from 4.6% to 4.4%; on 30 November – to reduce an interest rate from 4.4% to 4.1%. Change in the interest rate is provided for by the terms and conditions of the credit line agreement.

The Company pledged cash on its current account of KZT 1,000 thousand as collateral under this loan facility. Additional collateral is presented by cash flows received under the contract with NAC KAP on purchase and sale of natural uranium concentrate in the form of uranium oxide.

Halyk Bank of Kazakhstan JSC

In February 2019 the Company signed a loan agreement with Halyk Bank of Kazakhstan JSC for a revolving credit line in the amount of USD 65 million with an interest rate of 4.8% per annum, which matures in December 2023. As part of this credit line agreement, during 2019 the Company received tranches for the total amount of USD 56.4 million (equivalent to KZT 21,474,782 thousand) and repaid tranches for the total amount of USD 20.8 million (equivalent to KZT 8,679,533 thousand).

On 2 March 2020 the Company signed an addendum to the credit line agreement to reduce an interest rate from 4.8% to 4%. Change in the interest rate is provided for by the terms and conditions of the credit line agreement. During 2020 the Company received 55 tranches for the total amount of USD 63,498 thousand (equivalent to KZT 26,187,697 thousand) with maturity in 18 months, repaid tranches for the total amount of USD 49,654 thousand (equivalent to KZT 20,701,938 thousand).

Cash flows received under the contract with Uranium One Inc. on purchase and sale of natural uranium concentrate in the form of uranium oxide are used to secure this loan.

Reconciliation of movements of liabilities to cash flows arising from financing activities

KZT'000	2020	2019
Balance at 1 January	20,541,885	4,997,791
Changes from financing cash flows		
Proceeds from loans and borrowings	26,187,697	24,120,712
Repayment of loans	(22,474,258)	(8,679,533)
Total changes from financing cash flows	3,713,439	15,441,179
Effect of changes in foreign exchange rates	2,366,767	88,197
Other changes		
<i>Liability related</i>		
Interest expense	1,094,882	823,423
Interest paid	(1,097,602)	(686,476)
Transaction costs related to loans and borrowings	-	(122,229)
Total other liability-related changes	(2,720)	14,718
Balance at 31 December	26,619,371	20,541,885

20 Provisions

Provision for decommissioning the consequences of uranium exploration and production on the deposits

KZT'000	31 December 2020	31 December 2019
At the beginning of the year	3,350,026	3,160,912
Change in estimate (Note 12)	(503,502)	(44,469)
Unwinding of discount (Note 10)	238,857	233,583
At the end of the year	3,085,381	3,350,026

In accordance with the Contracts, the Company has obligations to decommission the consequences of uranium exploration and production activities on the contract territory, which include the decommissioning works at the deposit facilities (well abandonment, liquidation of industrial pipelines, buildings and constructions, de-activation and disposal of low-level waste, etc.); reclamation works on the land plots used in the operational activity; environmental monitoring during reclamation works; post-rehabilitation control and other measures.

To meet these obligations, the Company has developed a liquidation program to determine the expected costs to be incurred. The expected future cash flows were discounted to net present value using a nominal risk-free discount rate of 9.87% (2019: 7.13%), including projected inflation rate of 5.17% (2019: 5.30%). A change in estimate has been mainly due to a change in the rate. It is expected that the major part of expenses will be incurred within the period from 2023 to 2028, at the end of the production life of the Deposits.

The Company is also obliged to hold cash on a long-term bank deposit to finance future decommissioning works to eliminate consequences of uranium exploration and production on the deposits as required by the Contracts (Note 14).

Given the long-term nature of the obligations and the limited practice of decommissioning the consequences of uranium exploration and production activities at the deposits in the Republic of Kazakhstan, there is uncertainty as to the actual amount of expenses to be incurred during the performance of the aforementioned works, the action plan to be used and discount rate to be applied to the present value of such future obligations.

21 Trade and other payables

KZT'000	31 December 2020	31 December 2019
Trade payables to third parties	1,623,807	2,596,740
Trade payables to related parties	371,842	1,163,392
Taxes payable	817,104	1,107,092
Other payables	1,100,618	1,072,820
	3,913,371	5,940,044

22 Financial instruments

The main risks inherent in the Company's daily operations are currency risk, interest rate risk and credit risk. The Company does not use hedging instruments to minimise those risks.

(a) Overview

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

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Supervisory Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has not established a Risk Management Committee that is why the management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Supervisory Board on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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.

