Financial statements
Contents

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Polymetal International plc (the ‘parent company’) and its subsidiaries (the ‘Group’):

- give a true and fair view of the state of the Group’s affairs as at 31 December 2020 and of the Group’s profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:
- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated balance sheet;
- the Consolidated statement of cash flows;
- the Consolidated statement of changes in equity; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and as issued by the IASB.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Accounting for the acquisition of the non-controlling interest in Veduga; • Accounting for the acquisition of the Nezhda power line lease; and • Completeness of related party relationships in significant corporate transactions. Within this report, key audit matters are identified as follows: • Newly identified • Increased level of risk • Similar level of risk • Decreased level of risk
Materiality	The materiality that we used for the financial statements was US$47 million (2019: US$25 million) which was determined on the basis of adjusted profit before tax. We have adjusted profit before tax for net foreign exchange gains of US$23 million (2019: US$36 million loss) and the net gain on disposal of subsidiaries of US$13 million (2019: US$16 million loss from discontinued operations). As there was no impact in 2020, there was no adjustment for a write down of assets held for sale (2019: US$28 million loss).
Scoping	Our scoping identified 12 components: • Dukat, Omolon, Albazino and Kyzyl were subject to a full scope audit; and • Specified account balances were audited at Svetloye, Voro, Varvara, Amursk, Mayskoye, Nezhda, Prognoz and the Corporate component. This scoping represents a change from our 2019 audit with Amikan now being subject to analytical procedures at the Group level, previously specified audit procedures, and Prognoz being subject to audit of specified account balances, previously considered as part of the Corporate component. Our coverage and scoping assessment are discussed further in section 7 below. A number of balances across all components were tested centrally, as the business activities, processes and controls related to these balances are centralised in the Group's head office.
Significant changes in our approach	The risks associated with accounting for the acquisition of the non-controlling interest in Veduga and the Nezhda power line lease were identified as key audit matters in 2020 due to the complexity of these transactions and given the level of judgement involved. See the key audit matters description below for further information. The risk associated with undisclosed related party relationships and corporate assets transactions potentially not being conducted on an arm's length basis, was identified as a key audit matter in 2020 due to several corporate asset transactions undertaken that displayed indicators of a possible, previously undisclosed related party relationship. See the key audit matters description below for further information. Corporate transactions were considered to be less relevant for the 2019 audit as there were no significant corporate transactions undertaken. The risk associated with the recoverability of heap leach ore stock piles and work in progress, and the recoverability of exploration and evaluation assets were identified as key audit matters in 2019, but were considered to be less relevant for the 2020 audit, due to the decrease in the magnitude of these balances relative to our materiality and the positive economic environment, with gold and silver prices achieving historic high levels in the year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included our assessment of the entity's:

- financing facilities including the nature of facilities, repayment terms and covenants;
- linkage to the business model and medium-term risks;
- assumptions used in the forecasts;
- amount of headroom in the forecasts (cash and covenants);
- sensitivity analysis;
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of the forecasts prepared by management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Accounting for the acquisition of the non-controlling interest in Veduga (!)

Key audit matter description	As discussed in the Audit Committee's report on page 118 and as disclosed as a critical accounting judgement in Note 3, in April 2020, the Group obtained 100% control over Amikan LLC, the licence holder of the Veduga mine. The transaction involved VTB Bank acquiring a 25.7% stake in Amikan LLC from the existing minority shareholders for cash consideration of US$36 million and investing a further US$35 million in cash in exchange for newly issued Amikan share capital, taking VTB Bank's total holding to 40.6%. As part of transaction, VTB Bank was granted a put option to sell its stake in Amikan to Polymetal on certain conditions, along with a similar call option granted to Polymetal, as described in Note 28. Given the level of judgement involved, our key audit matter focuses on the appropriateness of accounting treatment of the acquisition of non-controlling interests, including accounting for the put and call options.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the design and implementation of relevant controls in relation to accounting for significant corporate transactions. In response to the key audit matter, we have: • Challenged management on whether the Group has an 'in substance' present ownership interest of 100% in Amikan LLC considering the requirements of IFRS 10 Consolidated Financial Statements and the option and shareholders' agreements between VTB Bank and the Group reviewed by us; • Evaluated whether the put and call options represent potential voting rights that currently give the Group access to the returns associated with the related 40.6% ownership interest; and • We reviewed and assessed the appropriateness of the related disclosures, including classification of the liabilities due to VTB, in the financial statements.
Key observations	Based on our work, we are satisfied that the accounting for the acquisition of the non-controlling interest in Veduga and the related disclosures are appropriate.

5.2. Accounting for the acquisition of the Nezhda power line lease

Key audit matter description	As discussed in the Audit Committee's report on page 118 and as disclosed as a critical accounting judgement in Note 3, in June 2020 Polymetal entered into an agreement to lease on pre-agreed terms a single-circuit 110 kV grid power line, running from Khandyga to the Nezhda production site, and the related substation. The power line is being constructed and will be operated by a special purpose vehicle (SPV). After construction, which is expected to be complete by the end of 2022, the Group will lease the power line from the SPV. As disclosed in Note 29, the construction is being funded with a 10-year senior loan, guaranteed by the Group, and a subordinated loan facility. The senior loan is guaranteed by a conditional loan assignment agreement (a "put option") and by a guarantee issued by Polymetal, both exercisable in certain events of default. Additionally, the conditional loan assignment agreement is exercisable in the event of the construction not being completed by a certain date. Simultaneously, Polymetal was granted a call option to acquire a 100% interest in the SPV in the case of its default. Given the complexity of the transaction and the significant level of judgement involved, our key audit matter focuses on the appropriateness of the accounting treatment for the Nezhda power line lease and associated agreements including: • consideration of control, joint control or significant influence of the Group over the SPV; and • the accounting treatment of the put option, the guarantee and the call option.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the design and implementation of relevant controls in relation to accounting for significant corporate transactions. In response to the key audit matter, we have: • Challenged management's accounting treatment of the Group's relationship with the SPV through consideration of key elements of control, joint control and significant influence under relevant accounting standards; • Reviewed the relevant contracts and challenged management on their application of the scope of IFRS 16 Leases in relation to the lease of the Nezhda power line; and • Gained an understanding of the business purpose of the lease agreement, the guarantee and the put option and challenged whether the guarantee and the put option should be accounted for in accordance with requirements of IFRS 9 or IFRS 16; • We reviewed and assessed the appropriateness of the related disclosures in the financial statements.
Key observations	Based on our work, we are satisfied that the accounting for the Nezhda power line lease and the related disclosures are appropriate.

5.3. Completeness of related party relationships in significant corporate transactions

Key audit matter description	Polymetal has undertaken a number of corporate transactions in the year, including both additional investments and disposal of non-core assets. The market for such assets is characterised by a relative small number of investors and as such, transactions with related parties are not uncommon. In relation to these transactions, we have identified a risk of unidentified or undisclosed related party relationships. Where a related party relationship exists, there is a risk that the transaction has not been conducted on an arm's length basis or that the disclosure of the transaction is inaccurate, incomplete or does not appropriately reflect its substance. Consequently we identified this key audit matter to be a potential fraud risk. Our risk assessment identified that the key audit matter was of particular relevance to two transactions: • Veduga (Notes 3 and 28) where the remaining 25.7% interest not held by the Group was in substance acquired indirectly through a third party (as discussed in key audit matter 5.1.), of which, 7.4% was previously held by a related party of the Group; and • Irbychan Gold (Notes 4 and 23) where the assets were impaired by US$28 million in 2019 prior to their disposal in 2020. The other significant corporate transactions completed in the year either did not exhibit indicators of possible related party relationships or in the case of the Tomtor (ThreeArc Mining Ltd) transaction (Note 21) it was clearly evident that this was as a transaction with a related party (Note 34) and no additional concerns were identified over it being conducted at an arm's length.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the design and implementation of management's relevant controls pertaining to identifying, authorising and reporting related party transactions, including the review by the Audit Committee of related party transactions (page 121) and the role of the Board in considering the disclosures thereof (page 106). We challenged the business rationale for the Veduga and Irbychan Gold transactions, taking into consideration our understanding of the Group's business and its strategy, as well as the information contained in the Board minutes and press releases reviewed by us. Using publicly available information and research tools, we analysed the counterparties to the transactions to determine whether any that we identified as related parties had been appropriately recorded in the Group's related parties register. We challenged management whether the Veduga and Irbychan Gold transactions had been conducted on an arm's length basis, comparing the consideration in each case to an estimate of the fair value of the underlying mining assets based on our audit of life of mine models. We reviewed and assessed the completeness and accuracy of the disclosures in respect of these transactions.
Key observations	Based on our work, we concluded that the Veduga and Irbychan Gold transactions were conducted at values commensurate with our understanding of their corresponding underlying asset values and we are satisfied that the disclosures in respect of the transactions is appropriate.

6. Our application of materiality

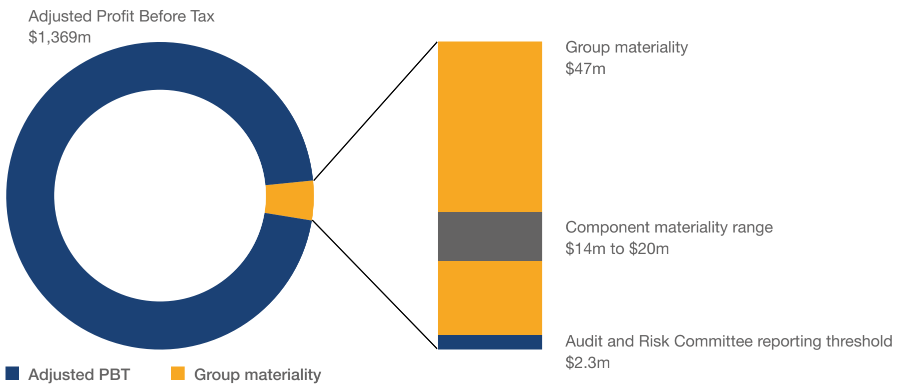
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	US$47 million (2019: US$25 million)
Basis for determining materiality	We used the Group's adjusted profit before tax as the key benchmark. This approach is consistent with our 2019 audit and the selected materiality figure represents 3.4% of adjusted before tax (2019: 3.6%).
Rationale for the benchmark applied	The use of this metric is consistent with our 2019 audit and has been chosen on the basis that adjusted profit before tax is a key benchmark for management and investors to appraise the Group's performance. We have adjusted profit before tax for net foreign exchange gains of US$23 million (2019: US$36 million loss) and the net gain on disposal of subsidiaries of US$13 million (2019: US$16 million loss from discontinued operations). As there was no impact in 2020, there was no adjustment for a write down of assets held for sale (2019: US$28 million loss).

ADJUSTED PROFIT BEFORE TAX



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 60% of Group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

a. Our risk assessment, including our assessment of the Group's overall control environment;
b. The consistent organisational structure of the Group relative to the prior year audit;
c. In the prior year, we identified a higher number of misstatements both corrected and uncorrected than in previous years;
d. The degree of centralisation and common controls/processes; and
e. Any changes in the business that impacted our anticipation of potential misstatements.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$2.3 million (2019: US$1.25 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

The Group holds various mining assets in Russia and Kazakhstan. Our scoping identified 12 components (Svetloye, Dukat, Omolon, Albazino, Voro, Varvara, Amursk, Mayskoye, Kyzyl, Nezhda, Prognoz and a single component comprising the support function corporate entities).

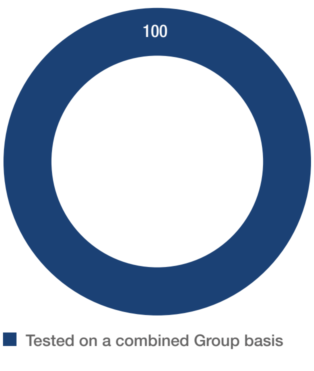
Our 2020 scoping followed the same approach as in 2019 where the audit team performed central testing over a number of the Group's standardised processes and controls. For balances which were tested centrally, we have performed substantive audit procedures on all components.

We determined the scope of the procedures to be performed at each component on the balances not tested centrally. We have performed full scope audits at Dukat, Omolon, Albazino and Kyzyl. Focussed procedures were performed at Svetloye, Voro, Varvara, Amursk, Mayskoye, Nezhda, Prognoz and the Corporate component. This represents a change from our 2019 scoping with Amikan now being subject to analytical review procedures, previously specified audit procedures, and Prognoz being subject to audit of specified account balances, previously considered as part of the Corporate component.

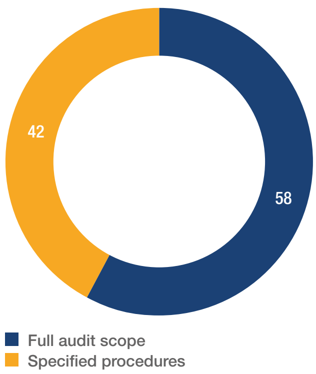
The Group audit team was involved in the work of the component auditors at all stages of the audit process. The signing partner and senior members of the Group engagement team were in contact regularly throughout the year and during the final audit in 2021. Due to restrictions on overseas travel we did not visit the component team this year, as we had done in prior years. To satisfy ourselves that our oversight and supervision was appropriate we have reviewed component auditor work remotely and had frequent meetings with the component team, utilising a number of collaboration tools.

Our audit work was executed at levels of materiality applicable to each individual component, which were between US$14.1 million and US$19.7 million (2019: US$12.5 million and US$20.0 million).

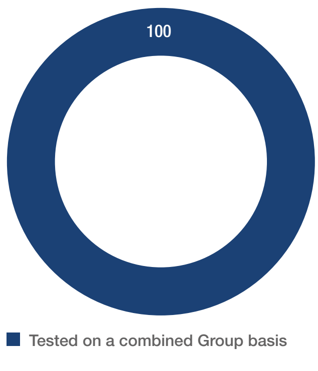
REVENUE
%



METAL INVENTORIES
%



E&E ASSETS
%



7.2. Our consideration of the control environment

We evaluated design and tested implementation of all internal controls which are relevant to our audit. We also tested operating effectiveness and placed reliance on certain controls over metal inventories. The approach remains consistent with previous years, however this year we worked with our Deloitte Technical Mining Advisory Team in the testing of certain controls over measurement and recoverability of metal inventories. We worked with our IT specialists to test general IT controls and these were found to be operating effectively.

7.3. Working with other auditors

The Group audit team was in active dialogue throughout the audit with the component audit team responsible for the audit work under the direction and supervision of the Group audit team. The Group audit team assessed the risks and key areas of focus at the Group level and designed appropriate audit responses which were communicated to the component auditor and we have overseen the detailed risk assessment performed by the component audit team. The Group audit team determined whether the work was planned and performed in accordance with the overall Group audit strategy and the requirements of our Group audit instructions to the component team.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team, including the component audit team and relevant internal specialists, including tax, valuations, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the area of unidentified or undisclosed related party relationships, specifically relating to significant transactions outside the normal course of business such as corporate acquisitions and disposals. Where a related party relationship exists, there is a risk that the transaction has not been conducted on an arm's length basis, or that the disclosure of such transaction is inaccurate, incomplete or does not appropriately reflect its substance. The potential indicators of a previously undisclosed related party relationship are: asset disposals completed with a loss or impaired prior to disposal and asset acquisitions and disposals where a related party was indirectly involved. Based on our risk assessment, the risk of fraud has been pinpointed to two corporate transactions – the Irbychan Gold disposal and the acquisition of the non-controlling interest in Veduga. See the Key audit matter 5.3.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified completeness of related party relationships in significant corporate transactions as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with regulatory authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists and the component audit team, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinion on other matter prescribed by our engagement letter

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the Company.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 152;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 152;
- the directors' statement on fair, balanced and understandable set out on page 117;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 119;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 119; and
- the section describing the work of the audit committee set out on pages 116–121.

14. Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by Polymetal International plc, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the Polymetal International plc financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. 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 those matters we have expressly agreed to report to them on in our engagement letter 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.

Dean Cook

Dean Cook MA FCA
For and on behalf of Deloitte LLP

Recognised Auditor
London, UK
2 March 2021

Consolidated income statement

	Note	Year ended 31 December 2020 $m	Year ended 31 December 2019 $m
Revenue	6	2,865	2,241
Cost of sales	7	(1,129)	(1,197)
Gross profit		**1,736**	**1,044**
General, administrative and selling expenses	11	(184)	(181)
Other operating expenses, net	12	(99)	(68)
Reversal of previously recognised impairment	18	8	–
Loss from associates and joint ventures	21	(2)	–
Operating profit		**1,459**	**795**
Foreign exchange profit/(loss), net		23	(36)
Gain on disposal of subsidiaries, net	4	13	–
Write-down of assets held for sale		–	(28)
Change in fair value of contingent consideration assets and liabilities	30	(23)	(23)
Finance expenses, net	15	(67)	(74)
Profit before income tax		**1,405**	**634**
Income tax expense	16	(319)	(135)
Profit for the year from continuing operations		**1,086**	**499**
Loss for the year from discontinued operations[1]		–	(16)
Profit for the year		**1,086**	**483**
Profit for the financial period attributable to:			
Equity shareholders of the Parent		1,086	480
Non-controlling interest		–	3
		1,086	483
Earnings per share ($) from continuing operations			
Basic	32	2.30	1.06
Diluted	32	2.27	1.05
Earnings per share ($) from continuing and discontinued operations			
Basic	32	2.30	1.02
Diluted	32	2.27	1.01

1 Represents a loss of $13 million on the disposal of Kapan discontinued operation in January 2019 and a loss $3 million on disposals of the remaining entities of the Armenia segment in 2019, which was previously classified within continuing operations.

Consolidated statement of comprehensive income

	Year ended 31 December 2020 $m	Year ended 31 December 2019 $m
Profit for the period	**1,086**	**483**
Items that may be reclassified to profit and loss		
Exchange differences on translating foreign operations	(567)	353
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	34	(54)
Total comprehensive income for the period	**553**	**782**
Total comprehensive income/(loss) for the period attributable to:		
Equity shareholders of the Parent	556	777
Non-controlling interest	(3)	5
	553	**782**

Consolidated balance sheet

	Note	31 December 2020 $m	31 December 2019 $m
Assets			
Property, plant and equipment	18	2,787	2,810
Right-of-use assets	19	32	31
Goodwill	20	14	16
Investments in associates and joint ventures	21	24	2
Non-current VAT receivable		19	–
Non-current accounts receivable and other financial instruments	23	38	10
Deferred tax asset	16	56	73
Non-current inventories	22	95	114
Total non-current assets		**3,065**	**3,056**
Assets held for sale	4	–	14
Current inventories	22	662	644
Prepayments to suppliers		90	62
Income tax prepaid		33	18
VAT receivable		129	149
Trade receivables and other financial instruments	23	75	48
Cash and cash equivalents	24	386	253
Total current assets		**1,375**	**1,188**
Total assets		**4,440**	**4,244**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities	27	(187)	(158)
Current borrowings	25	(334)	(214)
Income tax payable		(13)	(7)
Other taxes payable		(51)	(41)
Current portion of contingent consideration liability	28	(41)	(7)
Current lease liabilities	19	(6)	(3)
Liabilities associated with assets classified as held for sale	4	–	(1)
Total current liabilities		**(632)**	**(431)**
Non-current borrowings	25	(1,403)	(1,518)
Contingent and deferred consideration liabilities	28	(120)	(59)
Deferred tax liability	16	(209)	(196)
Environmental obligations	26	(44)	(57)
Non-current lease liabilities	19	(27)	(29)
Other non-current liabilities		(3)	(3)
Total non-current liabilities		**(1,806)**	**(1,862)**
Total liabilities		**(2,438)**	**(2,293)**
NET ASSETS		**2,002**	**1,951**
Stated capital account	32	2,434	2,424
Share-based compensation reserve	33	31	26
Translation reserve		(1,832)	(1,302)
Retained earnings		1,369	780
Shareholders' equity		**2,002**	**1,928**
Non-controlling interest	28	–	23
Total equity		**2,002**	**1,951**

Notes on pages 170–215 form part of these financial statements. These financial statements are approved and authorised for issue by the Board of Directors on 2 March 2021 and signed on its behalf by:

Vitaly Nesis
Group CEO
2 March 2021

Ian Cockerill
Board Chair

Consolidated statement of cash flows

	Note	Year ended 31 December 2020 $m	Year ended 31 December 2019 $m
Net cash generated by operating activities	35	**1,192**	**696**
Cash flows from investing activities			
Purchases of property, plant and equipment	18	(583)	(436)
Acquisitions of joint venture and associates	21	(24)	–
Proceeds from disposal of subsidiaries	4	23	43
Net cash outflow on acquisitions	18	(7)	–
Loans advanced		(9)	(6)
Repayment of loans provided		11	2
Net cash used in investing activities		**(589)**	**(397)**
Cash flows from financing activities			
Borrowings obtained	25	2,369	1,244
Repayments of borrowings	25	(2,366)	(1,410)
Repayments of principal under lease liabilities	19	(4)	(3)
Dividends paid	17	(481)	(240)
Proceeds from shares issued by subsidiary	28	35	–
Contingent consideration paid	28	(23)	(13)
Net cash used in financing activities		**(470)**	**(422)**
Net increase/(decrease) in cash and cash equivalents		133	(123)
Cash and cash equivalents at the beginning of the period	24	253	379
Effect of foreign exchange rate changes on cash and cash equivalents		–	(3)
Cash and cash equivalents at the end of the financial period		**386**	**253**

Consolidated statement of changes in equity

	Note	Number of shares outstanding (unaudited)	Stated capital account $m	Share-based compensation reserve $m	Translation reserve $m	Retained earnings $m	Total equity attributable to the parent $m	Non-controlling interest $m	Total equity $m
Balance at 1 January 2019		**469,368,309**	**2,414**	**24**	**(1,599)**	**540**	**1,379**	**18**	**1,397**
Profit for the year		–	–	–	–	480	480	3	483
Other comprehensive income, net of income tax		–	–	–	297	–	297	2	299
Share-based compensation	33	–	–	12	–	–	12	–	12
Shares allotted to employees	32,33	819,892	10	(10)	–	–	–	–	–
Dividends	17	–	–	–	–	(240)	(240)	–	(240)
Balance at 31 December 2019		**470,188,201**	**2,424**	**26**	**(1,302)**	**780**	**1,928**	**23**	**1,951**
Profit for the year		–	–	–	–	1,086	1,086	–	1,086
Other comprehensive loss, net of income tax		–	–	–	(530)	–	(530)	(3)	(533)
Share-based compensation	33	–	–	15	–	–	15	–	15
Shares allotted to employees	32,33	1,629,799	10	(10)	–	–	–	–	–
Consolidation of non-controlling interest	28					(16)	(16)	(20)	(36)
Dividends	17	–	–	–	–	(481)	(481)	–	(481)
Balance at 31 December 2020		**471,818,000**	**2,434**	**31**	**(1,832)**	**1,369**	**2,002**	**–**	**2,002**

1. General

Corporate information

Polymetal Group (the Group) is a leading gold and silver mining group with operations in Russia and Kazakhstan.

Polymetal International plc (the Company) is the ultimate parent entity of Polymetal Group. The Company was incorporated in 2010 as a public limited company under Companies (Jersey) Law 1991 and has its place of business in Cyprus. Its shares are traded on the London, Moscow stock exchanges and Astana International Exchange.

Significant subsidiaries

As of 31 December 2020 the Company held the following significant mining and production subsidiaries:

				Effective interest held, %	
Name of subsidiary	Deposits and production facilities	Segment	Country of incorporation	**31 December 2020**	31 December 2019
Gold of Northern Urals JSC	Voro	Ural	Russia	100	100
Svetloye LLC	Svetloye	Khabarovsk	Russia	100	100
Magadan Silver JSC	Dukat Lunnoe Arylakh	Magadan	Russia	100	100
Mayskoye Gold Mining Company LLC	Mayskoye	Magadan	Russia	100	100
Omolon Gold Mining Company LLC	Birkachan Tsokol Burgali Olcha	Magadan	Russia	100	100
Albazino Resources Ltd	Albazino	Khabarovsk	Russia	100	100
Amur Hydrometallurgical Plant LLC	Amursk POX	Khabarovsk	Russia	100	100
Varvarinskoye JSC	Varvara	Kazakhstan	Kazakhstan	100	100
Bakyrchik Mining Venture LLC	Kyzyl	Kazakhstan	Kazakhstan	100	100
Komarovskoye Mining Company LLC	Komar	Kazakhstan	Kazakhstan	100	100
South-Verkhoyansk Mining Company JSC	Nezhda	Yakutia	Russia	100	100
Prognoz Silver LLC	Prognoz	Yakutia	Russia	100	100
GRK Amikan LLC	Veduga	Khabarovsk	Russia	100[1]	74.31

1 Acquisition of non-controlling interest in GRK Amikan LLC (Note 28).

Going concern

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As of 31 December 2020, the Group held $386 million of cash (2019: $253 million) and had net debt of $1,351 million (2019: $1,479 million), with $2,281 million of additional undrawn facilities (2019: $1,904 million) of which $1,392 million (2019: $1,079 million) are considered committed. Debt of $334 million (2019: $214 million) is due for payment within one year. The Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities.

The Board is satisfied that the Group's forecasts and projections, having taken account of reasonably possible changes in trading performance including the impact from COVID-19 pandemic, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2020.

Basis of presentation

The Group's annual consolidated financial statements for the year ended 31 December 2020 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value as of end of the reporting period and share-based payments which are recognised at fair value as of the measurement date.

The following accounting policies have been applied in preparing the consolidated financial statements for the year ended 31 December 2020.

New standards adopted by the Group and changes in accounting policies

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2019, except for changes arising from the adoption of the following new accounting pronouncements which became effective in the current reporting period:

- Definition of Material – Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors;*
- Definition of a Business – Amendments to IFRS 3 *Business Combinations;*
- Revised Conceptual Framework for Financial Reporting;
- Interest Rate Benchmark Reform – Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*.

The Group has determined these amendments do not have significant impact on its consolidated financial statements or are not applicable to the Group.

New accounting standards issued but not yet effective

The following standards and interpretations were in issue but not yet effective as of date of authorisation of these consolidated financial statements:

- IFRS 9 *Financial Instruments* Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities), effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 1 *Presentation of Financial Statements* regarding the classification of liabilities as current and non-current, effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16 *Property, Plant and Equipment* prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use, effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* regarding the costs to include when assessing whether a contract is onerous, effective for annual periods beginning on or after 1 January 2022;
- IFRS 17 *Insurance Contracts*, effective for annual periods beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* regarding the sale or contribution of assets between an investor and its associate or joint venture, the effective date of the amendments has yet to be set. However, earlier application of the amendments is permitted.

The Group has determined these standards and interpretations are unlikely to have a significant impact on its consolidated financial statements or are not applicable to the Group.

2. Significant accounting policies

Basis of consolidation

Subsidiaries

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated on consolidation.

Changes to the Group's ownership interests that do not result in a loss of control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Group's interests and non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss from the disposal is calculated as the difference between 1) the aggregated fair value of the consideration received and the fair value of any retained interest and 2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and non-controlling interests.

2. Significant accounting policies continued

Business combinations

IFRS 3 *Business Combinations* applies to a transaction or other event that meets the definition of a business combination. When acquiring new entities or assets, the Group applies judgement to assess whether the assets acquired and liabilities assumed constitute an integrated set of activities, whether the integrated set is capable of being conducted and managed as a business by a market participant, and thus whether the transaction constitutes a business combination, using the guidance provided in the standard. Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred. Transaction costs incurred in connection with the business combination are expensed. Provisional fair values are finalised within 12 months of the acquisition date.

Where applicable, the consideration for the acquisition may include an asset or liability resulting from a contingent consideration arrangement. Contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in such fair values are adjusted against the cost of acquisition retrospectively with the corresponding adjustment against goodwill where they qualify as measurement period adjustments. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed at the acquisition date. The measurement period may not exceed one year from the effective date of the acquisition. The subsequent accounting for contingent consideration that does not qualify for as a measurement period adjustment is based on how the contingent consideration is classified. Contingent consideration that is classified as equity is not subsequently remeasured. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRS 9 *Financial Instruments* with the corresponding amount being recognised in profit or loss.

The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS *12 Income Taxes* and IAS 19 *Employee Benefit*s, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in equity are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Goodwill and goodwill impairment

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the Cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

In 2020 and 2019 the recoverable amount of the cash-generating unit was determined based on a fair value less costs to sell calculation. Fair value is based on the application of the Discounted Cash Flow Method (DCF) using post-tax cash flows to the life of mine models based on proved and probable ore reserves.

On disposal of a subsidiary, the attributable goodwill is included in the determination of the profit or loss from disposal.

Acquisition of mining licences

The acquisition of mining licences is often effected through a non-operating corporate entity. As these entities do not represent a business, it is considered that the transactions do not meet the definition of a business combination and, accordingly, the transaction is accounted for as the acquisition of an asset. The net assets acquired are accounted for at cost. Where asset acquisition is achieved in stages net assets acquired are accounted for as the sum of cost of the original interest acquired and the cost of additional interest acquired.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence constitutes the power to participate in the financial and operating policy decisions of the investee but does not extend to a control or joint control over the enactment of those policies. The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting.

A joint arrangement is defined as an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

A joint operation is a joint arrangement in which the parties that share joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. This includes situations where the parties benefit from the joint activity through a share of the output, rather than by receiving a share of the results of trading. In relation to its interest in a joint operation, the Group recognises: its share of assets and liabilities; revenue from the sale of its share of the output and its share of any revenue generated from the sale of the output by the joint operation; and its share of expenses.

A joint venture is a joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement and is accounted for using the equity accounting method.

When entering in a new joint arrangement, the Group applies judgement to assess whether the parties that have joint control over the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement (joint operation) or rights to the net assets of the arrangement (joint venture), using the guidance provided in the standard. When a joint arrangement has been structured through a separate vehicle, consideration has been given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances.

Equity method of accounting

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the investee. When the Group's share of the losses of an associate or a joint venture exceeds the Group's interest in that entity, the Group ceases to recognise its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an investee at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 28 *Investments in Associates and Joint Ventures* (IAS 28) are applied to determine whether any indicators that the interest in an associate or a joint venture may be impaired. Where an indicator of impairment exists or the carrying value of the asset contains goodwill with an indefinite useful life, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single cash generating unit through the comparison of its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36.

2. Significant accounting policies continued

When a Group entity transacts with its investees, profits and losses resulting from the transactions with the investee are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or the joint venture that are not related to the Group.

