KAZ Minerals Projects Finance Limited

Annual Report and Financial Statements

31 December 2017

Registered Number: 7392172

Directors
Andrew Southam
Oleg Novachuk (resigned 4 April 2017)
Andrew Paton
John Hadfield (appointed 20 November 2017)

Secretary
Susanna Freeman

Auditor
KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

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

Registered No. 7392172

Strategic report

The Directors present their Strategic report together with the audited financial statements of KAZ Minerals Projects Finance Limited (the 'Company') for the year ended 31 December 2017.

Principal activity and review of the business

The principal activity of the Company is to act as a special purpose financing company, whereby it lends money within the KAZ Minerals Group ('the Group') to facilitate the financing of the Bozshakol mining project in Kazakhstan. The Directors do not anticipate any changes to the principal business activity of the Company during the forthcoming year.

During 2017, the Company accrued interest of KZT54 billion on the loan receivable from KAZ Minerals Bozshakol LLC and received KZT108 billion of accumulated interest, from which KZT11 billion was paid as withholding tax to the tax authorities in Kazakhstan and the rest was declared as a dividend to its parent company.

During 2016, the Company issued 137,000,000 ordinary shares of $1 each to its immediate parent undertaking KAZ Minerals Bozshakol B.V. and advanced the proceeds to KAZ Minerals Bozshakol LLC of KZT 47 billion for the financing of the Bozshakol mining project in Kazakhstan. A further KZT 48 billion of available cash was advanced to KAZ Minerals Bozshakol LLC in 2016.

It is the intention of the Directors of the Company that the business of the Company will continue for the foreseeable future.

Key performance indicators

The Companies Act 2006 requires Directors to disclose the Company's key performance indicators ('KPIs'). The Group manages its KPIs at an operating segment level. As a result, the Directors have taken the decision not to disclose KPIs in individual subsidiary financial statements. The Group KPIs are included in the KAZ Minerals PLC 2017 Annual Report and Accounts.

Principal risks and uncertainties

The principal risks affecting the Company primarily relate to financial risks being interest rate risk, foreign exchange risk, credit risk and liquidity risk with further details reflected in note 13 (pages 18 – 21) to the financial statements.

A fall in commodity prices, in particular copper and gold, which are dependent on a number of factors including world supply and demand and investor sentiment, could have a material impact on the earnings and cash flows of the Bozshakol mine and impact the recoverability of the loan to KAZ Minerals Bozshakol LLC.

Registered No. 7392172

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2017. These financial statements have been prepared under International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU').

Results and dividends

The profit for the year amounted to KZT 47 billion (2016: KZT 43 billion).

During 2017, the Directors approved the payment of dividends of KZT 97 billion (2016: nil) or KZT42.65 per share to its sole shareholder, KAZ Minerals Bozshakol B.V.

Other information

The Company has chosen to disclose details of events which have taken place subsequent to the balance sheet date in note 16 (page 23) and matters concerning financial risk management in note 13 (page 18), which would otherwise be required to be disclosed in the Directors' report.

Directors

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

None of the Directors had any interest in the shares of the Company during the year ended 31 December 2017.

Directors' indemnity

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

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

Auditor

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

Disclosure of information to the auditor

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

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

Directors' report (continued)

Responsibility statement

Each Director confirms to the best of his knowledge that:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the Company's position and performance, business model and strategy.

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

Susanna Freeman
Company Secretary
10 May 2018

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

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

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

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

Independent Auditor's report

to the members of KAZ Minerals Projects Finance Limited

Opinion

We have audited the financial statements of KAZ Minerals Projects Finance Limited ("the company") for the year ended 31 December 2017 which comprise the Income statement, Balance sheet, Statement of changes in equity, Statement of cash flow, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent Auditor's report

to the members of KAZ Minerals Projects Finance Limited

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

J. Lowes.

Juliette Lowes (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square,

Canary Wharf,

London,

E14 5GL

10 May 2018

Registered Number: 7392172

Income statement

for the year ended 31 December 2017

	Notes	*Year ended 31 December 2017 KZT billion*	*Year ended 31 December 2016 KZT billion*
Finance income	7	54	48
Profit before taxation		**54**	**48**
Income tax expense	8(a)	(7)	(5)
Profit for the year		**47**	**43**

The notes on pages 12 to 23 are an integral part of these financial statements.

