

# **KAZ Minerals Projects Finance Limited**

## **Annual Report and Financial Statements**

31 December 2020

Registered Number: 7392172

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COMPANIES HOUSE

**Directors**

John Hadfield  
Andrew Paton  
Andrew Southam

**Secretary**

Susanna Freeman

**Auditor**

KPMG LLP  
15 Canada Square  
London E14 5GL  
United Kingdom

**Registered Office**

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

Registered Number: 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 2020.

### 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.

The Company has an intercompany loan receivable with KAZ Minerals Bozshakol LLC, which was advanced for the development of the Bozshakol mining project.

For the year ended 31 December 2020, the Company's net profit after tax was KZT 27 billion (2019: KZT 38 billion). The lower profit for the year was primarily due to a reduction in the principal balance of the intercompany loan outstanding and lower US\$ LIBOR interest rates. This resulted in a reduction in finance income to KZT 30 billion (2019: KZT 42 billion).

During 2020, the Company received principal repayments of KZT 100 billion and interest payments of KZT 38 billion, of which KZT 4 billion was deducted and paid as withholding tax in Kazakhstan. At 31 December 2020, the balance outstanding on the intercompany loans receivable (including interest receivable) was KZT 210 billion (2019: KZT 318 billion).

The Company paid interim dividends totalling KZT 134 billion during the year to its sole shareholder, KAZ Minerals Bozshakol B.V..

On 3 July 2020, the capital of the Company was reduced by reducing the nominal value of each issued ordinary share of \$1 in the Company to \$0.40 each. At 31 December 2020, issued share capital comprised 1,664,543,053 ordinary shares of \$0.40 each.

### Recommended Offer

On 28 October 2020, Nova Resources B.V. ('Nova Resources') announced the terms of a recommended cash offer to wholly acquire the issued and to be issued share capital of KAZ Minerals PLC ('the Recommended Offer'). Nova Resources is a private company with limited liability incorporated in the Netherlands and indirectly owned by joint offerors Oleg Novachuk and Vladimir Kim who are both also Directors of KAZ Minerals PLC.

On 9 April 2021, the Recommended Offer was declared unconditional in all respects and KAZ Minerals PLC delisted from the London and Kazakhstan Stock Exchanges on 11 May 2021.

There are no significant changes of control clauses contained in the Company's material contracts which are affected by the Recommended Offer.

### 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 and, as a result, the Directors have taken the decision not to disclose KPIs in individual subsidiary financial statements. The Group KPIs are included in the KAZ Minerals PLC 2020 Annual Report and Accounts.

### Principal risks and uncertainties

The principal risks affecting the Company primarily relate to financial risks, namely credit risk. The Company's liabilities are limited to corporate income taxes and withholding taxes that arise on the interest income from the intercompany loan receivable from KAZ Minerals Bozshakol LLC. The Company's intercompany loan receivable is neither past due nor impaired, the credit quality is considered good and is supported by the underlying value of the Bozshakol mining project.

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.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

Other risk factors which could have a material impact on the Group and therefore the Company are disclosed in the KAZ Minerals PLC Annual Report and Accounts 2020.

#### Brexit

The Committee, in conjunction with management, have considered the effect of the UK's departure from the EU ('Brexit') on the Company and its operations. The operations of the Group's Bozshakol mining project, to which the Company has intercompany loans receivable, are located in Kazakhstan, with the majority of sales made into China and non-EU countries. The Group maintains a small office in London where corporate functions such as Company Secretarial, Financial Reporting and Treasury are located. The Group's Board and Committee meetings are mostly held at the London office, noting that during the Covid-19 pandemic the majority of meetings were held remotely. From a tax perspective, the Group's arrangements are largely subject to bi-lateral agreements between the UK and Kazakhstan; the UK and The Netherlands; and The Netherlands and Kazakhstan, which remain in place post-Brexit. Following Brexit, the Company will apply UK-adopted IFRS standards for reporting periods commencing on or after 31 December 2020.

Taking into account the circumstances of the Group, the Directors do not expect Brexit to have a significant impact on the Company.