Functional and presentation currency

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all Russian entities the functional currency is the Russian Rouble (RUB). The functional currency of the Group's entities located and operating in Kazakhstan (Varvarinskoye JSC, Bakyrchik Mining Venture LLC, Inter Gold Capital LLC, Komarovskoye Mining Company LLC) is the Kazakh Tenge (KZT). The functional currency of the parent company Polymetal International plc and its intermediate holding companies is US Dollar.

The Group has chosen to present its consolidated financial statements in US Dollars ($), as management believes it is a more convenient presentation currency for international users of the consolidated financial statements of the Group as it is a common presentation currency in the mining industry. The translation of the financial statements of the Group entities from their functional currencies to the presentation currency is performed as follows:

- all assets and liabilities are translated at closing exchange rates at each reporting period end date;
- all income and expenses are translated at the average exchange rates for the periods presented, except for significant transactions that are translated at rates on the date of such transactions;
- resulting exchange differences are recognised in other comprehensive income and presented as movements relating to the effect of translation to the Group's presentation currency within the Translation reserve in equity; and
- in the consolidated statement of cash flows, cash balances at the beginning and end of each reporting period presented are translated using exchange rates prevalent at those respective dates. All cash flows in the period are translated at the average exchange rates for the periods presented, except for significant transactions that are translated at rates on the date of transaction.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated income statement. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

The Group translates its income and expenses in presentation currency on a monthly basis. During the years ended 31 December 2020 and 31 December 2019 exchange rates used in the preparation of the consolidated financial statements were as follows:

	Russian Rouble/US Dollar	Kazakh Tenge/US Dollar
31 December 2020		
Year ended	73.88	420.71
Average	72.13	413.26
31 December 2019		
Year ended	61.91	381.18
Average	64.74	382.84

The Russian Rouble and Kazakh Tenge are not freely convertible currencies outside the Russian Federation, and Kazakhstan, accordingly, any translation of Russian Rouble and Kazakh Tenge denominated assets and liabilities into US Dollar for the purpose of the presentation of consolidated financial statements does not imply that the Group could or will in the future realise or settle in US Dollars the translated values of these assets and liabilities.

Foreign currency transactions

Transactions in currencies other than an entity's functional currencies (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. Non monetary items carried at historical cost are translated at the exchange rate prevailing on the date of transaction. Non-monetary items carried at fair value are translated at the exchange rate prevailing on the date on which the most recent fair value was determined. Exchange differences arising from changes in exchange rates are recognised in the consolidated income statement. Exchange differences generated by monetary items that forms part of the intragroup net investment in the foreign operation are recognised in the consolidated financial statements within foreign currency translation reserve.

Property, plant and equipment

Mining assets

Mining assets include the cost of acquiring and developing mining assets and mineral rights. Mining assets are depreciated to their residual values using the unit-of-production method based on proven and probable ore reserves according to the JORC Code, which is the basis on which the Group's mine plans are prepared. Changes in proven and probable reserves are dealt with prospectively. Depreciation is charged on new mining ventures from the date that the mining asset is capable of commercial production. In respect of those mining assets whose useful lives are expected to be less than the life of the mine, depreciation over the period of the asset's useful life is applied.

Mineral rights for the assets under development are included within Exploration and development. When a production phase is started, mineral rights are transferred into Mining assets and are depreciated as described below.

Capital construction-in-progress

Capital construction-in-progress assets are measured at cost less any recognised impairment. Depreciation commences when the assets are ready for their intended use.

Exploration and development assets

Mineral exploration and evaluation costs, including geophysical, topographical, geological and similar types of costs, are capitalised into exploration assets if management concludes that future economic benefits are likely to be realised based on current internal assessment of exploration results and identified mineral resources.

In accordance with IFRS 6 *Exploration for and evaluation of mineral resources*, the potential indicators of impairment include: management's plans to discontinue the exploration activities, lack of further substantial exploration expenditure planned, expiry of exploration licences in the period or in the nearest future, or existence of other data indicating the expenditure capitalised is not recoverable. At the end of each reporting period, management assesses whether such indicators exist for the exploration and evaluation assets capitalised.

Exploration and evaluation expenditures are transferred to development assets when commercially-viable reserves are identified, so that the entity first establishes proved and probable reserves in accordance with JORC Code and respective mining plan and model are prepared and approved. At the time of reclassification exploration and evaluation assets are assessed for impairment based on the economic models prepared.

The costs to remove any overburden and other waste materials to initially expose the ore body, referred to as stripping costs, are capitalised as a part of development assets when these costs are incurred.

Non-mining assets

Non-mining assets are depreciated to their residual values on a straight-line basis over their estimated useful lives. When parts of an item of property, plant and equipment are considered to have different useful lives, they are accounted for and depreciated separately. Depreciation methods, residual values and estimated useful lives are reviewed at least annually.

Estimated useful lives are as set out below:

Machinery and equipment	5–20 years
Transportation and other assets	3–10 years

Gains or losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the asset's carrying amount at the date. The gain or loss arising is recognised in the consolidated income statement.

2. Significant accounting policies continued

Stripping costs

During the production phase of a mine when the benefit from the stripping activity is the improved access to a component of the ore body in future periods, the stripping costs in excess of the average ore to waste ratio for the life of mine of that component are recognised as a non-current asset. After initial recognition, the stripping activity asset is depreciated on a systematic basis (unit-of-production method) over the expected useful life of the identified component of the ore body made accessible as a result of the stripping activity.

Estimated ore reserves

Estimated proven and probable ore reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits. The Group's reserves are estimated in accordance with JORC Code.

Leases

The group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognised a rights-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low value assets and leases for the purposes of mining and exploration activities, which fall out of the IFRS 16 scope. For these leases, the Group recognises the leases payments as operating expenses on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability based on the effective interest method and by reducing the carrying amount to reflect the lease payments made. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses and are presented as a separate line in the consolidated financial statements.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described below.

Impairment of property, plant and equipment

An impairment review of property, plant and equipment is carried out when there is an indication that those assets have suffered an impairment loss or there are impairment reversal indicators. If any such indication exists, the carrying amount of the asset is compared to the estimated recoverable amount of the asset in order to determine the extent of the impairment loss or its reversal (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. During the year ended 31 December 2020 the carrying amounts of all the Cash-generating units were assessed against their recoverable amounts determined based on a fair value less costs of disposal calculation (Note 18). Fair value is based on the application of the Discounted Cash Flow Method (DCF) using post-tax cash flows. The DCF method is applied to the development of proved and probable reserves.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or Cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognised in prior periods. Impairment loss may be subsequently reversed if there has been a significant change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

A reversal of an impairment loss is recognised in the consolidated income statement immediately.

Inventories

Metal inventories

Inventories including refined metals, metals in concentrate and in process, doré and ore stockpiles are stated at the lower of production cost or net realisable value. Production cost is determined as the sum of the applicable expenditures incurred directly or indirectly in bringing inventories to their existing condition and location. Work in-process, metal concentrate, doré and refined metal are valued at the average total production costs at each asset's relevant stage of production (i.e. the costs are allocated proportionally to unified metal where unified metal is calculated based on prevailing market metal prices). Ore stockpiles are valued at the average cost of mining that ore. Where ore stockpiles and work in-process are not expected to be processed within 12 months, those inventories are classified as non-current.

Net realisable value represents the estimated selling price for that product based on forward metal prices for inventories which are expected to be realised within 12 months, and the flat long-term metal prices for non-current inventories, less estimated costs to complete production and selling costs.

Consumables and spare parts

Consumables and spare parts are stated at the lower of cost or net realisable value. Cost is determined on the weighted average moving cost. The portion of consumables and spare parts not reasonably expected to be used within one year is classified as a long-term asset in the Group's consolidated balance sheet. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Trade receivables without provisional pricing that do not have a significant financing component (determined in accordance with IFRS 15 *Revenue from Contracts with Customers)* are not initially measured at fair value, rather they are initially measured at their transaction price.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL) depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

Trade receivables without provisional pricing that do not contain provisional price features, loans and other receivables are held to collect the contractual cash flows and therefore are carried at amortised cost adjusted for any loss allowance. The loss allowance is calculated in accordance with the impairment of financial assets policy described below.

Trade receivables arising from the sales of copper, gold and silver concentrate with provisional pricing features are exposed to future movements in market prices as described below and therefore contain an embedded derivative. IFRS 9 does not require that embedded derivatives are separated; instead, the contractual cash flows of the financial asset are assessed in their entirety. Trade receivables from sales of copper, gold and silver concentrates have contractual cash flow characteristics that are not solely payments of principal and interest, and are therefore measured at fair value through profit or loss in accordance with IFRS 9 and do not fall under the expected credit losses model (ECL) described below.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, trade and other receivables and contract assets, except for trade accounts receivable with provisional pricing. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

2. Significant accounting policies continued

The Group always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

All financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or fewer, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Environmental obligations

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of mining assets. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value using a risk-free rate applicable to the future cash flows, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognised in the consolidated income statement over the life of the operation, through the depreciation of the asset in the cost of sales line and the unwinding of the discount on the provision in the finance costs line. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in the consolidated income statement as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the consolidated income statement.

The provision for closure cost obligations is remeasured at the end of each reporting period for changes in estimates and circumstances. Changes in estimates and circumstances include changes in legal or regulatory requirements, increased obligations arising from additional mining and exploration activities, changes to cost estimates and changes to the risk free interest rate.

Employee benefit obligations

Remuneration paid to employees in respect of services rendered during a reporting period is recognised as an expense in that reporting period. The Group pays mandatory contributions to the state social funds, including the Pension Fund of the Russian Federation and Kazakhstan, which are expensed as incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are computed in accordance with the laws of countries where the Group operates.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. Significant accounting policies continued

Recognition of current and deferred tax

Current and deferred tax is recognised in the consolidated income statement, except when they relate to items that are recognised in the consolidated statement of comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in consolidated statement of comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Uncertain tax positions

Provision for uncertain tax positions is recognised within current tax when management determines that it is probable that a payment will be made to the tax authority. For such tax positions the amount of the probable ultimate settlement with the related tax authority is recorded. When the uncertain tax position gives rise to a contingent tax liability for which no provision is recognised, the Group discloses tax-related contingent liabilities and contingent assets in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Total exposures identified as of 31 December 2020 are disclosed in Note 16.

Mining tax

Mining tax includes royalties payable in Russian Federation and Kazakhstan. Mining tax in Russian Federation and Kazakhstan is calculated based on the value of the precious metals extracted in the period. This value is usually determined based on the realised selling price of precious metals or, in case if there were no sales during the period, cost of production of metals extracted (Russian Federation) or the average market price (Kazakhstan) during the reporting period. Mining tax is charged to cost of production and absorbed into metal inventories (Note 7).

Revenue recognition

The Group has three major streams: the sale of gold and silver bullions; sale of copper, gold and silver concentrate; sale of doré. Revenue is measured at the fair value of consideration to which the entity expects to be entitled in a contract with a customer in exchange for transferring promised goods, excluding amounts collected on behalf of third parties, such as value added tax (VAT). Group recognises revenue when it transfers control of a product or service to a customer.

Sale of gold and silver bullion

The Group processes doré produced in the Russian Federation into London Good Delivery Bars prior to sale. This final stage of processing is carried out on a toll-treatment basis at third party refineries. The Group sells gold and silver bullion to banks through long-term agreements. The sales price of each shipment is determined based on the prevailing market price as set by London Bullion Market Association (LBMA) on the day the control is transferred.

For domestic sales, the transfer of control generally occurs when the bullion is transferred to customers at the refinery gate under the Incoterms Free on Board (FOB) with revenue recognised at that point.

For export sales, once the gold and/or silver bars have been approved for export by the Russian customs authorities, they are transported to the vault of the purchaser. Control and title passes and revenue is recognised at the point when the gold and/or silver bars are received by the purchaser under the Incoterms DAP (Delivery at Place).

Sales of copper, gold and silver concentrate

The Group sells copper, gold and silver concentrate under pricing arrangements whereby the final price is determined by the quoted market prices in a period subsequent to the date of sale. These quotation periods differ from 1 to 4 months, depending on the specific terms of the relevant agreement.

For shipments under the Incoterms Cost, Insurance and Freight (CIF) and Cost and Freight (CFR), control passes to the customer and the revenue is recorded at the time of loading, whilst for shipments under the Incoterms Delivery at Place (DAP) and Delivery at Terminal (DAT), control passes when the goods are delivered at an agreed destination. The proportion of concentrate sold on CIF or CFR Incoterms is insignificant, and therefore no separate material performance obligations for freight and insurance services are recognised.

Revenue is initially recognised based on Polymetal's estimate of copper, gold and silver content in the concentrate and using the forward London Bullion Market Association (LBMA) or London Metal Exchange (LME) price, adjusted for the specific terms of the relevant agreement, including refining and treatment charges which may be subtracted in calculating the provisional amount to be invoiced.

Subsequent adjustments to pricing during the quotation period is not considered to be variable consideration under IFRS 15, as the Group's performance obligation has been satisfied at the point of delivery. Trade receivables arising from the sales of copper, gold and silver concentrate with provisional pricing features are accounted for under IFRS 9 *Financial Instruments* as described above. The provisionally priced accounts receivable, outstanding as of each reporting date, are marked to market using the forward price for the quotation period under the relevant agreement with mark-to-market adjustments recognised within revenue.

Doré
Doré sales arrangements are similar to the copper, gold and silver concentrate pricing arrangements described above, with shorter quotational periods of up to 14 days.

Share-based compensation
The Group applies IFRS 2 *Share-based Payments* to account for share-based compensation. IFRS 2 requires companies to recognise compensation costs for share-based payments to employees based on the grant-date fair value of the award.

The fair value of the awards granted under Performance Share Plan (PSP) (as defined in the Remuneration report) is estimated using a Monte-Carlo model valuation (see Note 33).

Awards which are granted under Deferred Share Awards (DSA) plan and are released over a period of three years, are measured at share price at a grant date and are prorated across periods to the different vesting dates (see Note 33).

The fair value of the awards granted is recognised as a general, administrative and selling expense over the vesting period with a corresponding increase in the share-based compensation reserve. Upon the exercise of the awards the amounts recognised within the share-based compensation reserve are transferred to stated capital account.

Earnings per share
Earnings per share calculations are based on the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated using the treasury stock method, whereby the proceeds from the potential exercise of dilutive stock options with exercise prices that are below the average market price of the underlying shares are assumed to be used in purchasing the Company's common shares at their average market price for the period.

3. Critical accounting judgements and key sources of estimation uncertainty
In the course of preparing the financial statements, management necessarily makes judgements and estimates that can have a significant impact on those financial statements. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in the future periods affected. The judgements involving a higher degree of estimation or complexity are set out below.

Critical accounting judgements
The following are the critical accounting judgements (apart from judgements involving estimation which are dealt with separately below), made during the year that had the most significant effect on the amounts recognised in the financial statements. The Group applied judgement to determine the appropriate accounting approach to be followed for several corporate transactions, which were completed during the year.

Accounting for associates
When the Group enters into an investment where it has the power to participate in the financial and operating policy decisions of an investee or into arrangements with other parties for the joint ownership of particular assets or developments, it must assess whether the arrangements constitute significant influence, control, joint operations or a joint venture based on the rights and obligations of the parties to the arrangements (Note 2 sets out the related accounting policies).