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

Registered Number: 7392172

Balance sheet

at 31 December 2017

	Notes	2017 KZT billion	2016 KZT billion
Assets			
Non-current assets			
Intercompany loans	9	340	321
		340	**321**
Current assets			
Intercompany loans	9	54	127
		54	**127**
Total assets		**394**	**448**
Equity and liabilities			
Share capital	10	347	347
Capital reserve	11	27	27
Retained earnings		13	63
Attributable to equity holders of the Company		**387**	**437**
Non-current liabilities			
Deferred taxation	8(b)	5	11
		5	**11**
Current liabilities			
Income taxes payable	12	2	-
		2	**-**
Total liabilities		**7**	**11**
Total equity and liabilities		**394**	**448**

The notes on pages 12 to 23 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 10 May 2018 and signed on its behalf by:

John Hadfield
Director

Statement of changes in equity

for the year ended 31 December 2017

	Notes	*Share capital* KZT billion	*Capital reserve* KZT billion	*Retained earnings* KZT billion	*Total* KZT billion
At 1 January 2016		**300**	**27**	**20**	**347**
Profit for the year		–	–	43	43
Shares issued	10	47	–	–	47
At 31 December 2016		**347**	**27**	**63**	**437**
Profit for the year		-	-	47	47
Dividends paid		-	-	(97)	(97)
At 31 December 2017		**347**	**27**	**13**	**387**

The notes on pages 12 to 23 are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 KZT billion	Year ended 31 December 2016 KZT billion
Cash flows from operating activities			
Profit before taxation		54	48
Interest income	7	(54)	(48)
Income taxes paid		(11)	–
Net cash utilised in operating activities		**(11)**	–
Cash flows from investing activities			
Amounts advanced under intercompany loans		–	(48)
Interest received		108	–
Net cash flows from / (used in) investing activities		**108**	**(48)**
Cash flows from financing activities			
Proceeds from issue of share capital		–	47
Dividends paid		(97)	–
Net cash flows (used in) / from financing activities		**(97)**	**47**
Net movement in cash and cash equivalents		–	(1)
Cash and cash equivalents at the beginning of the year		–	1
Cash and cash equivalents at the end of the year		–	–

The notes on pages 12 to 23 are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2017

1. General information

KAZ Minerals Projects Finance Limited (the 'Company') is a private company limited by shares, incorporated in England and Wales. The Company's registered number is 7392172 and registered address is 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom.

The principal activity of the Company is to act as a special purpose financing company for the Group to facilitate the financing of the Bozshakol mining project in Kazakhstan.

2. Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Kazakhstan tenge ('KZT'), the functional currency of the Company, and all financial information has been rounded to the nearest billion tenge ('KZT billion') except where otherwise indicated.

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

(a) Going concern

The Company's activities, together with factors likely to affect its future development and position are set out in the Strategic report. The Company is a special purpose financing vehicle for the Group. The Company participates in the Group's centralised treasury arrangements and shares banking arrangements with its parent undertakings and fellow subsidiaries.

It is the intention of the Directors of the Company that the business of the Company will continue for the foreseeable future (which is for this purpose a period of at least 12 months from the date of approval of these financial statements). After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future.

(b) Adoption of new standards and interpretations

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

- IAS 7 'Statement of Cash Flows' requires disclosure of changes in liabilities arising from financing activities, including changes in cash flows and non-cash changes, such as foreign exchange gains or losses.
- IAS 12 'Income Taxes' with regards to the recognition of deferred tax assets relating to unrealised losses on debt instruments measured at fair value. The amendment is a narrow-scope amendment and provides further guidance on the recognition of deferred tax assets including tax losses.

(c) New standards and interpretations not yet adopted

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

- IFRS 9 'Financial Instruments': the IASB effective date is 1 January 2018 and has been endorsed by the EU. Given the nature of the Company's financial assets, the adoption of the standard does not have a material impact on the recognition and measurement of the Group's financial assets nor on the financial position or performance of the Company. The standard will result in some changes in the presentation and disclosures of financial instruments in the Company's financial statements.
- IFRIC 22 'Foreign currency transactions and advance considerations': issued in December 2016 and effective from 1 January 2018, is yet to be endorsed by the EU. The interpretation clarified the accounting for the receipt or payment of advance consideration in a foreign currency and is not expected to have a significant impact on the Company's financial statements.