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

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

The Company's ultimate parent at 31 December 2020 was KAZ Minerals PLC, ownership passed to Nova Resources B.V. on 9 April 2021. The ultimate parent became Vostok Cooper B.V. and the ultimate controlling parties became Vladimir Kim and Oleg Novachuk. The parent company is responsible for setting the overall strategy of the Group and maintaining oversight of the Group's activities. Decisions and policies affecting the Group's shareholders, customers, employees and wider workforce, suppliers, local communities and governments, lenders and the environment are made at Group level, with directors of each company in the Group ensuring that they apply those policies as relevant, meeting their duties to the individual companies and their respective stakeholders.

The Directors of the Company considers the Company's main stakeholder groups to be its lenders, the Group subsidiaries to whom it provides finance and on whose behalf it makes investment decisions and its shareholder. Stakeholder interests are key to the long-term sustainable success of the Company and the Board engages with its stakeholders as appropriate, including Directors meeting directly with lenders regularly to update them on our operations and to discuss existing or future financing requirements. The Group has fostered and maintained a strong track record with its lenders in the execution of its financing strategy, which has been critical to its growth and to financing its operations.

An explanation of how the Group board has considered the matters set out in section 172 of the Act (for the Group and for the Company) is set out on pages 15 to 17 of the KAZ Minerals PLC Annual Report and Accounts for the year ended 31 December 2020, which does not form part of this report.

#### Covid-19

The emergence of the Covid-19 pandemic during the first half of 2020 significantly impacted global markets and presented major challenges for the mining industry. The Group has taken a number of measures to mitigate the associated risks and Covid-19 has not resulted in any material disruption to the Group's output or sales to customers to date. Macroeconomic sentiment improved in the second half of 2020, resulting in increased actual and forecast market prices for copper. Nonetheless, there continues to be a risk that a worsening situation in respect of Covid-19 could negatively impact the Group (including Aktogay) through disruption to its operations and/or lower prices for its products.

Registered Number: 7392172

## Directors' report

The Directors present their report and financial statements for the year ended 31 December 2020. These financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 '*Reduced Disclosure Framework*', and applicable law).

### Results and dividends

The profit for the year after taxation amounted to KZT 27 billion (2019: KZT 38 billion).

During 2020, the Directors approved the payment of interim dividends totalling KZT 134 billion (2019: KZT 81 billion) or KZT 80.40 (2019: KZT 48.42) per share to its sole shareholder, KAZ Minerals Bozshakol B.V.. The Directors do not recommend a final dividend for the year (2019: nil).

### Other information

The Company has chosen to include an indication of likely future developments within the business in the Strategic report, details of events which have taken place subsequent to the balance sheet date in note 12 and matters concerning financial risk management in the Strategic report, 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 2020.

### 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.

### Political contributions

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

### Auditor

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

### Disclosure of information to the auditor

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

- there is no relevant audit information (being information needed by the 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)

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



Susanna Freeman  
**Company Secretary**  
8 July 2021

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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 auditors 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 2020 which comprise the Income statement, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 13.

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

## **Going concern**

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

In our evaluation of the directors’ conclusions, we considered the inherent risks to the Company’s business model and analysed how those risks might affect the Company’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors’ assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.



## **Fraud and breaches of laws and regulations – ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company’s policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the entity does not make external commodity sales.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to seldom used accounts.
- Assessing significant accounting estimates for bias.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company’s regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

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

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

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

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

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

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**Juliette Lowes (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

E14 5GL

8 July 2021

Registered Number: 7392172

## Income statement

for the year ended 31 December 2020

		2020	2019
	Notes	KZT billion	KZT billion
Finance income	6	30	42
<b>Profit before taxation</b>		<b>30</b>	<b>42</b>
Income tax expense	7(a)	(3)	(4)
<b>Profit for the year</b>		<b>27</b>	<b>38</b>

The notes on pages 14 to 21 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 2020

	Notes	2020 KZT billion	2019 KZT billion
<b>Assets</b>			
<b>Non-current assets</b>			
Intercompany loans receivable	9	163	250
		<u>163</u>	<u>250</u>
<b>Current assets</b>			
Intercompany loans receivable	9	47	68
		<u>47</u>	<u>68</u>
<b>Total assets</b>		<u><b>210</b></u>	<u><b>318</b></u>
<b>Equity and liabilities</b>			
Share capital	10(a)	135	229
Capital reserve	10(b)	27	27
Retained earnings		47	60
<b>Attributable to equity holders of the Company</b>		<u><b>209</b></u>	<u><b>316</b></u>
<b>Current liabilities</b>			
Deferred tax liability	7(b)	1	2
<b>Total liabilities</b>		<u><b>1</b></u>	<u><b>2</b></u>
<b>Total equity and liabilities</b>		<u><b>210</b></u>	<u><b>318</b></u>