In April 2020, Polymetal invested $20 million in exchange for a 9.1% stake in ThreeArc Mining Ltd (ThreeArc) (Note 21). The Group has determined that it exercises significant influence over the investee through participation in policy-making processes and representation on the board of directors, and therefore ThreeArc constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment is accounted for using the equity method.

Nezhda power line
In June 2020 the Group entered into a preliminary lease agreement to lease, on pre-agreed terms, the single-circuit 110 kV grid power line running from Khandyga to the Nezhda production site and the related substation. The power line will be built, owned and operated by an independent grid management company. The construction will be funded with Far East and Arctic Development Fund 10-year senior loan, guaranteed by the Group, and Credit Bank of Moscow subordinated loan facility. The completion and commencement date of the lease is scheduled for the second quarter 2022. The Group applied judgement to determine whether there are indicators of control over the project entity and concluded there are none, as well as to determine the classification and valuation of guarantees issued that were accounted for as a single contract with the lease agreement, as described in Note 29.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Veduga

In April 2020, VTB Bank (VTB) invested $71 million in exchange for a 40.6% stake in Veduga, by acquiring a 25.7% stake in Amikan from the existing minority shareholders for cash consideration of $36 million and investing a further $35 million in cash in exchange for newly issued Amikan share capital. As part of the transaction, VTB was granted a put option to sell its stake in Amikan to Polymetal on certain conditions, along with a the similar call option granted to Polymetal, as described in Note 28. The Group applied judgement to determine whether the options represent potential voting rights. The Group has determined that the call option over the 40.6% stake represents a derivative containing potential voting right, that currently gives the Group access to the returns associated with related ownership interest, and therefore it falls within the scope IFRS 10 *Consolidated financial statements* requirements. The accounting approach followed is described in Note 28.

Use of estimates

The preparation of financial statements requires the Group to make estimates and assumptions that affect the amounts of the assets and liabilities recognised, amounts of revenue and expenses reported, and contingent liabilities disclosed, as of the reporting date. The determination of estimates is based on current and expected economic conditions, as well as historical data and statistical and mathematical methods as appropriate.

Key sources of estimation uncertainty

Based on the current favorable market conditions, including strong commodity prices and the local currency devaluation, as well as the stable outlook for commodity prices and their volatilities, management has determined that as of the reporting date there are no assumptions or other sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Other sources of estimation uncertainty

Other sources of estimation uncertainty reflect those sources of estimation uncertainty of which management believe users should be aware, but which are not judged to have a reasonably possible material impact of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. They include: cash flow projections for impairment testing and impairment reversal, valuation of contingent consideration assets and liabilities and calculation of net realisable value of stockpiles and work-in progress.

DCF models are developed for the purposes of impairment testing, valuation of contingent consideration assets and liabilities and calculation of net realisable value of metal inventories. Expected future cash flows used in DCF models are inherently uncertain and could change over time. They are affected by a number of factors including ore reserves, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure.

- Ore reserves and mineral resources – Recoverable reserves and resources are based on the proven and probable reserves and resources in existence. Reserves and resources are incorporated in projected cash flows based on ore reserve statements and exploration and evaluation work undertaken by appropriately qualified persons (see below). Mineral resources, adjusted by certain conversion ratios, are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the required confidence to convert to ore reserves.
- Commodity prices – Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. Polymetal currently use a flat real medium-term and long-term gold and silver price of $1,500 per ounce (2019: $1,400 and $1,200) and $20 per ounce (2019: $17 and $15), respectively.
- Foreign exchange rates – Foreign exchange rates are based on observable spot rates, or on latest internal forecasts, benchmarked with external sources of information for relevant countries of operation, as appropriate. Management have analysed RUB/$ rate movements for the year ended 31 December 2020. The long-term and medium-term rate RUB/$ exchange rate is estimated at 72 RUB/$ (2019: 65 RUB/$ and 63 RUB/$, respectively).
- Discount rates – The Group used a post-tax real discount rate of 9.0% (2019: 9.0%). Cash flow projections used in fair value less costs of disposal impairment models are discounted based on this rate.
- Operating costs, capital expenditure and other operating factors – Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith. Underlying input cost assumptions are consistent with related output price assumptions. Other operating factors, such as the timelines of granting licences and permits are based on management's best estimate of the outcome of uncertain future events at the balance sheet date.

No impairment for property, plant and equipment was recognised during the year ended 31 December 2020 as no indicators of impairment were identified. The sensitivities for goodwill impairment testing are disclosed in Note 20, and in the absence of indicators for impairment, these are not extended to impairment testing more generally. The sensitivities of contingent consideration liabilities ($161 million at 31 December 2020) and inventories held at net realisable value ($52 million at 31 December 2020) to a reasonably possible change in key assumptions described above are not considered material.

Environmental obligations

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group's provision for future decommissioning and land restoration cost represents management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable interest rate for discounting the future cash outflows. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

4. Disposal of subsidiaries

Irbychan Gold

In November 2019, the Group carved out a group of assets, including the Omolon low grade ore stock pile and related mining and exploration licenses, into a separate legal entity as a part of the programme to dispose of smaller short-lived assets. It was determined that Irbychan Gold met the definition of a disposal group as per IFRS 5 *Assets held for sale and discontinued operations*, so it was presented separately in the balance sheet as of 31 December 2019. The disposal group did not represent separate major line of business or geographical area of operations or a part of a single co-ordinated plan to dispose of such, thus it was concluded that it did not meet the definition of discontinued operation.

Based on the non-binding agreement signed in 2019 with a third party, owned by a Polymetal former employee and long-term Polymetal business partner, the expected sale price was $13 million. In accordance with the measurement requirements of IFRS 5, at 31 December 2019, the disposal group was measured at the lower of its carrying amount and fair value less costs to sell, and the Group recognised a loss of $28 million.

On 31 March 2020, the sale was completed. In accordance with the finalised agreement, the consideration receivable comprised $10 million fixed upfront cash payment (being RUB 800 million at the RUB/USD exchange rate of 78.85 as of the date of closing) and a 1% annual net smelter return (NSR) receivable by the Group if the gold price exceeds $1,500/oz. The royalty proceeds are capped at $50 million in Rouble equivalent. Additionally, if the average gold price in 2022 exceeds $1,600/oz simultaneously with RUB appreciation, Polymetal will receive any positive foreign exchange difference between the $ values of the Rouble fixed cash payment made (RUB 800 million) at 31 December 2022 and at 30 January 2020.

The NSR royalty and foreign exchange compensation payment meets the definition of contingent consideration receivable and were accounted for at their fair value at the disposal date. The fair value was determined based on the life of the mine (LOM) model of the mines sold and calculated using Monte Carlo modelling. The fair value of total consideration receivable was estimated at $2 million by applying the key assumptions set out below:

Gold price volatility	16.52%
Gold price per ounce as of disposal date	$1,605
RUB/USD exchange rate volatility	12.7%
RUB/USD exchange as of disposal date	78.85
Discount rate	11.7%

Due to the depreciation of the Russian Rouble, at the date of disposal net assets of the subsidiary and the gain on disposal were as follows:

	$m
Property, plant and equipment	2
Non-current ore stock piles	9
Total assets classified as held for sale	**11**
Environmental obligations	(1)
Total liabilities associated with assets classified as held for sale	**(1)**
Net assets of disposal group	**10**
Cash consideration received	10
Contingent consideration receivable	2
Total consideration	**12**
Gain on disposal	**2**

4. Disposal of subsidiaries continued

North Kaluga

In May 2020, Polymetal entered into a legally binding agreement to sell North Kaluga deposit to a third party, North Kaluga Mining Limited, as a part of the Group's strategy to dispose of smaller and low-margin assets.

The transaction consideration consisted of a $11 million fixed upfront cash payment, 5% net smelter return (NSR) and 50% royalty on Excess Revenue. Excess Revenue is defined as actual revenue less base revenue, where the latter is revenue calculated based on actual grades and the following metal prices: Cu = $5,500/t, Zn = $2,310/t, Au = $1,650/oz, Ag = $18.7/oz. Both NSR and the Excess Revenue royalty are capped at $300 million.

The fair value of the NSR and the royalty met the definition of contingent consideration receivable and were estimated at $7 million as of the date of the agreement (31 December 2020: $24 million as described in Note 23). The fair value of the NSR receivable was determined using a valuation model based on the expected production and was calculated using a Monte Carlo model. The key assumptions used in the contingent consideration calculations are set out below:

Metal	Price as of disposal date per ounce/ tonne, $	Price volatility, %	Constant correlation to gold, %
Gold	1,761.85	13.43%	n/a
Silver	17.86	23.8%	54%
Copper	5,825	19.2%	(62)%
Zinc	2,070	23.6%	(62)%
Discount rate 11.7%			

In July 2020, the Group completed the sale of North Kaluga. At the date of disposal, net assets of the disposed subsidiary and gain on disposal were as follows:

	$m
Property, plant and equipment	14
Other current assets	1
Intercompany debt	(3)
Net assets disposed of	**12**
Cash consideration received	11
Contingent consideration receivable	7
Total consideration	**18**
Gain on disposal	**6**

PGGK disposal

In June 2020, the Group sold its 100% interest in a minor subsidiary PGGK to the third party for $2 million in cash and further repayment on intercompany debt of $4 million. PGGK's net assets amounted to $1 million and the Group recognised gain on disposal of $5 million.

5. Segment information

The Group has identified five reportable segments:

- Magadan (Omolon, Dukat, Mayskoye);
- Ural (Voro);
- Khabarovsk (Amursk POX, Albazino, Svetloye, Veduga, Kutyn);
- Kazakhstan (Varvara, Komar, Kyzyl);
- Yakutia (Nezhda, Prognoz).

Reportable segments are determined based on the Group's internal management reports, which are separated based on the Group's geographical structure. Minor companies and activities (management, purchasing and other companies) which do not meet the reportable segment criteria are disclosed within 'Corporate and other' segment. Each segment is engaged in gold, silver or copper mining and related activities, including exploration, extraction, processing and reclamation. The Group's reportable segments are based in the Russian Federation and Kazakhstan.

The measure which management and the Chief Operating Decision Maker (the CODM) use to evaluate the performance of the Group is segment Adjusted EBITDA, which is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 216.

The accounting policies of the reportable segments are consistent with those of the Group's accounting policies under IFRS. From 1 January 2020 the segmental amounts of metal inventories is presented net of unrealised profit, as this presentation is more meaningful from management's perspective. During the year ended 31 December 2020 the Group reclassified several development projects from «Corporate and other» to 'Magadan', 'Ural' and 'Khabarovsk' segments. The comparative information was restated accordingly.

Revenue shown as 'Corporate and other' comprises, principally, intersegment revenue relating to the supply of inventories, spare parts and fixed assets, and rendering management services to the Group's production entities. The Group recognises Revenue and related Cost of sales in a segment where the source ore was mined, regardless whether it was processed on behalf of that segment at production facilties related to another hub, Revenue and Cost of sales of the production entities are reported net of any intersegmental Revenue and Cost of sales related to the intercompany sales of ore and concentrates, as well as intercompany smelting services, as this presentation is more meaningful from a management and forecasting perspective.

Business segment current assets and liabilities, other than current inventory, are not reviewed by the CODM and therefore are not disclosed in these consolidated financial statements. The segment adjusted EBITDA reconciles to the profit before income tax as follows:

5. Segment information continued

Period ended 31 December 2020 ($m)	Kazakhstan	Magadan	Khabarovsk	Ural	Yakutia	Total continuing segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	940	1,096	681	148	–	2,865	–	–	2,865
Intersegment revenue	–	–	–	–	–	–	421	(421)	–
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	265	406	221	35	–	927	259	(270)	916
Cost of sales	338	489	274	39	–	1,140	259	(270)	1,129
Depreciation included in Cost of sales	(73)	(72)	(49)	(6)	–	(200)	–	–	(200)
Write-down of metal inventory to net realisable value	–	(8)	–	2	–	(6)	–	–	(6)
Write-down of non-metal inventory to net realisable value	–	(4)	(4)	–	–	(8)	–	–	(8)
Rehabilitation expenses	–	1	–	–	–	1	–	–	1
General, administrative and selling expenses, excluding depreciation, amortisation and share-based compensation	18	31	17	6	8	80	110	(28)	162
General, administrative and selling expenses	20	31	18	6	8	83	129	(28)	184
Depreciation included in SGA	(2)	–	(1)	–	–	(3)	(4)	–	(7)
Share-based compensation	–	–	–	–	–	–	(15)	–	(15)
Other operating expenses excluding additional tax charges	22	39	12	8	8	89	11	(1)	99
Other operating expenses	22	39	12	8	8	89	11	(1)	99
Bad debt and expected credit loss allowance	–	–	(2)	–	–	(2)	–	–	(2)
Additional tax charges/fines/penalties	–	–	2	–	–	2	–	–	2
Loss from associates and joint ventures	–	–	–	–	–	–	2	–	2
Adjusted EBITDA	**635**	**620**	**431**	**99**	**(16)**	**1,769**	**39**	**(122)**	**1,686**
Depreciation expense	75	72	50	6	–	203	4	–	207
Rehabilitation expenses	–	(1)	–	–	–	(1)	–	–	(1)
Write-down of non-metal inventory to net realisable value	–	4	4	–	–	8	–	–	8
Write-down of metal inventory to net realisable value	–	8	–	(2)	–	6	–	–	6
Reversal of previously recognised impairment	(5)	(3)	–	–	–	(8)	–	–	(8)
Share-based compensation	–	–	–	–	–	–	15	–	15
Bad debt and expected credit loss allowance	–	–	2	–	–	2	–	–	2
Additional tax charges/fines/penalties	–	–	(2)	–	–	(2)	–	–	(2)
Operating profit	**565**	**540**	**377**	**95**	**(16)**	**1,561**	**20**	**(122)**	**1,459**
Foreign exchange gain									23
Gain on disposal of subsidiaries, net									13
Change in fair value of contingent consideration assets and liabilities									(23)
Finance expenses, net									(67)
Profit before income tax									**1,405**
Income tax expense									(319)
Profit for the year									**1,086**
Current metal inventories	109	221	100	30	12	472	–	–	472
Current non-metal inventories	30	89	39	6	6	170	20	–	190
Non-current segment assets:						–			–
Property, plant and equipment, net	738	358	710	68	820	2,694	93	–	2,787
Goodwill	–	14	–	–	–	14	–	–	14
Non-current inventory	31	26	36	2	–	95	–	–	95
Investments in associates	–	–	–	–	–	–	24	–	24
Total segment assets	**908**	**708**	**885**	**106**	**838**	**3,445**	**137**	**–**	**3,582**
Additions to non-current assets:									
Property, plant and equipment	82	97	256	36	150	621	13	–	634
Acquisition of subsidiaries	–	–	–	–	–	–	7	–	7