Notes to the financial statements

for the year ended 31 December 2017

2. Basis of preparation (continued)

- IFRIC 23 'Uncertainty over Income Tax Treatments': issued in June 2017 and effective from 1 January 2019, is yet to be endorsed by the EU. The interpretation provides additional guidance in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The Company will assess the impact of the interpretation during 2018.
- Improvements to IFRSs. There are a number of amendments to certain standards following the 2015-2017 annual improvements project which have not yet been endorsed by the EU. These changes are not expected to have a material impact on the Company's financial statements.

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

3. Accounting policies

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

(a) Foreign currency translation

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

The functional currency of the Company is the Kazakhstan tenge as it acts as a lender to KAZ Minerals Bozshakol LLC and as the loan is denominated in tenge.

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

	31 December 2017		*31 December 2016*	
	Spot	*Average*	*Spot*	*Average*
US dollar	0.0030	0.0030	0.0030	0.0029

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits held on call or with maturities which on inception are within the working capital profile of the of the Group and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(c) Finance income

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

(d) Finance costs

Finance costs comprise foreign exchange losses.

Notes to the financial statements

for the year ended 31 December 2017

3. Accounting policies (continued)

(e) Income tax

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

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

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

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

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

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

(f) Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders.

(g) Financial instruments

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

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

The Company's financial assets consist of intercompany loans.

The Company's financial assets, within the scope of IAS 39, are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are typically loans and receivables created by the Company in providing money to a debtor.

Subsequent measurement

After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method ('EIR'). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Allowance for impairment is estimated on a case-by-case basis.

Notes to the financial statements

for the year ended 31 December 2017

3. Accounting policies (continued)

(g) Financial instruments (continued)

i) Financial assets (continued)

Derecognition

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

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

4. Employee information

There were no employees of the Company in the year (2016: nil).

5. Directors' remuneration

No Directors received any emoluments in connection with their services as a Director of the Company during the year (2016: $nil).

6. Auditor's remuneration

The auditor's remuneration for services provided to the Company during the year ended 31 December 2017, was KZT 2,386,462 (2016: KZT 2,658,988). The costs were borne entirely by a fellow Group subsidiary, KAZ Minerals Services Limited.

7. Finance income

	Year ended 31 December 2017 KZT billion	*Year ended 31 December 2016 KZT billion*
Finance income		
Interest income	54	48
Total finance income	**54**	**48**

Notes to the financial statements

for the year ended 31 December 2017

8. Income tax

(a) Income tax

The income tax charge is made up as follows:

	Year ended 31 December 2017 KZT billion	*Year ended 31 December 2016 KZT billion*
Corporate income tax – current year (UK)	5	5
Corporate income tax – prior year (UK)	2	–
Corporate income tax – current year (overseas)	11	
Deferred income tax – current year	(6)	5
Waiver of group relief [1]	(5)	(5)
Income tax expense	7	5

A reconciliation of the income tax expense applicable to the accounting profit before tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the periods presented is as follows:

	Year ended 31 December 2017 KZT billion	*Year ended 31 December 2016 KZT billion*
Profit before taxation	54	48
At statutory income tax rate of 19.25%[2] (2016 – 20.00%[3])	10	10
Corporation tax – prior year (UK)	2	–
Waiver of group relief	(5)	(5)
Income tax expense	7	5

[1] All UK subsidiaries of the KAZ Minerals Group are considered part of a tax group for corporation tax purposes. At 31 December 2017, all outstanding group relief balances across the tax group were waived.

[2] The UK statutory income tax rate for January to March 2017 was 20.0% and for April to December 2017 was 19.0%, giving a weighted average full year rate of 19.25%.

[3] The UK statutory income tax rate for January to December 2016 was 20.00%.

(b) Recognised deferred tax liability

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

	KZT billion
At 1 January 2016	6
Withholding tax accrued on interest receivable – current year	5
At 31 December 2016	11
Withholding tax paid on interest receivable – current year	(11)
Withholding tax accrued on interest receivable – current year	5
At 31 December 2017	5

Notes to the financial statements

for the year ended 31 December 2017

8. Income tax (continued)

(b) Recognised deferred tax liability (continued)

	2017 KZT billion	2016 KZT billion
Withholding tax accrued on interest receivable	5	11
Deferred tax liability	**5**	**11**

The deferred tax liability arises withholding tax charged by the Kazakhstan tax authorities, at 10%, on the earlier of repayment or tax deduction of interest accrued on the loans provided to KAZ Minerals Bozshakol LLC (notes 9 and 14(a)).