Financial instruments of the Company comprise receivables, payables, loans and borrowings and cash. The Company's accounting policy with regard to the financial instruments is disclosed in Note 3(c). The Company does not use financial instruments for speculative transactions and does not use the derivative financial instruments for hedging risks exposure.

The exposure to credit risk, liquidity risk and market risk arise in the normal course of business of the Company.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Company's receivables from customers.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

KZT'000	31 December 2020	31 December 2019
Cash and cash equivalents	24,618,810	9,135,683
Trade and other receivables	12,425,849	19,449,575
Restricted cash	2,891,084	2,652,635
	39,935,743	31,237,893

(i) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Total revenue of the Company is mostly attributable to sales transactions with two customers. Details of concentration of revenue are included in Note 5.

All Company's customers have been transacting with the Company for over six years, and no account balances of these customers were written-off or credit-impaired at the reporting date.

A summary of the Company's exposure to credit risk for trade and other receivables is as follows:

KZT'000	31 December 2020	31 December 2019
	Not credit-impaired	Not credit-impaired
External credit rating from Moody's at least Baa3 or Standard & Poor's at least BBB-	12,345,254	19,293,389
Other customers		
– Six or more years' trading history with the Company	86,514	167,133
Total gross carrying amount	12,431,768	19,460,522
Impairment loss allowance	(5,919)	(10,947)
	12,425,849	19,449,575

(ii) Restricted cash

As at 31 December 2020 the Company held restricted cash for the total amount of KZT 2,934,695 thousand (31 December 2019: KZT 2,683,528 thousand) with the banks, which are rated BB-/B, based on rating agency Standard & Poor's ratings (Note 14).

Impairment on restricted cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its restricted cash has low credit risk based on the external credit ratings of the counterparties.

As at 31 December 2020, the impairment allowance is KZT 43,611 thousand (31 December 2019: KZT 30,893 thousand).

Cash and cash equivalents

As at 31 December 2020 the Company held cash and cash equivalents for the total amount of KZT 24,622,556 thousand (31 December 2019: KZT 9,137,499 thousand). The cash and cash equivalents are held with banks and financial institutions rated from B- to BB- based on rating agency Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on expected credit loss basis according to contractual maturity dates that reflect the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

As at 31 December 2020, the impairment allowance is KZT 3,746 thousand (31 December 2019: KZT 1,816 thousand).

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations – in accordance with the contract term; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

At 31 December 2020

	Carrying amount	Contractual cash flows			
		Total	0-3 months	3 months - 1 year	2-5 years
Financial liabilities:					
Trade and other payables	(3,096,267)	(3,096,267)	(3,096,267)	-	-
Loans and borrowings	(26,619,371)	(27,436,960)	(6,724,869)	(13,788,588)	(6,923,503)
Total	(29,715,638)	(30,533,227)	(9,821,136)	(13,788,588)	(6,923,503)

At 31 December 2019

	Carrying amount	Contractual cash flows			
		Total	0-3 months	3 months - 1 year	2-5 years
Financial liabilities:					
Trade and other payables, including dividends payable	(20,748,635)	(20,748,636)	(20,748,636)	-	-
Loans and borrowings	(20,541,885)	(21,602,470)	(3,644,990)	(10,043,126)	(7,914,354)
Total	(41,290,520)	(42,351,106)	(24,393,626)	(10,043,126)	(7,914,354)

(d) Capital and financial risk management

The Company manages capital to ensure the continued operations. The capital structure of the Company comprises the Company's equity (including the issued stock, retained earnings). The Company is not subject to externally imposed capital requirements. Management reviews the capital structure on the annual basis. Based on the review results the Company takes measure to balance the entire capital structure through increase of the charter capital.

(e) Market risk

Market risk is the risk that changes in market prices, such as spot quotations, foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company neither buys and sells derivatives, nor incurs financial liabilities, in order to manage market risks. The Company does not apply special hedge accounting in order to manage volatility in profit or loss.

(i) Market price risk

The Company is exposed to the effect of fluctuations in the price of uranium, which is quoted in US Dollars on the international markets. The Company prepares an annual budget based on various levels of uranium prices in the future. Uranium prices historically fluctuate and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of natural uranium production, depleting levels of secondary sources such as recycling and blended down highly enriched stocks available to close the gap of the excess demand over supply, regulations by International Atomic Energy Agency and other factors related specifically to uranium.