Year ended 31 December 2019 ($m)	Kazakhstan	Magadan	Khabarovsk	Ural	Yakutia	Total continuing segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	681	842	569	149	–	2,241	–	–	2,241
Intersegment revenue	–	–	–	–	–	–	249	(249)	–
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	207	476	228	37	–	948	155	(164)	939
Cost of sales	295	582	278	51	–	1,206	155	(164)	1,197
Depreciation included in Cost of sales	(87)	(92)	(49)	(7)	–	(235)	–	–	(235)
Write-down of metal inventory to net realisable value	–	(12)	–	(7)	–	(19)	–	–	(19)
Write-down of non-metal inventory to net realisable value	–	1	–	–	–	1	–	–	1
Rehabilitation expenses	(1)	(3)	(1)	–	–	(5)	–	–	(5)
General, administrative and selling expenses, excluding depreciation, amortisation and share-based compensation	14	31	17	6	8	76	100	(15)	161
General, administrative and selling expenses	16	32	18	6	8	80	116	(15)	181
Depreciation included in SGA	(2)	(1)	(1)	–	–	(4)	(4)	–	(8)
Share-based compensation	–	–	–	–	–	–	(12)	–	(12)
Other operating expenses excluding additional tax charges	12	27	15	5	(1)	58	9	(1)	66
Other operating expenses	12	26	18	5	(1)	60	9	(1)	68
Bad debt and expected credit loss allowance	–	–	(1)	–	–	(1)	–	–	(1)
Additional tax charges/fines/penalties	–	1	(2)	–	–	(1)	–	–	(1)
Adjusted EBITDA	**448**	**308**	**309**	**101**	**(7)**	**1,159**	**(15)**	**(69)**	**1,075**
Depreciation expense	89	93	50	7	–	239	4	–	243
Rehabilitation expenses	1	3	1	–	–	5	–	–	5
Write-down of non-metal inventory to net realisable value	–	(1)	–	–	–	(1)	–	–	(1)
Write-down of metal inventory to net realisable value	–	12	–	7	–	19	–	–	19
Share-based compensation	–	–	–	–	–	–	12	–	12
Bad debt and expected credit loss allowance	–	–	1	–	–	1	–	–	1
Additional tax charges/fines/penalties	–	(1)	2	–	–	1	–	–	1
Operating profit	**358**	**202**	**255**	**87**	**(7)**	**895**	**(31)**	**(69)**	**795**
Net foreign exchange loss									(36)
Write-down of assets held for sale									(28)
Change in fair value of contingent consideration assets and liabilities									(23)
Finance expenses, net									(74)
Profit before income tax									**634**
Income tax expense									(135)
Profit for the year from continuing operations									**499**
Loss from discontinued operations									(16)
Profit for the year									**483**
Current metal inventories	77	226	109	30	–	442	1	–	443
Current non-metal inventories	26	107	38	5	8	184	17	–	201
Non-current segment assets:									
Property, plant and equipment, net	812	406	568	45	815	2,646	164	–	2,810
Goodwill	–	16	–	–	–	16	–	–	16
Non-current inventory	41	47	23	3	–	114	–	–	114
Investments in associates	–	–	–	–	–	–	2	–	2
Total segment assets	**956**	**802**	**738**	**83**	**823**	**3,402**	**184**	**–**	**3,586**
Additions to non-current assets:									
Property, plant and equipment	89	87	117	12	155	460	10	–	470

6. Revenue

	Year ended 31 December 2020			
	Volume shipped (unaudited)	**Volume payable (unaudited)**	**Average price ($ per oz/t payable) (unaudited)**	**$m**
Gold (thousand ounces)	1,428	1,392	1,772.88	2,467
Silver (thousand ounces)	19,668	19,327	20.13	389
Copper (tonnes)	1,529	1,435	6,273.35	9
Total				**2,865**

	Year ended 31 December 2019			
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price ($ per oz/t payable) (unaudited)	$m
Gold (thousand ounces)	1,410	1,363	1,377.35	1,878
Silver (thousand ounces)	22,507	22,076	15.81	349
Copper (tonnes)	2,864	2,705	5,175.64	14
Total				**2,241**

Geographical analysis of revenue by destination is presented below:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Sales within the Russian Federation	1,215	1,044
Sales to Kazakhstan	942	655
Sales to East Asia	539	472
Sales to Europe	169	70
Total	**2,865**	**2,241**

Included in revenues for the year ended 31 December 2020 are revenues which arose from the sales to the Group's largest customers, whose contribution to the Group's revenue exceeded 10% of the total revenue. In 2020 revenues from such customers amounted to $1,120 million, $605 million, $337 million and $264 million respectively (2019: $659 million, $439 million, $338 million and $266 million, respectively).

Presented below is an analysis per revenue streams as described in Note 2 Significant accounting policies:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Bullions	1,358	1,074
Concentrate	902	709
Doré	605	458
Total	**2,865**	**2,241**

7. Cost of sales

	Year ended 31 December 2020 $m	31 December 2019 $m
Cash operating costs		
On-mine costs (Note 8)	437	485
Smelting costs (Note 9)	350	359
Purchase of ore and concentrates from third parties	106	59
Mining tax	142	115
Total cash operating costs	**1,035**	**1,018**
Depreciation and depletion of operating assets (Note 10)	206	250
Rehabilitation expenses	(1)	5
Total costs of production	**1,240**	**1,273**
Increase in metal inventories	(127)	(98)
Write-down of inventories to net realisable value (Note 22)	14	18
Idle capacities and abnormal production costs	2	4
Total	**1,129**	**1,197**

8. On-mine costs

	Year ended 31 December 2020 $m	31 December 2019 $m
Services	205	229
Labour	117	132
Consumables and spare parts	112	119
Other expenses	3	5
Total (Note 7)	**437**	**485**

9. Smelting costs

	Year ended 31 December 2020 $m	31 December 2019 $m
Consumables and spare parts	149	155
Services	136	139
Labour	64	63
Other expenses	1	2
Total (Note 7)	**350**	**359**

10. Depletion and depreciation of operating assets

	Year ended 31 December 2020 $m	31 December 2019 $m
On-mine	143	188
Smelting	63	62
Total in cost of production (Note 7)	**206**	**250**
Less: absorbed into metal inventories	(6)	(15)
Depreciation included in cost of sales	**200**	**235**

Depreciation of operating assets excludes depreciation relating to non-operating assets (included in general, administrative and selling expenses) and depreciation related to assets employed in development projects where the charge is capitalised. Depreciation expense, which is excluded from the Group's calculation of Adjusted EBITDA (see Note 6), also excludes amounts absorbed into unsold metal inventory balances.

11. General, administrative and selling expenses

	Year ended 31 December 2020 $m	31 December 2019 $m
Labour	139	136
Share-based compensation (Note 33)	15	12
Depreciation	7	8
Services	5	8
Other	18	17
Total	**184**	**181**
including		
Mine site expenses	83	78
Corporate head office expenses	101	103
Total	**184**	**181**

12. Other operating expenses, net

	Year ended 31 December 2020 $m	31 December 2019 $m
Social payments	28	24
Exploration expenses	26	19
Provision for investment in Special Economic Zone (Note 27)	18	11
Taxes, other than income tax	15	11
Change in estimate of environmental obligations (Note 26)	(3)	(2)
Additional mining taxes and VAT exposures, penalties and accrued interest, net	(2)	1
Other expenses	17	4
Total	**99**	**68**

For the operations held in the Special Economic Zone of the Russian Far East, Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17%, as well as decreased mining tax rate (paying 60% of standard mining tax rates). In return for obtaining this tax relief the members of the regional free Economic Zone are obliged to invest 50% of their tax savings each year in the Special Economic Zone Development Programme, amounting to $18 million in 2020 (2019: $11 million).

In 2020 other expenses include $7 million to Covid-19-related expenses, including providing isolation facilities for employees and contractors arriving for shifts, purchasing test kits and other expenses.

Operating cash flow spent on exploration activities amounts to $26 million (2019: $10 million).

13. Employee costs

	Year ended 31 December 2020 $m	Year ended 31 December 2019 $m
Wages and salaries	305	313
Social security costs	74	71
Share-based compensation	15	12
Total employee costs	**394**	**396**
Reconciliation:		
Less: employee costs capitalised	(47)	(43)
Less: employee costs absorbed into unsold metal inventory balances	(14)	(15)
Employee costs included in costs of sales	**333**	**338**

The weighted average number of employees during the year ended 31 December 2020 was 12,308 (year ended 31 December 2019: 11,811).

Compensation of key management personnel is disclosed within Note 34.

14. Auditor's remuneration

	Year ended 31 December 2020 $m	Year ended 31 December 2019 $m
Fees payable to the auditor and their associates for the audit of the Company's Annual Report		
United Kingdom	0.47	0.35
Overseas	0.74	0.74
Audit of the Company's subsidiaries	0.08	0.06
Total audit fees	**1.29**	**1.15**
Audit-related assurance services (half-year financial statements review)	0.48	0.47
Total audit and half-year review fees	**1.77**	**1.62**
Other services	0.03	0.03
Total non-audit fees	0.03	0.03
Total fees	**1.80**	**1.65**
Non-audit fees as % of audit and half-year review fees	**2%**	**2%**

15. Finance expenses, net

	Year ended 31 December 2020 $m	Year ended 31 December 2019 $m
Interest expense on borrowings	59	72
Unwinding of discount on lease liabilities (Note 19)	3	3
Unwinding of discount on environmental obligations (Note 26)	3	4
Unwinding of discount on contingent and deferred consideration liabilities (Note 28)	5	2
Finance income	(3)	(7)
Total	**67**	**74**

No significant amount of finance cost related to the discontinued operations in either year.

During the year ended 31 December 2020 interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of $10 million (2019: $9 million). These amounts were calculated based on the Group's general borrowing pool and by applying an effective interest rate of 3.39% (2019: 4.26%) to cumulative expenditure on such assets.

16. Income tax

The amount of income tax expense for the years ended 31 December 2020 and 31 December 2019 recognised in profit and loss was as follows:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Current income taxes	271	101
Deferred income taxes	48	34
Total	**319**	**135**

A reconciliation between the reported amounts of income tax expense attributable to income before income tax is as follows:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Profit before income tax	**1,404**	**634**
Theoretical income tax expense at 20%	281	127
Effect of Special Economic Zone and Regional Investment project decreased tax rates	(42)	(34)
Tax effect of intercompany dividends	39	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	9	5
Change in fair value of contingent consideration liability	5	4
Losses not recognised and written-off	5	6
Non-deductible interest expense	7	14
Non-taxable consolidation adjustments on disposal of subsidiaries	3	–
Other non-taxable income and non-deductible expenses	12	13
Total income tax expense	**319**	**135**

The actual tax expense differs from the amount which would have been determined by applying the statutory rate of 20% for the Russian Federation and Kazakhstan to profit before income tax as a result of the application of relevant jurisdictional tax regulations, which disallow certain deductions which are included in the determination of accounting profit. These deductions include share-based payment expenses, social related expenditures and other non-production costs, certain general and administrative expenses, financing expenses, foreign exchange related and other costs.

Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17% for the operations held in the Special Economic Zone of the Russian Far East, the rate of 17% was used in calculation of income tax provision and deferred tax positions for those entities. Svetloye LLC is subject to tax relief as a Regional Investment Project and is entitled to the statutory income tax rate of 0% up to 2021 and 10% from 2022 to 2026. Amursk Hydrometallurgical Plant LLC is entitled to an income tax rate of 0% up to 2023 and a tax rate of 10% during 2024–2028.

Tax exposures recognised in income tax

In 2020 and 2019 no individual significant exposures were identified as probable and therefore provided for. Management has identified a total exposure in respect of contingent liabilities (Note 29) (covering taxes and related interest and penalties) of approximately $157 million being uncertain tax positions (31 December 2019: $99 million) which relate to income tax. This is connected largely to more assertive position of the Russian tax authorities in their interpretation of tax legislation in several recent court cases for other taxpayers. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three and five calendar years preceding the year of tax review for Russia and Kazakhstan respectively. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group.

Management does not anticipate a significant risk of material changes in estimates in these matters in the next financial year.

Income tax amounts included in other comprehensive income

An analysis of tax by individual item presented in the consolidated statement of comprehensive income is presented below:

	Year ended 31 December 2020 $m	Year ended 31 December 2019 $m
Net foreign exchange gains/(losses) on net investment in foreign operation		
Current tax expense	4	5
Deferred tax expense	–	–
Total income tax recognised in other comprehensive income	**4**	**5**

Current and deferred tax assets recognised within other comprehensive income relate to the tax losses originated by foreign currency exchange losses, allowable for tax purposes and generated by monetary items that form part of the intragroup net investment in the foreign operation. These foreign currency exchange losses are recognised in the consolidated financial statements within the foreign currency translation reserve.

Deferred taxation

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the reporting period.

	Year ended 31 December 2020 $m	Year ended 31 December 2019 $m
Deferred tax liabilities	(209)	(196)
Deferred tax assets	56	73
Total	**(153)**	**(123)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following analysis shows deferred tax balances presented for financial reporting purposes:

	Property, plant, and equipment and other non-current assets $m	Trade and other payables $m	Tax losses $m	Intercompany dividends $m	Other $m	Total $m
At 1 January 2019	**(255)**	**4**	**167**	**–**	**5**	**(79)**
Charge to profit or loss	(5)	11	(40)	–	–	(34)
Acquisition	–	–	–	–	1	1
Exchange differences	(21)	1	9	–	–	(11)
At 31 December 2019	**(281)**	**16**	**136**	**–**	**6**	**(123)**
Charge to profit or loss	2	4	(33)	(15)	(6)	(48)
Exchange differences	40	(3)	(18)	–	(1)	18
At 31 December 2020	**(239)**	**17**	**85**	**(15)**	**(1)**	**(153)**

The Group believes that recoverability of the recognised deferred tax asset (DTA) of $85 million at 31 December 2020 (2019: $136 million), which is related to the tax losses carried forward, is more likely than not based upon expectations of future taxable income in the Russian Federation and Kazakhstan.

From 1 January 2017 in accordance with Russian Federation tax law regarding loss carryforwards, loss carryforwards are limited to 50% of taxable profit in tax years through to 2021. From 2022 the limitation will expire and it will be possible to fully utilise loss carryforwards against the corporate tax base in a given year and losses incurred from 2007 can be carried forward for an indefinite period until fully utilised.

16. Income tax continued

Losses incurred in certain taxable entities in recent years have created a history of losses as of 31 December 2020. The Group has concluded that there is sufficient evidence to overcome the recent history of losses based on forecasts of sufficient taxable income in the carry-forward period.

Tax losses carried forward represent amounts available for offset against future taxable income generated predominantly by Mayskoye Gold Mining Company LLC, Varvarinskoye JSC, Polymetal JSC and South-Verkhoyansk Mining Company JSC. Each legal entity within the Group represents a separate tax-paying component for income tax purposes. The tax losses of one entity cannot be used to reduce taxable income of other entities of the Group.

The Group's estimate of future taxable income is based on established proven and probable reserves which can be economically developed. The related detailed mine plans and forecasts provide sufficient supporting evidence that the Group will generate taxable earnings to be able to fully realise its net DTA even under various stressed scenarios. The amount of the DTA considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced due to delays in production start dates, decreases in ore reserve estimates, increases in environmental obligations, or reductions in precious metal prices.

No deferred tax asset has been recognised in respect of $58 million (2019: $112 million) of losses as it is not considered probable that there will be future taxable profits against which the losses can be utilised.

In 2020 the Group recognised current income tax of $24 million related to intercompany dividends, which were remitted during the year. Additionally, as of 31 December 2020 the Group has recognised a deferred tax liability of $15 million for the undistributed retained earnings of certain of the Group subsidiaries, which are expected to be remitted from these subsidiaries in foreseeable future (2019: nil). No deferred tax liabilities for taxes that would be payable on the unremitted earnings of the Group subsidiaries have been recognised where the Group has determined that the undistributed profit of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognised, amount to $2,887 million (2019: $3,363 million).