9. Intercompany loans

	Current KZT billion	Non-current KZT billion	Total KZT billion
At 31 December 2016	127	321	**448**
At 31 December 2017	54	340	**394**

Details of the terms and conditions of transactions with related parties are shown in note 14.

10. Share capital

Allotted, called up and paid share capital	*Number*	*\$ million*	*KZT billion*
At 1 January 2016 (ordinary shares of \$1 each and \$0.65 each) [1]	2,137,543,053	1,576	300
Shares issued – 25 January 2016 (ordinary shares of \$1 each)	6,000,000	6	2
Shares issued – 8 February 2016 (ordinary shares of \$1 each)	13,800,000	14	5
Shares issued – 16 February 2016 (ordinary shares of \$1 each)	13,900,000	14	5
Shares issued – 22 February 2016 (ordinary shares of \$1 each)	14,200,000	14	5
Shares issued – 9 March 2016 (ordinary shares of \$1 each)	14,400,000	14	5
Shares issued – 29 March 2016 (ordinary shares of \$1 each)	14,700,000	15	5
Shares issued – 13 April 2016 (ordinary shares of \$1 each)	15,000,000	15	5
Shares issued – 11 May 2016 (ordinary shares of \$1 each)	30,000,000	30	10
Shares issued – 20 June 2016 (ordinary shares of \$1 each)	15,000,000	15	5
At 31 December 2016 and 31 December 2017	**2,274,543,053**	**1,713**	**347**

[1] The Company was incorporated on 30 September 2010 with an allotted and called up share capital of one share of \$1. The share was issued to the Company's immediate parent undertaking, KAZ Minerals Finance PLC. On 31 December 2013, 1,610,000 cumulative redeemable preference shares in issue were converted to ordinary shares of \$0.65 a share.

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

During 2016, the Company issued 137,000,000 ordinary shares of \$1 each to its immediate parent undertaking KAZ Minerals Bozshakol B.V.

Notes to the financial statements

for the year ended 31 December 2017

10. Share capital (continued)

During the year, the Company paid KZT 97 billion in dividends (KZT42.65 per share) to its immediate parent.

11. Capital reserve

	2017 KZT billion	2016 KZT billion
Capital reserve	**27**	**27**

The distributable capital reserve arose from the former parent company's waiver to receive unpaid and accrued dividends on the cumulative redeemable preference shares. These shares were converted to ordinary shares on 31 December 2013.

12. Income taxes payable

	2017 KZT billion	2016 KZT billion
Income taxes payable	**2**	–

13. Financial risk management

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

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

The Company's principal financial instruments comprise intercompany loans. The Group's borrowings and any surplus liquidity are controlled and managed centrally by the Group's Treasury department.

The Company's accounting policies with regard to financial instruments are detailed in note 3.

Notes to the financial statements

for the year ended 31 December 2017

13. Financial risk management (continued)

(a) Categories and fair values of financial assets

The carrying amounts of financial assets by category are as follows:

	2017 KZT billion	2016 KZT billion
Loans and receivables[1]	394	448

[1] The fair value of loans and receivables is estimated at KZT 433 billion (2016: KZT 495 billion).

Loans and receivables comprise intercompany loans and measured at amortised cost. The fair value of the intercompany loan is estimated by discounting future cash flows using rates currently available for similar financial instruments.

(b) Interest rate risk

The Company has financial assets which are exposed to changes in market interest rates. Changes in interest rates primarily impact intercompany loans by changing their future cash flows (floating rate). The Company's interest rate management policy is generally to borrow and invest at floating rates of interest. In some circumstances, an element of fixed rate funding may be considered appropriate.

At 31 December 2017 and 2016, the exposure of the Company's financial assets to interest rate risk is as follows:

At 31 December 2017	*Floating rate KZT billion*	*Fixed rate KZT billion*	*Non-interest bearing KZT billion*	*Total KZT billion*
Financial assets				
Intercompany loans	394	–	–	394
Total financial assets	**394**	**–**	**–**	**394**

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for the year ended 31 December 2017

13. Financial risk management (continued)

(b) Interest rate risk (continued)

At 31 December 2016	*Floating rate KZT billion*	*Fixed rate KZT billion*	*Non-interest bearing KZT billion*	*Total KZT billion*
Financial assets				
Intercompany loans	448	–	–	448
Total financial assets	**448**	–	–	**448**

The interest charged on floating rate financial assets is based on the relevant benchmark rate (such as LIBOR).