The notes on pages 14 to 21 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 8 July 2021 and signed on its behalf by:



John Hadfield  
Director

## Statement of changes in equity

for the year ended 31 December 2020

	Notes	Share capital KZT billion	Capital reserve <sup>1</sup> KZT billion	Retained earnings KZT billion	Total KZT billion
<b>At 1 January 2019</b>		<b>275</b>	<b>27</b>	<b>57</b>	<b>359</b>
Profit for the year		–	–	38	38
Reduction of capital	10(a)	(46)	–	46	–
Dividends paid	8	–	–	(81)	(81)
<b>At 31 December 2019</b>		<b>229</b>	<b>27</b>	<b>60</b>	<b>316</b>
Profit for the year		–	–	27	27
Reduction of capital	10(a)	(94)	–	94	–
Dividends paid	8	–	–	(134)	(134)
<b>At 31 December 2020</b>		<b>135</b>	<b>27</b>	<b>47</b>	<b>209</b>

<sup>1</sup> See note 10(b) for an analysis of 'Capital reserves'.

The notes on pages 14 to 21 are an integral part of these financial statements.

## Notes to the financial statements

for the year ended 31 December 2020

### 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 Company income statement, balance sheet, statement of changes in equity and related notes have been prepared in accordance with FRS 101, which applies the recognition and measurement bases of International Financial Reporting Standards ('IFRS's') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 with reduced disclosure requirements. The financial information has been prepared on a historical cost basis.

The financial statements are presented in Kazakhstan tenge ('KZT') and all financial information has been rounded to the nearest billion tenge ('KZT billion') except where otherwise indicated.

In accordance with FRS 101, the following exemptions from the requirements of IFRSs have been applied in the preparation of these financial statements:

- IFRS 7 '*Financial Instruments: Disclosures*'
- Paragraphs 91 to 99 of IFRS 13 '*Fair Value Measurement*' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The following paragraphs of IAS 1 '*Presentation of Financial Statements*':
  - 10(d) (statement of cash flows)
  - 10(f) (a statement of financial position at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
  - 16 (statement of compliance with all IFRSs)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7 '*Statement of Cash Flows*'
- Paragraph 30 and 31 of IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24 '*Related Party Disclosures*' (key management compensation) and,
- Requirements in IAS 24 '*Related Party Disclosures*' to disclose related party transactions entered into between two or more members of a group.

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

## Notes to the financial statements

for the year ended 31 December 2020

### 2. Basis of preparation (continued)

#### (a) *Going concern*

The Company is a vehicle financing the Bozshakol mining project in Kazakhstan. The Company has no significant liabilities or commitments as at 31 December 2020 and therefore the Directors do not consider the Company to be exposed to any material going concern risk, including any potential impacts from the Covid-19 pandemic.

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 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. Accordingly, it is appropriate to adopt the going concern basis of accounting in the preparation of these financial statements.

#### (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:

- *'Definition of a Business (Amendments to IFRS 3)'* was adopted on 1 January 2020. The amendment provides clearer application guidance to help companies distinguish between a business and a group of assets when applying IFRS 3 *'Business Combinations'*. The amendment also clarifies that applying the classification of a business would not be appropriate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The application of this amendment had no impact on the amounts reported in the Company's financial statements.
- *'Definition of Material (Amendments to IAS 1 and IAS 8)'* was adopted on 1 January 2020. The amendment revises the definition of material stating that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. The application of this amendment had no impact on the amounts reported in the Company's financial statements.
- *'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)'* was adopted on 1 January 2020. The amendment requires that for interest rate hedges affected by Interbank Offered Rate ('IBOR') reform, the interest rate benchmark is not altered when considering whether a forecast transaction is highly probable, or whether there is an economic relationship between the hedged cash flow and the hedging instrument. This would apply for a limited period until there is no longer uncertainty relating to IBOR reform. The application of this amendment had no impact on the amounts reported in the Company's financial statements.
- *'Covid-19 Related Rent Concessions (Amendment to IFRS 16)'* was adopted on 9 October 2020. The amendment exempts lessees from considering individual lease contracts to determine whether rent concessions occurring as a direct consequence of Covid-19 are 'lease modifications'. A uniform accounting policy may be applied to account for the effect of those concessions in profit or loss, as if they were not modifications of the original terms. The application of this amendment had no impact on the amounts reported in the Company's financial statements.