17. Dividends

Dividends recognised during the years ended 31 December 2020 and 31 December 2019 are detailed in the below:

	Dividends				
	cents per share	$m	Deducted from the equity during the period	Proposed in relation to the period	Paid in
Final dividend 2018	31	146	2019	2018	May 2019
Interim dividend 2019	20	94	2019	2019	September 2019
Special dividend 2019	20	94	2020	2019	March 2020
Final dividend 2019	42	198	2020	2019	May 2020
Interim dividend 2020	40	189	2020	2020	September 2020

	Total dividends		
	Deducted from the equity $m	Proposed for the period $m	Paid in $m
Year ended 31 December 2019	240	386	240
Year ended 31 December 2020	481	189	481

18. Property, plant and equipment

	Development assets $m	Exploration assets $m	Mining assets $m	Non-mining assets $m	Capital construction in-progress $m	Total $m
Cost						
Balance at 31 December 2018	**466**	**365**	**2,349**	**50**	**150**	**3,380**
Additions	84	43	174	5	164	470
Transfers	(12)	(50)	111	10	(59)	–
Reclassified as held for sale	–	(9)	–	(6)	–	(15)
Change in environmental obligations (Note 26)	–	–	15	–	1	16
Eliminated of disposal of subsidiary	–	–	–	(1)	(2)	(3)
Disposals and write-offs including fully depleted PPE	(5)	(4)	(177)	(1)	–	(187)
Translation to presentation currency	56	42	181	7	20	306
Balance at 31 December 2019	**589**	**387**	**2,653**	**64**	**274**	**3,967**
Additions	70	39	149	11	365	634
Transfers	(150)	(252)	447	3	(48)	–
Change in environmental obligations (Note 26)	–	–	(5)	–	3	(2)
Acquisitions	–	7	–	–	–	7
Eliminated of disposal of subsidiary	(12)	(2)	–	(2)	–	(16)
Disposals and write-offs including fully depleted PPE	–	–	(72)	(1)	(1)	(74)
Translation to presentation currency	(73)	(75)	(371)	(10)	(50)	(579)
Balance at 31 December 2020	**424**	**104**	**2,801**	**65**	**543**	**3,937**

	Development assets $m	Exploration assets $m	Mining assets $m	Non-mining assets $m	Capital construction in-progress $m	Total $m
Accumulated depreciation, amortisation						
Balance at 31 December 2018	**–**	**–**	**(934)**	**(27)**	**–**	**(961)**
Charge for the period	–	–	(270)	(9)	–	(279)
Reclassified as held for sale	–	–	–	4	–	4
Disposals and write-offs including fully depleted PPE	–	–	175	1	–	176
Translation to presentation currency	–	–	(95)	(2)	–	(97)
Balance at 31 December 2019	**–**	**–**	**(1,124)**	**(33)**	**–**	**(1,157)**
Charge for the period	–	–	(232)	(7)	–	(239)
Impairment reversal	–	–	8	–	–	8
Disposals and write-offs including fully depleted PPE	–	–	64	1	–	65
Translation to presentation currency	–	–	167	6	–	173
Balance at 31 December 2020	**–**	**–**	**(1,117)**	**(33)**	**–**	**(1,150)**
Net book value						
31 December 2019	**589**	**387**	**1,529**	**31**	**274**	**2,810**
31 December 2020	**424**	**104**	**1,684**	**32**	**543**	**2,787**

Mining assets, exploration and development assets at 31 December 2020 included mineral rights with net book value which amounted to $1,045 million (31 December 2019: $1,258 million) and capitalised stripping costs with net book value of $141 million (31 December 2019: $109 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries. During the year ended 31 December 2020 the Group recognised disposals of fully depleted PPE with cost of $30 million (year ended 31 December 2019: $134 million). As of 31 December 2020 capital Construction in progress includes prepayments made for equipment and construction works amounting to $154 million (2019: $106 million).

No property, plant and equipment was pledged as collateral at 31 December 2020 or at 31 December 2019.

18. Property, plant and equipment continued

Novopetrovskoye acquisition

On 7 August 2020, the Group acquired, for a cash consideration of $7 million, a 75% stake in the wholly-owned subsidiary of Rosgeo, which owns the license for the Novopetrovskaya area.

The Group was granted a 7-year call option to acquire the remaining 25% interest following the Russian statutory reserve estimate (GKZ). Simultaneously the Group was granted a 7-year put option to sell 75% back at nominal price. The option becomes exercisable when the Russian statutory reserve estimate (GKZ) is approved. The call option does not represent potential voting rights as it is not currently exercisable, and is valued at nil as of 31 December 2020.

The transaction represents an asset acquisition in accordance with IFRS 3 Business Combination, acquisition is in substance the acquisition of an assets, being an exploration license, rather than the acquisition of a business, as the acquired company does not have any processes that have the ability to create contribute to the creation of outputs. The consideration paid is mainly attributable to the acquired mineral rights.

Reversal of previously recognised impairments

The Group has reversed a previously recognised impairment charge related to the Magadan (Omolon Gold Mining Company LLC) and Kazakhstan (Varvarinskoye JSC) segments, amounting to $3 and $5 million, respectively. This reversal resulted from a positive change in commodity prices estimates used to determine the CGUs' recoverable amounts since the impairment loss was initially recognised.

The reversal of the previously booked impairment charge relates to the mining assets not amortised to the reporting date and is included in the statement of profit or loss and other comprehensive income as a separate line.

The carrying amounts of all the cash-generating units were assessed against their recoverable amounts determined based on a fair value less costs to disposal calculation. Fair value is based on the application of the Discounted Cash Flow Method (DCF) using post-tax cash flows to the life of mine model based on proved and probable ore reserves.

The Group used a post-tax real discount rate of 9.04% (2019: 9.04%) in the DCF calculations which is equal to its nominal weighted average cost of capital of 11.7% (2019: 11.7%) translated into real terms. The DCF method used is based on the following key assumptions:

Commodity prices

Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. An impairment reversal was recognised as a result of the tests performed at 30 June 2020 with the following commodity prices applied: for 2021–2022 the real price for gold and silver of $1,500 per ounce and $17 per ounce respectively were used. The flat real long-term price for gold and silver of $1,400 per ounce and $15 per ounce respectively were used from 2023 onwards. If the commodity price assumptions as at 31 December 2020 (Note 3) were applied, that would not result in any changes to reversal of impairment charge recognised.

Proved and probable reserves

Production volumes are derived from the detailed life of mine plans which are based on JORC proven and probable reserves.

Production costs

Production costs are based on management's best estimates over the life of the mine, and reflect past experience.

19. Leases

Movements of the right-of-use assets for the year ended 31 December 2020 are as follows:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Right-of-use assets		
At 1 January	**31**	**31**
Additions	16	8
Depreciation charge for the period	(4)	(4)
Disposals	(4)	(9)
Accumulated depreciation of assets disposed	1	1
Translation to presentation currency	(8)	4
At 31 December	**32**	**31**

The most significant leases of the Group are office leases.

Movements of the lease liabilities for the year ended 31 December 2020 are as follows:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Lease liabilities		
At 1 January	**(32)**	**(31)**
New lease contracts	(16)	(8)
Unwinding of discount on lease liabilities	(3)	(3)
Repayments of lease liabilities	6	6
Termination of lease contracts	4	8
Translation to presentation currency	8	(4)
At 31 December	**(33)**	**(32)**
Less current portion of lease liabilities	(6)	(3)
Total non-current lease liabilities	**(27)**	**(29)**

The Group excluded the following lease agreements from the right-of-use assets and lease liabilities and continues to account those lease agreements as lease expenses:

- Lease agreements with variable payments;
- Lease agreements of land plots to explore for or use minerals and similar non-generative resources;
- Short-term lease agreements that expire within 12 months from the date of initial application;
- Lease agreements of low value assets (of $5,000 or less).

Amounts recognised in profit and loss for the year ended 31 December 2020 are as follows:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Expenses related to lease exemptions	(3)	(2)
Unwinding of discount on lease liabilities	(3)	(3)
Depreciation of right-of-use assets	(4)	(4)
Total lease expenses	**(10)**	**(9)**

20. Goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Mayskoye	11	12
Dukat	3	4
Total	**14**	**16**

The recoverable amount of the cash-generating unit is determined based on a fair value less costs of disposal calculation, which represent Level 3 fair value measurement in accordance with IFRS 13. The impairment testing procedure and related assumptions are described in detail in Note 2 and Note 3 “Use of estimates” section above.

Sensitivity analysis

For Dukat and Mayskoye management has performed an analysis as to whether a reasonably possible adverse change to any of the key assumptions would lead to impairment.

The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

- 10% simultaneous decrease in gold and silver prices over the life of mine;
- 10% appreciation in RUB/$ exchange rates;
- 10% increase in operating expenses over the life of mine; and
- 0.5% increase in the discount rate applied.

Each of the sensitivities above has been determined by assuming that the relevant key assumption moves in isolation, and without regard to potential mine plan changes and other management decisions which would be taken to respond to adverse changes in existing management projections. No scenarios would result in impairment of any of the recognised goodwill.

21. Investments in associates and joint ventures

	31 December 2020		31 December 2019	
	Voting power %	**Carrying Value $m**	Voting power %	Carrying Value $m
Interests in associates and joint ventures				
Tomtor (ThreeArc Mining Ltd)	9.1	20	n/a	–
Chesterfield Resources Plc	22.9	2	n/a	–
Matenvunai LLC	25.0	1	n/a	–
Pekinskaya LLC	35.0	1	n/a	–
Proeks LLC	30.0	–	30	2
Total		**24**		**2**

Movement during the reporting periods was as follows:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
At 1 January	**2**	**2**
Acquisitions	24	–
Loss from associates and joint ventures	(2)	–
At 31 December	**24**	**2**

Tomtor (ThreeArc Mining Ltd)

In March 2020, Polymetal entered into a legally binding agreement to invest $20 million in exchange for a 9.1% stake in ThreeArc Mining Ltd (ThreeArc). ThreeArc owns 100% of the world-class Tomtor niobium and rare-earth metals exploration project (Tomtor). The transaction was completed in April 2020.

The project is comprised of the Tomtor open-pit deposit and the Krasnokamensk Hydrometallurgical Facility which will be built near the town of Krasnokamensk. Krasnokamensk, located in South-Eastern Siberia close to the border with China, is the location of Russia's largest uranium mine and associated processing and tailings storage infrastructure.

Tomtor is located in the north-west of Yakutia. It is expected to be one of the largest and highest grade rare earth elements (REE) projects in Russia and considered to be the highest grade development stage niobium (Nb) project globally. In 2018, statutory PFS and updated GKZ reserves were approved totalling 30.5 Mt of ore at 4.0% Nb2O51+10.6% REO2 grade containing 1.2 Mt of Nb2O5 and 3.2 Mt of REO.

This investment represents a high-grade, large, long-lived project, which provides Polymetal with the exposure to green technology with significant potential to contribute to active climate change management and leverages Polymetal's leading technical capabilities in hydrometallurgy and already established regional presence in Yakutia.

The Group has determined that it exercises significant influence over the investee through participation in policy-making processes and representation on the board of directors, and therefore ThreeArc constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment was accounted for using the equity method.

The transaction represents a related party transaction as ICT Holding Ltd, a substantial shareholder of Polymetal International plc, is the majority owner of ThreeArc. The transaction was entered into on market terms based on pre-money enterprise value estimated at $259 million.

During the period from transaction completion to 31 December 2020, no significant share of profit/(loss) from Tomtor was recognised.

Matenvunai LLC

In May 2019, the Group signed the term sheet with Mineral Exploration Network (Finland) Ltd to participate in early-stage exploration in the Chaunsk region of Chukotka, Russia. In March 2020 the deal was finalised and the Group invested $0.3 million in exchange for a 25% stake in Matenvunai LLC. Polymetal has also entered into an "earn-in" agreement for financing of exploration, technical research and a JORC feasibility study in exchange for a right to increase its share in the project up to 80% after the completion of these tasks. The Group determined that the arrangement constitutes a joint venture in accordance with IFRS 11 *Joint arrangements* and the investment is accounted using the equity method.

During the period from transaction completion to 31 December 2020 no significant share of profit/(loss) from Matenvunai was recognised.

Pekinskaya LLC

In October 2020, Polymetal has agreed to invest $0.5 million in exchange for a 35% stake in Pekinskaya Mining Company Ltd (Pekinskaya) with an opportunity to increase its interest up to 100% in several years through an "earn-in" agreement for financing of exploration, technical research and feasibility study. Pekinskaya is a copper-gold-silver exploration company active in Taimyr Dolgan-Nenets municipal district of Krasnoyarsk Krai, where it seeks to receive a mineral exploration license. The Group has determined that it exercises significant influence over the investee and therefore Pekinskaya constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment was accounted for using the equity method.

During the year ended 31 December 2020 no significant share of profit/(loss) from Pekinskaya was recognised.

Chesterfield Resources PLC

In November 2020, Polymetal has agreed to invest $2.8 million in exchange for a 22.9% stake in Chesterfield Resources PLC (Chesterfield). Chesterfield is a copper-gold exploration company active in Cyprus. The transaction was completed in December 2020.

This investment is in line with Polymetal's strategy to invest in mining companies in its regions of operation, and increase its exposure to copper.

The Group determined that it exercised significant influence over the investee as of 31 December 2020 and therefore Chesterfield constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment was accounted for using the equity method.

During the period from transaction completion to 31 December 2020 no significant share of profit/(loss) from Chesterfield was recognised.

21. Investments in associates and joint ventures continued

Proeks LLC

During the year ended 31 December 2020, the Group determined that the investment is not recoverable and it was written down to nil. The impairment change of $2 million was recognised within loss from associates and joint venture line.

Matenvunai LLC, Pekinskaya LLC, Chesterfield Resources PLC and Proeks LLC do not represent equity method investments that are individually material.

The following table summarises the aggregate financial position of the investments on a 100% basis. The summarised financial information below represents amounts in the associate's consolidated financial statements prepared in accordance with IFRS, adjusted for fair value adjustments at acquisition and differences in accounting policies. As of 31 December 2020 none of the entities held any significant cash balances and did not record any significant amounts of revenue or expenses, depreciation and amortisation, interest income and expenses, income tax.

	Tomtor	Non-significant investments	Total
	31 December 2020 $m	**31 December 2020 $m**	**31 December 2020 $m**
Non-current assets	295	4	299
Current assets	8	4	12
Non-current liabilities	(83)	(1)	(84)
Current liabilities	(1)	–	(1)
Equity	220	3	223

Reconciliation of Tomtor net assets to the investment recognised in the Group balance sheet

Group interest	9%
Net assets	220
Carrying value of investment	**20**

22. Inventories

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Inventories expected to be recovered after twelve months		
Ore stock piles	69	78
Consumables and spare parts	26	36
Total non-current inventories	**95**	**114**
Inventories expected to be recovered in the next twelve months		
Copper, gold and silver concentrate	138	131
Ore stock piles	194	214
Work in-process	115	75
Doré	15	10
Metal for refining	10	12
Refined metals	–	1
Total metal inventories	**472**	**443**
Consumables and spare parts	190	201
Total current inventories	**662**	**644**

Write-downs of metal inventories to net realisable value

The Group recognised the following write-downs and reversals to net realisable value of its metal inventories:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Ore stock piles	(2)	(12)
Ore in heap leach piles	(4)	(10)
Copper, gold and silver concentrate	–	3
Total	**(6)**	**(19)**

The key assumptions used as of 31 December 2020 in determining net realisable value of inventories (including the commodity price assumptions for long-term stockpiles) are described in Note 3 "Use of estimates" section. For short-term metal inventories applicable quoted forward prices as of 31 December 2020 were used: gold and silver price of $1,906 per ounce (2019: $1,540) and $26.6 per ounce (2019: $18), respectively.