At the reporting date there was no significant impact of commodity price risk on financial assets and liabilities recognised by the Company.

The Company does not hedge its exposure to the risk of fluctuations in the price of uranium.

(ii) Currency risk

The Company is exposed to currency risk to the extent that this is a mismatch between currencies in which sales, purchases and borrowings are primarily denominated and the functional currency of the Company. The currency in which these transactions are primarily denominated is USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The Company's exposure to currency risk was as follows based on notional amounts:

	Note	USD-denominated 31 December 2020	USD-denominated 31 December 2019
KZT'000			
Restricted cash	14	2,890,084	-
Trade and other receivables	16	9,094,225	17,433,979
Cash and cash equivalents	17	12,149,856	4,195,796
Loans and borrowings	19	(26,619,371)	(20,541,885)
Trade and other payables	21	(12,827)	(2,872)
Net exposure		(2,498,033)	1,085,018

The following exchange rates applied during the period:

in KZT	Average interest rate	Reporting date spot rate	Average interest rate	Reporting date spot rate
	2020	2020	2019	2019
1 USD	412.95	420.71	382.75	380.44

Sensitivity analysis

Weakening of the KZT, as indicated below, against the USD at 31 December would have increased profit net of taxes by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

KZT'000	Profit or loss	
	Strengthening of KZT	Weakening of KZT
31 December 2020		
KZT/USD (20% movement)	399,685	(399,685)

KZT'000	Profit or loss	
	Strengthening of KZT	Weakening of KZT
31 December 2019		
KZT/USD (20% movement)	(173,603)	173,603

(iii) Interest rate risk

Changes in interest rates impact primarily other financial liabilities, by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Company's management does not have a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

Fixed rate instruments KZT'000	Carrying amount	Carrying amount
	31 December 2020	31 December 2019
Restricted cash (Note 14)	2,891,084	2,652,635
Loans and borrowings (Note 19)	(26,619,371)	(20,541,885)
	(23,728,287)	(17,889,250)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed-rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

(f) Fair value

Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts. Fair values have been determined for measurement and disclosure purposes based on the following methods.

Fair value hierarchy

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company categorizes the value of financial assets and liabilities, except or the available-for-sale financial assets, to Level 2 of the fair value hierarchy;

The Company owns 7.07% interest in Uranenergo LLP which is not listed on a stock exchange and this investment is accounted for as investment at fair value through other comprehensive income under IFRS 9. Because of limited market activity in the shares, the valuation is not benchmarked against observed transaction prices. Instead, the Company applies a model, in which certain inputs are unobservable. Hence, this investment has been included in Level 3 of fair value hierarchy.

23 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Company property or related to the Company's operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

The Company regularly purchases the insurance policies to reduce financial risk due to property damage, general liability, as well as the insurance policies that cover its employees against accidents and for medical expenses.

(b) Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, in particular recognition of income, expenses and other items of the financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Transfer pricing law

The Law of the Republic of Kazakhstan No. 67-IV of 2008 "On Transfer Pricing" (hereinafter, the "TP Law") governs the public relations arising from transfer pricing to prevent losses of state revenues in cross-border operations and transactions related to cross-border operations.

When concluding transactions on export of natural uranium concentrate, which are controlled by the TP Law, the Company is also governed by the Resolution No. 74 of the Government of the Republic of Kazakhstan dated 3 February 2011 "On Approval of the Rules (Methodology) for Pricing the Natural Uranium Concentrate" (hereinafter, the "Methodology"). The provisions of the Methodology establish the procedure for determining (calculating) the selling prices of natural uranium concentrate in the transactions performed on the commercial terms and in accordance with contracts for purchase and sale of natural uranium concentrate.

While assessing its income tax obligations, the Company's management follows the requirements of the provisions of the TP Law and the Methodology, and if deviations are identified, makes appropriate adjustments.

(c) Environmental issues

The Company believes that currently it is in compliance with all existing Republic of Kazakhstan environmental laws and regulations. However, Kazakhstan environmental laws and regulations may change in the future. The Company is unable to predict the timing or extent to which these environmental laws and regulations may change. Such changes, if made, may require the Company to modernize technology to meet more stringent standards.