## Notes to the financial statements

for the year ended 31 December 2020

### 3. Employee information

There were no employees of the Company in the year (2019: nil).

### 4. Directors' remuneration

The Directors are remunerated by other Group entities and they do not receive specific remuneration for their roles as Directors of KAZ Minerals Project Finance Limited (2019: \$nil).

### 5. Auditor's remuneration

The auditor's remuneration for services provided to the Company during the year ended 31 December 2020, was KZT 6,617,973 (2019: KZT 2,958,092). The costs were borne entirely by a fellow Group subsidiary, KAZ Minerals Services Limited.

**6. Finance income**

	2020 KZT billion	2019 KZT billion
Interest income	30	42
	<b>30</b>	<b>42</b>

**7. Income taxes****(a) Income tax expense**

The income tax charge is made up as follows:

	2020 KZT billion	2019 KZT billion
<b>Current income tax</b>		
Corporate income tax – current year (UK)	3	4
Corporate income tax – current year (overseas)	4	4
Waiver of group relief <sup>1</sup>	(3)	(4)
	<b>4</b>	<b>4</b>
<b>Deferred income tax</b>		
Corporate income tax – current year	(1)	–
	<b>(1)</b>	<b>–</b>
	<b>3</b>	<b>4</b>

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

	2020 KZT billion	2019 KZT billion
Profit before taxation	30	42
At statutory income tax rate of 19% (2019: 19%) <sup>2</sup>	6	8
Waiver of group relief <sup>1</sup>	(3)	(4)
	<b>3</b>	<b>4</b>

<sup>1</sup> All UK subsidiaries of the KAZ Minerals Group are considered part of a tax group for corporation tax purposes. At 31 December 2020, all outstanding group relief balances across the tax group were waived.

<sup>2</sup> From 1 April 2023, the UK statutory income tax rate is expected to increase from 19% to 25%.

**(b) Recognised deferred tax liability**

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

	2020 KZT billion	2019 KZT billion
At 1 January	2	2
Withholding tax paid on interest receivable – current year	(4)	(4)
Withholding tax accrued on interest receivable – current year	3	4
<b>At 31 December</b>	<b>1</b>	<b>2</b>

The deferred tax liability arises from withholding tax applicable under Kazakhstan tax legislation on interest accrued on the intercompany loan advanced to KAZ Minerals Bozshakol LLC (note 9).

## 8. Dividends

The dividends paid during the year ended 31 December are as follows:

	<i>Per share KZT</i>	<i>Amount KZT billion</i>
<b>Year ended 31 December 2020</b>		
Interim dividends in respect of year ended 31 December 2020	80.40	134
	<b>80.40</b>	<b>134</b>
<b>Year ended 31 December 2019</b>		
Interim dividends in respect of year ended 31 December 2019	48.42	81
	<b>48.42</b>	<b>81</b>

The Directors do not recommend a final dividend (2019: nil) for 2020.

## 9. Intercompany loans

	<i>Current KZT billion</i>	<i>Non-current KZT billion</i>	<i>Total KZT billion</i>
<b>At 31 December 2020</b>	<b>47</b>	<b>163</b>	<b>210</b>
<b>At 31 December 2019</b>	<b>68</b>	<b>250</b>	<b>318</b>

The intercompany balance of KZT 210 billion (2019: KZT 318 billion) relates to a loan advanced to KAZ Minerals Bozshakol LLC for the development of the Group's Bozshakol mining project in the Republic of Kazakhstan.

The loan agreement was entered into in 2010 and accrues interest at a rate of US\$ LIBOR plus 11%. The loan is repayable in semi-annual instalments with principal repayments commencing in January 2019 until final maturity in 2025. An amendment was made to the loan agreement in 2018 whereby the LIBOR rate is capped at 10%. During 2020, the Company received principal repayments of KZT 100 billion (2019: KZT 40 billion) and interest of KZT 38 billion (2019: KZT 45 billion), of which KZT 4 billion (2019: 4 billion) was deducted and paid as withholding tax in Kazakhstan. Interest income of KZT 30 billion (2019: KZT 42 billion) was accrued in the year.