During the year ended 31 December 2020 the Group recognised a write-down of consumables and spare parts inventory of $8 million (year ended 31 December 2019: reversal of previous write-down of $1 million).

The amount of inventories held at net realisable value at 31 December 2020 is $52 million (31 December 2019: $44 million).

23. Accounts receivable and other financial instruments

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Non-current accounts receivable and other financial instruments		
Contingent consideration receivable (Note 4)	25	–
Loans provided to third parties	4	6
Other long-term assets	9	4
Total	**38**	**10**
Trade receivables and other financial instruments		
Receivables from provisional copper, gold and silver concentrate sales	46	25
Other receivables	21	16
Short-term contingent consideration receivable	3	–
Less: Allowance for doubtful debts	(3)	(2)
Total trade and other receivables	**67**	**39**
Shares held at FVTPL	2	7
Short-term loans provided	6	2
Total other short-term financial instruments	**8**	**9**
Total	**75**	**48**

The average credit period on sales of copper, gold and silver concentrate at 31 December 2020 was 14 days (2019: 13 days). No interest is charged on trade receivables. The Group's doubtful debt relates to its non-trade receivables, which are fully impaired.

During the year ended 31 December 2020 the Group recognised contingent consideration receivable as a result of disposals of Irbychan Gold and North Kaluga deposit (Note 4). Contingent consideration was estimated using Monte-Carlo modeling based on applicable life-of-mine plans as described in Note 4.

23. Accounts receivable and other financial instruments continued

The table below sets out a summary of changes in the fair value of the contingent consideration receivable, which are classified as Group's Level 3 financial assets (Note 30) for the year ended 31 December 2020:

	Irbychan Gold $m	North Kaluga $m	Total $m
Opening balance	–	–	–
Additions (Note 4)	2	7	9
Change in fair value, included in profit or loss	2	17	19
Total contingent consideration	**4**	**24**	**28**
Less current portion of contingent consideration receivable	–	(3)	(3)
Total non-current contingent consideration	**4**	**21**	**25**

The key assumptions used in the contingent consideration calculations are set out below:

Metal	Price as of valuation date per ounce/ tonne	Volatility, %	Constant correlation to gold, %
Gold	1,891	13.79%	n/a
Silver	26.49	29.4%	84%
Copper	7,741	19.0%	13.69%
Zinc	2,724	23.5%	(42)%
RUB rate	73.88	17.4%	
Discount rate 11.7%			

24. Cash and cash equivalents

		Year ended	
		31 December 2020 $m	31 December 2019 $m
Bank deposits	– USD	180	179
	– other currencies	8	16
Current bank accounts	– USD	193	55
	– other currencies	5	3
Total		**386**	**253**

Bank deposits as of 31 December 2020 are mainly presented by the US Dollar deposits, bearing an average interest rate of 0.39% per annum (2019: US Dollar deposits, bearing an average interest rate of 1.31% per annum and KZT demand deposits, bearing an interest rate of 7.52%).

25. Borrowings

	Actual interest rate at			31 December 2020			31 December 2019		
	Type of rate	31 Dec 2020	31 Dec 2019	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Secured loans from third parties	floating	1.95%	3.61%	–	200	**200**	–	75	**75**
US Dollar denominated	fixed	4.10%	4.00%	144	92	**236**	136	236	**372**
Total				**144**	**292**	**436**	**136**	**311**	**447**
Unsecured loans from third parties									
US Dollar denominated	floating	1.53%	3.48%	80	207	**287**	26	350	**376**
US Dollar denominated	fixed	2.64%	4.25%	101	850	**951**	52	849	**901**
Euro denominated	fixed	1.65%	2.85%	9	–	**9**	–	8	**8**
RUB denominated	fixed	5.00%	n/a	–	54	**54**	–	–	**–**
				190	**1,111**	**1,301**	**78**	**1,207**	**1,285**
Total				**334**	**1,403**	**1,737**	**214**	**1,518**	**1,732**

Bank loans

The Group has a number of borrowing arrangements with various lenders. These borrowings consist of unsecured and secured loans and credit facilities denominated in US Dollars. Where security is provided it is in form of a pledge of revenue from certain sales agreements.

Movements in borrowings are reconciled as follows:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
At 1 January	**1,732**	**1,899**
Borrowings obtained	2,369	1,244
Repayments of borrowings	(2,366)	(1,410)
Net foreign exchange losses	86	(61)
Exchange differences on translating foreign operations	(86)	61
Arrangement fee amortisation	2	(1)
At 31 December	**1,737**	**1,732**

At 31 December 2020, the Group had undrawn borrowing facilities of $2,281 million (31 December 2019: $1,904 million), of which $1,392 million are considered committed (31 December 2019: $1,079). The Group complied with its debt covenants throughout 2020 and 2019.

The table below summarises maturities of borrowings:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Year ended, 31 December 2020	–	214
31 December 2021	334	241
31 December 2022	195	241
31 December 2023	255	257
31 December 2024	334	279
31 December 2025	50	–
31 December 2026	164	125
31 December 2027	133	125
31 December 2028	133	125
31 December 2029	133	125
31 December 2030	6	–
Total	**1,737**	**1,732**

26. Environmental obligations

	Year ended 31 December 2020 $m	Year ended 31 December 2019 $m
Opening balance	**57**	**32**
Change in estimate of environmental obligations (Note 12)	(3)	(2)
Decommissioning liabilities recognised as increase in Property plant and equipment (Note 18)	(2)	16
Rehabilitation expenses	(1)	5
Effect of unwinding of discount	3	4
Reclassified to discontinued operations	–	(1)
Translation effect	(10)	3
Closing balance	**44**	**57**

The principal assumptions are related to Russian Rouble and Kazakh Tenge projected cash flows. The assumptions used for the estimation of environmental obligations were as follows:

	2020	2019
Discount rates	5.19%–6.96%	5.21%–8.1%
Inflation rates	2.6%–6.9%	2%–6%
Expected mine closure dates	3–29 years	1–30 years

The Group does not hold any assets that are legally restricted for purposes of settling environmental obligations.

The discount rates applied are based on the applicable government bond rates in Russia and Kazakhastan. The expected mine closure dates are consistent with life of mine models and applicable mining licence requirements.

27. Trade payables and accrued liabilities

	Year ended 31 December 2020 $m	Year ended 31 December 2019 $m
Trade payables	90	73
Accrued liabilities	45	49
Labour liabilities	14	14
Provision for investment in Special Economic Zone (Note 12)	18	12
Advances received	7	5
Other payables	13	5
Total	**187**	**158**

In 2020 the average credit period for payables was 30 days (2019: 30 days). There was no interest charged on the outstanding payables balance during the credit period. The Group has financial risk management policies in place, which include budgeting and analysis of cash flows and payment schedules to ensure that all amounts payable are settled within the credit period.

28. Contingent and deferred consideration liabilities

	31 December 2020						31 December 2019
	Contingent considerations at fair value				Deferred consideration at amortised cost		Contingent considerations at fair value
	Omolon $m	Prognoz $m	Komar $m	Total at fair value $m	Veduga $m	Total $m	Total $m
Opening balance	11	16	39	66	–	66	54
Additions	–	–	–	–	71	71	–
Change in fair value, included in profit or loss	4	8	30	42	–	42	23
Unwinding of discount (Note 15)	1	1	–	2	3	5	2
Cash settlement	(4)	–	(19)	(23)	–	(23)	(13)
Total deferred and contingent	**12**	**25**	**50**	**87**	**74**	**161**	**66**
Less current portion of contingent consideration liability	(6)	–	(35)	41	–	(41)	(7)
Total deferred and non-current contingent	**6**	**25**	**15**	**46**	**74**	**120**	**59**

Veduga

In October 2018 the Group acquired an additional 31.7% stake in GRK Amikan LLC ("Amikan"), where it was a partial owner since 2006. Amikan is a the licence holder for the Veduga property, which is a high-grade refractory gold deposit with reserves currently estimated at 2.8 Moz of gold at an average grade of 4.6 g/t with further significant potential exploration upside. Following this acquisition, the Group increased its overall ownership in the Veduga gold deposit to 74.3%.

In April 2020, VTB Bank (VTB) invested $71 million in exchange for a 40.6% stake in Veduga, by acquiring 25.7% stake in Amikan from the existing minority shareholders for cash consideration of $36 million and investing a further $35 million in cash in exchange for newly issued Amikan share capital.

As part of transaction VTB was granted a put option to sell its stake in Amikan to Polymetal during the two-year option window (between the 3rd and the 5th anniversary following signing) at a notional amount of $71 million plus a fixed rate of return subject to certain adjustments, including adjustment for any dividends paid to date. Simultaneously Polymetal was granted a call option to acquire VTB's stake in Amikan any time during the 4 years and 9 months following signing at the same notional amount plus a fixed rate of return. Both put and call options are to be settled in Polymetal shares.

The Group has determined that the call option over the 40.6% stake represents a derivative containing potential voting rights, that currently gives the Group access to the returns associated with the related ownership interest, and thus the call and put options described above are not subject to the requirements of IFRS 9 *Financial Instruments*, as it relates to the accounting for derivative financial instruments.

Therefore in accordance with IFRS 10 *Consolidated financial statements* the Group accounted for the options over 40.6% interest as if they were already exercised, and recognised a cash inflow of $35 million, an acquisition of non-controlling interest of $20 million and a deferred consideration payable of $71 million, of which US $ 35 million represents a financial liability in respect of the additional funding provided by VTB for the ongoing exploration and development costs. The corresponding difference of $16 million was recognised within retained earnings.

On the date of origination the fair value of the deferred consideration representing the discounted amount of the expected future cash flows was estimated at $71 million. Subsequently the deferred consideration is measured at amortised cost. The liability recognised as of 31 December 2020 amounts to $74 million.

Omolon

In 2008, the Group recorded a contingent consideration liability related to the acquisition of 98.1% of the shares in Omolon Gold Mining Company LLC ("Omolon"). The fair value of the contingent consideration liability was determined using a valuation model which simulates expected production of gold and silver at the Kubaka mine and future gold and silver prices to estimate future revenues of Omolon. This liability is revalued at each reporting date based on 2% of the life-of-mine revenues with the resulting gain or loss recognised in the consolidated income statement. The liability recognised as of 31 December 2020 is $12 million, including the current portion of $6 million.

28. Contingent and deferred consideration liabilities continued

Komar

In 2016, the Group completed the acquisition of Orion Minerals LLP, the holding company for the Komarovskoye Gold Deposit ("Komar") in the Republic of Kazakhstan. The seller is entitled to the contingent consideration that was determined based on the LOM model of the Komarovskoye mine and calculated using Monte Carlo modelling (see below). At 31 December 2020, the fair value of the contingent consideration was estimated at $50 million, including the current portion of $35 million.

Prognoz

In 2018, the Group completed the acquisition of Prognoz silver property. The consideration transferred included two separate contingent consideration liabilities. The first contingent liability represents a net smelter return ("NSR") royalty of between 2 and 4% pro-rated for the 45% holding, and dependent on the applicable statutory mineral extraction tax rate at the time when the asset enters commercial production. The royalty agreement is subject to a cap that increases progressively with the silver price. The fair value of the contingent liability is determined using a valuation model based on expected silver production and forecasted long-term flat silver prices.

The second contingent liability represents the NSR royalty in the range of 0.5% to 2.5%, pro-rated for the 50% holding and capped at $40 million. The royalty will be only payable if silver price is $19/oz or higher, with the actual royalty rate within the range determined on a progressive scale dependent on silver price. The fair value of the royalty is similarly determined using a valuation model based on the expected production of silver at the silver prices as above and is calculated using Monte Carlo modelling, which simulates expected production silver and the silver prices to estimate Prognoz future revenues.

As of 31 December 2020, the fair value of the total contingent consideration for Prognoz was estimated at $25 million.

Assumptions used in the valuation of the Omolon and Prognoz are consistent with those used in the calculation of net realisable value of metal inventories, such as long-term metal prices and discount rates. Estimated production volumes are based on life-of-mine plans and are approved by management as part of the long-term planning process.

Monte-Carlo assumptions

Monte-Carlo modelling contingent consideration was performed with the following inputs, where applicable:

- Gold price volatility: 14.63%
- Silver price volatility: 26.45%
- Average gold price for the last quarter prior to valuation date/ounce: $1,875
- Average silver price for the last quarter prior to valuation date/ounce: $24.39

The Directors consider that a reasonably possible change in a valuation assumption would not have a material impact on the financial statements for contingent considerations payable.

29. Commitments and contingencies

Commitments

Capital commitments

The Group's contractual expenditure commitments as of 31 December 2020 amounted to $250 million (2019: $152 million).

Nezhda power line

In June 2020 the Group entered into preliminary lease agreement to lease on pre-agreed terms the single-circuit 110 kV grid power line running from Khandyga to the Nezhda production site and the related substation. The power line will be built, owned and operated by UVES, an independent grid management company with completion and the commencement date of the lease scheduled for the second quarter of 2022.

The construction will be funded with a Far East and Arctic Development Fund (FEDF) 10-year senior loan, guaranteed by the Group, and a Credit Bank of Moscow subordinated loan facility. The FEDF loan is guaranteed by a conditional loan assignment agreement and by a guarantee issued by Polymetal, both exercisable in certain events of default as per the loan agreement. Additionally, the conditional loan assignment agreement is exercisable in the event of the construction not being complete by a certain date. Simultaneously, Polymetal was granted a call option to acquire a 100% interest in the project entity in case of its default.

The Group has determined that there are no indicators of control over the project entity, as it neither has the power to direct activities that significantly affect the entity's return, nor does it have the exposure or rights to the variable returns of the project entity, as the Group does not bear risk of capital expenditure overruns.

The preliminary lease agreement is subject to IFRS 16 *Leases* accounting requirements, as the overhead power line is an identified asset with no substantive substitution rights, while how and for what purposes it will be used is predetermined by the nature of the asset and due to its location. The Group is likely to have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use. The right-of-use assets and corresponding lease liability are to be recognised at commencement date, which scheduled for the second quarter of 2022.

The Group has determined that the guarantee and the conditional loan assignment agreement in substance represent mechanisms of conditional acceleration of Polymetal's lease payments in cases of default and should be accounted for as a single contract with the lease agreement under IFRS 16, therefore not requiring separate valuation and accounting.

The call option does not represent potential voting rights as it is not currently exercisable and is accounted for under IFRS 9 *Financial Instruments*, and is valued at nil as of 31 December 2020.

The total expected amount of lease commitments is estimated at $161 million (undiscounted), including variable lease payments, representing reimbursement of maintenance costs of $36 million, which will be expensed as incurred.

Social and infrastructure commitments

In accordance with a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government) the Group participates in financing of certain social and infrastructure development project of the region. During the year ended 31 December 2020 the Group paid $5 million (2019: $5 million) under this programme and the total social expense commitment as of 31 December 2020 amounts to $12 million (2019: $18 million), payable in equal instalments up to 2023.