(d) Compliance with the Work Programme

According to the provisions of the Subsoil Use Contracts the Company is obliged to comply with certain obligations. If the Company fails to comply with these obligations, the Government of the Republic of Kazakhstan represented by the Ministry of Energy of the Republic of Kazakhstan (hereinafter, the “Competent Authority”), may withdraw the Subsoil Use Contract. At the same time, the terms and conditions of the Contract stipulate a force-majeure circumstances clause, which establishes the conditions to exempt the Subsoil User from responsibility for non-performance/improper performance of the obligations, if the Subsoil User confirms the fact of occurrence of force-majeure circumstances in accordance with the procedure established by the Contract and/or the legislation of the Republic of Kazakhstan, and notifies accordingly a counteragent, the Competent Authority, within the deadlines established by the terms and conditions of the Contract.

During 2020, as a result of the coronavirus outbreak, the Company had to reduce the production level, which led to exceeding the permitted 20% deviation, and as a consequence, in accordance with the procedure stipulated by the legislation of the Republic of Kazakhstan, the Company received the confirmation from the authorised body (Foreign Trade Chamber of Kazakhstan LLP) on the existence of the force-majeure circumstances, which was sent as a notification to the Ministry of Energy of the Republic of Kazakhstan, in compliance with the procedure established by the current legislation of the Republic of Kazakhstan.

The Ministry of Energy of the Republic of Kazakhstan, in its turn, received the notification on occurrence of the force-majeure circumstances and sent recommendations on the need to make the respective amendments to the Contracts in accordance with the requirements of Article 278 of the Code of the Republic of Kazakhstan “On Subsoil and Subsoil Use”.

Currently the Company is in the process of amending the Contracts, including the Work Programmes. As the Company has duly performed the procedures established by the current legislation of the Republic of Kazakhstan upon occurrence of the force-majeure circumstances, the Company does not expect any negative consequences in respect of the issue of Contracts’ ownership and any unfavourable impact on the Company’s operations.

24 Related parties

(a) Control relationship

Uranium One Rotterdam B.V. is a controlling participant of the Company and subsidiary of Uranium One Inc. incorporated in Canada, whose controlling shareholder is Rosatom State Atomic Energy Corporation (“Rosatom”). The ultimate controlling party of Rosatom is the Government of the Russian Federation.

The controlling shareholder of NAC KAP is Sovereign Wealth Fund “Samruk-Kazyna” JSC, which, in its turn, is controlled by the Government of the Republic of Kazakhstan. NAC KAP has publicly available financial statements.

(b) Related party transactions

During the period, the Company has made a number of transactions with the related parties:

	Sales	Purchase of services	Purchase of production and other assets	Sales	Purchase of services	Purchase of production and other assets
KZT'000	2020	2020	2020	2019	2019	2019
Uranium One Inc.	54,651,168	-	-	41,093,285	-	-
NAC KAP	21,396,403	2,737	-	16,652,198	-	-
Companies under common or joint control of the shareholders	461,074	989,573	3,052,631	144,574	912,235	5,653,709

Balances payable/receivable at the end of the reporting period

	Receivables from related parties	Payables to related parties	Receivables from related parties	Payables to related parties
KZT'000	2020	2020	2019	2019
Uranium One Inc.	9,092,863	-	17,429,932	-
NAC KAP	3,249,297	-	1,855,211	-
Companies under common or joint control of the shareholders	77,162	371,842	-	1,163,392

Dividends

	Transaction value for the year ended 31 December	Outstanding balance as at 31 December
KZT'000	2020	2019
Partners	(41,947,054)	(36,800,640)
	-	15,915,683

(c) Key management remuneration

KZT'000	2020	2019
Salaries and bonuses	76,265	66,713
Salary related taxes	7,116	6,236
	83,381	72,949

(d) Transactions with government and government-related companies

In the ordinary course of business, the Company conducts transactions with government bodies and companies under control of the Republic of Kazakhstan and Russian Federation. These transactions were conducted on the terms, which are comparable with those of other counteragents.

25 Subsequent events

Repayment of loans and borrowings

In January 2021 the Company repaid loans to Halyk Bank of Kazakhstan JSC in the total amount of USD 5,283 thousand (equivalent to KZT 2,217,269 thousand), including principal debt of USD 5,111 thousand (equivalent to KZT 2,144,932 thousand) and interest of USD 172 thousand (equivalent to KZT 72,337 thousand). The Company also partially repaid the loan to SB Alfa-Bank JSC in the total amount of USD 1,122 thousand (equivalent to KZT 471,040 thousand), including principal debt of USD 1,073 thousand (equivalent to KZT 450,369 thousand) and interest of USD 49 thousand (equivalent to KZT 20,671 thousand).