## 10. Share capital and reserves

### (a) Allotted, called up and paid share capital

	<i>Number</i>	<i>\$ million</i>	<i>KZT billion</i>
At 1 January 2019	1,664,543,053	1,316	275
Reduction of capital – 1 July 2019 (ordinary shares of \$0.40 each)	–	(251)	(46)
At 31 December 2019	<b>1,664,543,053</b>	<b>1,065</b>	<b>229</b>
Reduction of capital – 3 July 2020 (ordinary shares of \$0.40 each)	–	(399)	(94)
At 31 December 2020	<b>1,664,543,053</b>	<b>666</b>	<b>135</b>

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

At 1 January 2020, issued share capital comprised 664,543,053 ordinary shares of \$1.00 each and 1,000,000,000 ordinary shares of \$0.40 each. On 3 July 2020, the capital of the Company was reduced by reducing the nominal value of each issued ordinary share of \$1.00 in the Company to \$0.40 each. At 31 December 2020, issued share capital comprised 1,664,543,053 ordinary shares of \$0.40 each.

## Notes to the financial statements

for the year ended 31 December 2020

### 10. Share capital and reserves (continued)

#### *(b) Capital reserve*

The distributable capital reserve at 31 December 2020 of KZT 27 billion (2019: KZT 27 billion) arose from the former parent company's waiver to receive unpaid and accrued dividends on the cumulative redeemable preference shares in 2013. These shares were converted to ordinary shares in 2013.

### 11. 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 Strawinskyiaan 453, 1077XX, Amsterdam, The Netherlands.

The Company is majority owned by KAZ Minerals PLC, the ultimate controlling party and ultimate parent undertaking at 31 December 2020. KAZ Minerals PLC is incorporated in England and Wales and heads the only Group in which the results of the Company are consolidated. The consolidated financial statements of this Group are available and may be obtained from:

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

Ownership passed to Nova Resources B.V. on 9 April 2021 and the ultimate parent became Vostok Cooper B.V..

On 15 June 2021, KAZ Minerals PLC was renamed as KAZ Minerals Limited. Any references to KAZ Minerals PLC in this Annual Report and Financial Statements now relate to the entity KAZ Minerals Limited.

### 12. Post balance sheet events

#### *(a) Dividends*

On 14 January 2021, an interim dividend of KZT 60 billion was declared and paid on 15 January 2021 to KAZ Minerals Bozshakol B.V., the sole shareholder of the Company.

#### *(b) Recommended Offer*

On 9 April 2021, the Recommended Offer was declared unconditional in all respects and KAZ Minerals PLC delisted from the London and Kazakhstan Stock Exchanges on 11 May 2021.

There are no significant changes of control clauses contained in the Company's material contracts which are affected by the Recommended Offer.

#### *(c) Share capital reduction*

On 2 July 2021, the capital of the Company was reduced by reducing the nominal value of each issued ordinary share of \$0.40 in the Company to \$0.01 each. The Reduction of Capital resulted in the issued share capital of the Company being \$16,645,430.53 divided into 1,664,543,043 ordinary shares of \$0.01 each. At 31 December 2020, issued share capital comprised 1,664,543,053 ordinary shares of \$0.40 each.

## Notes to the financial statements

for the year ended 31 December 2020

### 13. Summary of significant accounting policies

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

#### (a) Foreign currency translation

The functional currency of the Company is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the 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 KZT as it acts as a lender to KAZ Minerals Bozshakol LLC and the loan is denominated in KZT.

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

	2020		2019	
	Spot	Average	Spot	Average
US dollar	420.71	412.95	381.18	382.75

#### (b) Finance income

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

#### (c) 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. Deferred tax is provided for withholding tax charged by the Kazakhstan tax authorities on the earlier of repayment or tax deduction of the interest accrued on intercompany loans. 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.

## Notes to the financial statements

for the year ended 31 December 2020

### 13. Summary of significant accounting policies (continued)

#### (c) *Income tax (continued)*

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

#### (d) *Dividends*

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

#### (e) *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.

##### *Financial assets*

##### *Classification and initial measurement*

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

The Company's financial assets consist of intercompany loans.

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

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

##### *Subsequent measurement*

Financial assets held for the collection of contractual cash flows that are solely payments of principal and interest (and classified as amortised cost) are subsequently measured at amortised cost using the effective interest rate method ('EIR'). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Allowance for impairment is estimated on a case-by-case basis.

##### *Derecognition*

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

##### *Impairment of financial assets*

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

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