Forward sale commitments

The Group has certain physical gold and silver forward sale commitments which are priced at the prevailing market price, calculated with reference to the LBMA or LME gold and silver price, which are accounted for as executed as the Group expects to, and has historically, physically delivered into these contracts.

Contingencies

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the companies of the Group may be challenged by the relevant tax authorities and as a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management has identified a total exposure (covering taxes and related interest and penalties) of $157 million in respect of contingent liabilities (2019: $100 million), mainly related to income tax (2019: $99 million) as described in Note 16.

30. Fair value accounting

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2020 and 31 December 2019, the Group held the following financial instruments:

	31 December 2020			
	Level 1 $m	**Level 2 $m**	**Level 3 $m**	**Total $m**
Receivables from provisional copper, gold and silver concentrate sales (Note 23)	–	46	–	**46**
Contingent consideration receivable (Note 23)	–	–	25	**25**
Shares held at FVTPL (Note 23)	2	–	–	**2**
Contingent consideration liability (Note 28)	–	–	(87)	**(87)**
Total	**2**	**46**	**(62**	**(14)**

	31 December 2019			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Receivables from provisional copper, gold and silver concentrate sales (Note 23)	–	25	–	**25**
Shares held at FVTPL (Note 23)	7	–	–	**7**
Contingent consideration liability (Note 28)	–	–	(66)	**(66)**
Total	**7**	**25**	**(66)**	**(34)**

During the reporting periods, there were no transfers between Level 1 and Level 2.

During the year ended 31 December 2020 the Group recognised gain from change in fair value of contingent consideration assets (Note 23) of $19 million (2019: nil) and the loss from change in fair value of contingent consideration liabilities (Note 28) of $42 million (2019: $23 million), resulting in loss of $23 million (2019: $23 million), recognised within profit and loss.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and short-term debt recorded at amortised cost approximate to their fair values because of the short maturities of these instruments. The estimated fair value of the Group's debt, calculated using the market interest rate available to the Group as of 31 December 2020, is $1,546 million (2019: $1,482 million), and the carrying value as of 31 December 2020 is $1,737 million (2019: $1,732 million) (see Note 25).

Receivables from provisional copper, gold and silver concentrate sales

The fair value of receivables arising from copper, gold and silver concentrate sales contracts that contain provisional pricing mechanisms is determined using the appropriate quoted forward price from the exchange that is the principal active market for the particular metal. As such, these receivables are classified within Level 2 of the fair value hierarchy.

A summary of changes in the fair value of the Group's Level 3 financial assets and liabilities for the year ended 31 December 2020 are detailed in Notes 23 and 28, respectively.

31. Risk management activities

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy is to provide value to stakeholders by maintaining an optimal short-term and long-term capital structure, reducing cost of capital, and to safeguard the ability to support the operating requirements on an ongoing basis, continuing the exploration and development activities.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 25 offset by cash and cash equivalents and bank balances as detailed in Note 24) and equity of the Group comprising the Stated Capital account, reserves and retained earnings.

The Group's committed borrowings are subject to certain financial covenants. Compliance with covenants is reviewed on a semi-annual basis and the Group's Board is satisfied with forecast compliance with covenants on those borrowings.

The Group's Board reviews the capital structure of the Group on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

Major categories of financial instruments

The Group's principal financial liabilities comprise borrowings, derivatives, trade and other payables. The Group has various financial assets such as accounts receivable, loans advanced and cash and cash equivalents.

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Financial assets		
Financial assets at FVTPL		
Receivables from provisional copper, gold and silver concentrate sales (Note 23)	46	25
Contingent consideration receivable	28	–
Shares held at FVTPL	2	7
Loans and receivables, including cash and cash equivalents		
Cash and cash equivalents (Note 24)	386	253
Trade and other receivables (Note 23)	24	16
Non-current loans and receivables (Note 23)	4	10
Total financial assets	**490**	**311**
Financial liabilities		
Financial liabilities at FVTPL		
Contingent consideration liability (Note 28)	87	66
Financial liabilities at amortised cost		
Borrowings (Note 25)	1,737	1,732
Deferred consideration (Note 28)	74	–
Trade and other payables (Note 27)	121	89
Total financial liabilities	**2,019**	**1,887**

Trade and other payables exclude employee benefits and social security.

The main risks arising from the Group's financial instruments are foreign currency and commodity price risk, interest rate, credit and liquidity risks.

At the end of the reporting period, there are no significant concentrations of credit risk for receivables at FVTPL. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such receivables.

Presented below is a summary of the Group's accounts receivable with embedded derivative recorded on the consolidated balance sheet at fair value.

As of 31 December 2020, accounts receivable with embedded derivatives recognised at fair value amounted to $46 million (31 December 2019: $25 million) and represented receivables from provisional metal concentrate sales. Gain recognised on revaluation of these instruments in the amount of $1 million (2019: $2 million) was recorded within revenue.

31. Risk management activities continued

Foreign currency and commodity price risk

In the normal course of business the Group enters into transactions for the sale of its commodities, denominated in US Dollars. In addition, the Group has assets and liabilities in a number of different currencies (primarily Russian Rouble and Kazakh Tenge). As a result, the Group is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates.

The Group does not currently use derivative instruments to hedge its exposure to foreign currency risk.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities at 31 December 2020 and 31 December 2019 were as follows:

	Assets		Liabilities	
	31 December 2020 $m	31 December 2019 $m	**31 December 2020 $m**	31 December 2019 $m
US Dollar	435	253	575	697
Euro	–	–	13	10
Total	**435**	**253**	**588**	**707**

US Dollar denominated assets and liabilities disclosed above exclude balances outstanding held in Polymetal International plc and its intermediate holding companies, where the functional currency is US Dollar ($) as described in Note 2.

Currency risk is monitored on a monthly basis by performing a sensitivity analysis of foreign currency positions in order to verify that potential losses are at an acceptable level.

The table below details the Group's sensitivity to changes in exchange rates by 10% which is the sensitivity rate used by the Group for internal analysis. The analysis was applied to monetary items denominated in respective currencies at the reporting dates.

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Profit or loss (RUB to US Dollar)	(4)	(26)
Profit or loss (KZT to US Dollar)	(11)	(19)

Provisionally priced sales

Under a long-established practice prevalent in the industry, copper, gold and silver concentrate sales are provisionally priced at the time of shipment. The provisional prices are finalised in a contractually specified future period (generally one to three months) primarily based on quoted LBMA or LME prices. Sales subject to final pricing are generally settled in a subsequent month.

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group does not currently hedge its exposure to interest rate risk.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section of this note.

For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would have decreased/increased by $4 million (2019: $6 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group. The Group's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash and cash equivalents and loans and receivables.

Trade accounts receivable at 31 December 2020 and 31 December 2019 are represented by provisional copper, gold and silver concentrate sales transactions. A significant portion of the Group's trade accounts receivable is due from reputable export trading companies. With regard to other loans and receivables the procedures of accepting a new customer include checks by a security department and responsible on-site management for business reputation, licences and certification, creditworthiness and liquidity. Generally, the Group does not require any collateral to be pledged in connection with its investments in the above financial instruments. Credit limits for the Group as a whole are not set up.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The major financial assets at the balance sheet date other than trade accounts receivable presented in Note 24 are cash and cash equivalents at 31 December 2020 of $386 million (2019: $253 million).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its liabilities as they fall due.

The Group's liquidity position is carefully monitored and managed. The Group manages liquidity risk by maintaining detailed budgeting, cash forecasting processes and matching the maturity profiles of financial assets and liabilities to help ensure that it has adequate cash available to meet its payment obligations.

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Presented below is the maturity profile of the Group's financial liabilities as of 31 December 2020:

	31 December 2020				
	Less than 3 months $m	3–12 months $m	1–5 years $m	More than 5 years $m	Total $m
Borrowings	154	237	896	692	**1,979**
Accounts payable and accrued expenses	119	2	–	–	**121**
Contingent consideration liabilities (Note 28)	9	32	122	43	**206**
Lease liabilities (Note 19)	2	5	23	19	**49**
Total	**284**	**276**	**1,041**	**754**	**2,355**

	31 December 2019				
	Less than 3 months $m	3–12 months $m	1–5 years $m	More than 5 years $m	Total $m
Borrowings	68	216	1,106	639	**2,029**
Accounts payable and accrued expenses	89	1	–	–	**90**
Contingent consideration liabilities (Note 28)	4	3	45	28	**80**
Lease liabilities (Note 19)	1	4	22	20	**47**
Total	**162**	**224**	**1,173**	**687**	**2,246**

32. Stated capital account and retained earnings

As of 31 December 2020, the Company's issued share capital consisted of 471,818,000 ordinary shares (2019: 470,188,201 ordinary shares) of no par value, each carrying one vote. The Company does not hold any shares in treasury (2019: none). The ordinary shares reflect 100% of the total issued share capital of the Company.

The movements in the Stated Capital account in the year were as follows:

	Stated capital account no. of shares	Stated capital account $m
Balance at 31 December 2018	**469,368,309**	**2,414**
Issue of shares in accordance with DSA and LTIP plans	819,892	10
Balance at 31 December 2019	**470,188,201**	**2,424**
Issue of shares in accordance with DSA and LTIP plans	1,629,799	10
Balance at 31 December 2020	**471,818,000**	**2,434**

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law. The Group has unremitted accumulated retained earnings based on local accounting standards of approximately $3.2 billion (2019: $3.4 billion), which if remitted without restrictions would fund the Group's anticipated dividends for a number of years, after allowing for related tax payments. The directors believe that the Company therefore has access to cash to fund the Group's anticipated dividends for a number of years.

Weighted average number of shares: Diluted earnings per share

Both basic and diluted earnings per share were calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of outstanding common shares before/after dilution respectively. The calculation of the weighted average number of outstanding common shares after dilution is as follows:

	Year ended	
	31 December 2020	31 December 2019
Weighted average number of outstanding common shares	471,278,987	469,926,157
Dilutive effect of share appreciation plan	6,708,642	6,475,641
Weighted average number of outstanding common shares after dilution	**477,987,629**	**476,401,798**

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share during the year ended 31 December 2020 (year ended 31 December 2019: nil).

At 31 December 2020 the outstanding LTIP awards issued under all outstanding tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are in the money as of reporting date (31 December 2019: the outstanding LTIP awards issued under 2016–2019 tranches represent dilutive potential ordinary shares).

The awards issued under management bonus deferral award plan are dilutive as of 31 December 2020 and 31 December 2019 being contingently issued shares and are included in the calculation of diluted EPS based on the weighted average number of shares that would be issuable if the end of the reporting period were the end of the contingency period.

33. Share-based payments

For the year ended 31 December 2020, share-based compensation in the amount of $15 million including $2 million of management bonus deferral award (2019: $12 million and $2 million, respectively) was recognised in general, administrative and selling expenses in the consolidated income statement (Note 11). As of 31 December 2020 total accumulated share-based compensation reserve amounts to $31 million (2019: $26 million) with movements presented in statement of changes in equity.

As of the reporting date the unrecognised share-based compensation expense related to non-vested equity-settled stock appreciated rights is detailed as follows:

	31 December 2020			31 December 2019	
	Number of option granted shares	Expected amortisation period years	Unrecognised share-based compensation expense $m	Expected amortisation period years	Unrecognised share-based compensation expense $m
Tranche 2016	2,039,787	–	–	0.3	1
Tranche 2017	2,070,002	0.3	1	1.3	4
Tranche 2018	2,549,754	1.3	3	2.3	6
Tranche 2019	2,831,753	2.3	7	3.3	10
Tranche 2020	2,497,292	3.3	20	n/a	n/a
Total			**31**		**21**

During the year ended 31 December 2020 total amount of 1,629,799 shares were released and issued in accordance with management bonus plan deferral award and the long-term incentive plan (2019: 819,892 shares in accordance with management bonus plan deferral award and the long-term incentive plan). The assumptions used in the calculation and fair value of one award, calculated based on those assumptions, are set in the table below:

	Tranche 2017	Tranche 2018	Tranche 2019	Tranche 2020
Risk free rate	1.60%	2.49%	2.32%	0.35%
Expected volatility	41.65%	34.03%	33.87%	35.59%
Constant correlation	34.49%	33.70%	39.54%	44.31%
Expected life, years	4	4	4	4
Share price at the date of grant (USD)	13.3	10.2	11.0	20.6
Fair value of one award (USD)	6.9	4.0	4.3	9.4

Dividend yield is not incorporated into the calculation of the fair value of the awards, as Dividend equivalents will be received on vested shares, reflecting the value of dividends, which have been paid during the period from the grant date to the vesting date.

34. Related parties

Related parties are considered to include shareholders, affiliates, associates, joint ventures and entities under common ownership and control with the Group and members of key management personnel.

During the year ended 31 December 2020 the Group entered into a related party transaction with ICT Holding Ltd (ICT), a substantial shareholder of Polymetal International plc, by acquiring an interest in the associate ThreeArc, as described in Note 21.

Other transactions are represented by various purchases of $0.1 million and services rendered of $0.5 million (31 December 2019: various purchases of $0.08 million and services rendered of $0.2 million).

As of 31 December 2020 loans advanced to equity method investments (Note 21) amounted to $1.5 million (2019: nil).

As of 31 December 2019 the share of non-controlling interest in Amikan GRK amounting to the $7 million was held by a related party. During the year ended 2020 the Group consolidated non-controlling interest in Amikan, including the interest previously held by a related party, as described in Note 28.

The remuneration of directors and other members of key management personnel during the periods was as follows:

	Year ended	
	31 December 2020 $m	31 December 2019 $m
Share-based payments	2	3
Short-term benefits of board members	2	2
Short-term employee benefits	3	3
Total	**7**	**8**

35. Notes to the consolidated statement of cash flows

	Note	Year ended 31 December 2020 $m	Year ended 31 December 2019 $m
Profit before tax		1,405	618
Adjustments for:			
Depreciation and depletion recognised in the statement of comprehensive income		207	243
Write-down of inventories to net realisable value	22	14	18
Share-based compensation	11, 33	15	12
Finance expenses, net	15	67	74
Change in fair value of contingent consideration assets and liabilities	28	23	23
Foreign exchange (gain)/loss		(23)	36
Reversal of previously recognised impairment		(8)	–
(Gain)/Loss on disposal of subsidiaries, net	4	(13)	16
Write-down of assets held for sale	4	–	28
Other non-cash expenses		7	18
		1,694	**1,086**
Movements in working capital			
Increase in inventories		(127)	(81)
Increase in VAT receivable		(26)	(45)
Increase in trade and other receivables		(26)	(54)
Increase in prepayments to suppliers		(43)	(12)
Increase/(Decrease) in trade and other payables		34	(16)
Increase in other taxes payable		28	–
Cash generated from operations		**1,534**	**878**
Interest paid		(71)	(81)
Interest received		4	6
Income tax paid		(275)	(107)
Net cash generated by operating activities		**1,192**	**696**

During the year ended 31 December 2020 the Group consolidated the non-controlling interest in its subsidiary Amikan through a non-cash transaction of $36 million as described in Note 28. There were no other significant non-cash transactions except for share-based compensation of $15 million (Note 15) (2019: share-based compensation of $12 million).

Cash outflows related to exploration amounted to $35 million for the year ended 31 December 2020 (2019: $39 million). During the year ended 31 December 2020, the capital expenditure related to the new projects, increasing the operating capacity amounts to $252 million (2019: $246 million).

36. Subsequent events

There were no subsequent events.