In accordance with IFRS 7, the impact of interest rates has been determined based on the balances of financial assets and liabilities at 31 December 2017. This sensitivity does not represent the income statement impact that would be expected from a movement in interest rates or outstanding balances over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. The effect on profit after tax of a 1% movement in US$ LIBOR rates, based on the year end position of financial assets and with all other variables held constant, is estimated to be KZT 3 billion (2016: KZT 4 billion).

(c) Credit risk

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

The Company is subject to credit risk on intercompany receivable balances as reflected in note 9 that arises as a result of transactions in the Company's ordinary course of business.

The credit quality of the Company's intercompany receivables that are neither past due nor impaired is considered good. No material exposure is considered to exist by virtue of the possible non-performance of the counterparties in respect of intercompany receivable balances.

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

	2017 KZT billion	*2016 KZT billion*
Intercompany loans	394	448
	394	**448**

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for the year ended 31 December 2017

13. Financial risk management (continued)

(d) Liquidity risk

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

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

Maturity of financial assets and liabilities

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

At 31 December 2017	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
	KZT billion	*KZT billion*	*KZT billion*	*KZT billion*	*KZT billion*	*KZT billion*
Intercompany loans[1]	–	–	–	478	153	631
	–	–	–	**478**	**153**	**631**

At 31 December 2016	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
	KZT billion	*KZT billion*	*KZT billion*	*KZT billion*	*KZT billion*	*KZT billion*
Intercompany loans[1]	–	–	129	377	185	691
	–	–	**129**	**377**	**185**	**691**

1 Includes expected future interest income based on contracted margins and prevailing LIBOR rates applicable under the loans at the balance sheet date.

(e) Capital management

The over-riding objectives of the Company's capital management policy is to safeguard and support the business as a going concern and to maintain an optimal capital structure in order to reduce the Company's cost of capital.

(f) Capital management (continued)

At 31 December 2017, total capital employed (which comprises equity holders' funds) of the Company amounted to KZT 387 billion compared to KZT 437 billion at 31 December 2016. Total capital employed is the measure of capital that is used by the Directors in managing capital.

Notes to the financial statements

for the year ended 31 December 2017

14. Related party disclosures

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

	Interest income *KZT billion*	*Amounts receivable* *KZT billion*	*Amounts payable* *KZT billion*
KAZ Minerals Bozshakol LLC – note (a)			
2017	54	394	–
2016	48	448	–

(a) KAZ Minerals Bozshakol LLC

The intercompany balance with KAZ Minerals Bozshakol LLC of KZT 394 billion (2016: KZT 448 billion) relates to a loan receivable which has been advanced for the development of the Bozshakol mining project in the Republic of Kazakhstan. The loan is interest-bearing at a rate of US$ LIBOR plus 11% and is repayable in semi-annual instalments commencing two business days prior to 15 January 2019 with the final repayment date being 31 December 2025. This follows an amendment dated 3 July 2017 to defer payments until the 15 January 2019.

During the year, KZT 54 billion of interest was accrued (2016: KZT 48 billion). KAZ Minerals Bozshakol LLC made interest repayments on the loan from the Company of KZT 97 billion, net of 10% withholding tax (KZT 108 billion gross) (2016: no repayments).

(b) KAZ Minerals Bozshakol B.V.

In 2016, the Company issued 137,000,000 ordinary shares of $1 each, amounting to KZT 48 billion, to its immediate parent company KAZ Minerals Bozshakol B.V. bringing the total allotment at 31 December 2016 to KZT 347 billion.

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15. Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary of KAZ Minerals Bozshakol B.V., a company incorporated and registered at Strawinskylaan 453, 1077XX, Amsterdam, The Netherlands.

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

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

16. Post balance sheet events

a) Share capital reduction

On 17 January 2018, the Company's shareholders resolved to reduce the Company's share capital by way of special resolution supported by a solvency statement by KZT 72 billion or 610 million shares against retained earnings. The shares were subsequently cancelled.

b) Receipt of interest on loan to KAZ Minerals Bozshakol LLC

On 27 March 2018, KAZ Minerals Bozshakol LLC made an interest repayment on the loan of KZT 50 billion, net of 10% withholding tax (KZT 55 billion gross).

c) Payment of interim dividend

On 28 March 2018, an interim dividend of KZT 49 billion was paid to KAZ Minerals Bozshakol B.V , the sole shareholder of the Company.