



## **JOINT STOCK COMPANY "KVARTS"**

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**31 DECEMBER, 2020**

**CONTENTS****CONSOLIDATED FINANCIAL STATEMENTS**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	2
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	4
CONSOLIDATED STATEMENT OF CASH FLOWS.....	5

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

1	The Group and its operations.....	6
2	Economic environment in which the Group operates.....	6
3	Significant Accounting Policies.....	7
4	Important accounting estimates and professional judgments in applying accounting policies.....	16
5	Adoption of New or Revised Standards and Interpretations.....	17
6	Settlements and transactions with related parties.....	18
7	Property, plant and equipment.....	19
8	Inventories.....	19
9	Trade and other receivables.....	20
10	Cash and cash equivalents.....	22
11	Restricted cash.....	22
12	Share capital.....	23
13	Dividends.....	23
14	Loans and borrowings.....	23
15	Trade and other payables.....	24
16	Revenue.....	24
17	Cost of sales.....	25
18	General and administrative expenses.....	25
19	Financial expenses and income.....	25
20	Taxes.....	26
21	Earnings per Share.....	27
22	Contingencies and Commitments.....	27
23	Financial Risk Management.....	27
24	Management of Capital.....	30
25	Fair Value Disclosures.....	30
26	Events after the Reporting Period.....	31

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

Indicators (thousand UZS)	Note	December 31 2020	December 31 2019
<b>ASSETS</b>			
<b>Long-term assets</b>			
Property, plant and equipment	7	130 310 978	94 621 901
Advances paid on non-current assets	7	621 283 382	161 539 599
<b>Total long-term assets</b>		<b>751 594 360</b>	<b>256 161 500</b>
<b>Short-term assets</b>			
Inventory	8	105 511 327	102 681 464
Trade and other receivables	9	19 839 839	33 379 810
Loans issued	9	2 614 610	19 118 794
Cash and cash equivalents	10	991 610	851 091
Restricted cash	11	5 907 411	2 509 544
Other current assets		1 629 854	1 537 890
<b>Total current assets</b>		<b>136 494 651</b>	<b>160 078 593</b>
<b>TOTAL ASSETS</b>		<b>888 089 011</b>	<b>416 240 093</b>
<b>CAPITAL</b>			
Authorised capital	12	165 740 644	165 740 644
Additional capital	12	8 777 861	8 777 861
Retained earnings	12	93 554 217	82 470 228
Other reserves	12	65 299 384	51 884 158
<b>TOTAL CAPITAL</b>		<b>333 372 106</b>	<b>308 872 891</b>
<b>DUTIES</b>			
Long-term borrowings	14	395 857 346	66 890 176
<b>Total long-term duties</b>		<b>395 857 346</b>	<b>66 890 176</b>
<b>Short-term liabilities</b>			
Trade and other payables	15	42 660 852	33 866 410
Long-term borrowing, current part	14	110 953 749	2 128 457
Deferred tax liabilities	15	5 244 958	4 482 159
<b>Total current liabilities</b>		<b>158 859 559</b>	<b>40 477 026</b>
<b>TOTAL OBLIGATIONS</b>		<b>554 716 905</b>	<b>107 367 202</b>
<b>TOTAL LIABILITY AND CAPITAL</b>		<b>888 089 011</b>	<b>416 240 093</b>

Approved by the Board and signed on behalf of the Board July 8, 2021


  
Buriev A.  
Chairman of the Board


  
Isaboev A.  
Chief Accountant

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR  
ENDED AS AT DECEMBER 31, 2020**

Indicators (thousand UZS)	Note	2020	2019
Revenue	16	308 671 482	246 913 316
Cost of sales	17	(222 572 450)	(169 230 413)
<b>Gross profit / (loss)</b>		<b>86 099 032</b>	<b>77 682 903</b>
General and administrative expenses	18	(52 732 606)	(57 994 685)
Other operating income		3 043 686	6 692 857
<b>Operating profit/(loss)</b>		<b>36 410 112</b>	<b>26 381 075</b>
Financial income	19	12 397 136	14 536 606
Financial expenses	19	(9 132 359)	(418 669)
<b>Profit / (loss) before tax</b>		<b>39 674 889</b>	<b>40 499 012</b>
Income tax	20	(10 327 545)	(5 806 103)
<b>Profit / (loss) for the year</b>		<b>29 347 344</b>	<b>34 692 909</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>29 347 344</b>	<b>34 692 909</b>
<b>Basic and diluted earnings per share</b> (in sums per share)	21		

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Chairman of the Board



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Chief Accountant

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED AS AT DECEMBER 31, 2020

Indicators (thousand UZS)	Note	Authorised capital	Additional capital	Retained earnings	Other reserves	Total capital
<b>Balance at December 31, 2018</b>		83 035 440	8 777 861	128 042 543	58 677 043	278 532 887
Profit for the year		-	-	34 692 909		34 692 909
Total comprehensive income for 2019		-	-	34 692 909	-	34 692 909
<b>Transactions with founders:</b>						
Capitalisation of retained earnings (new share issue)	12	-	-	(87 058 109)		(87 058 109)
Allocation to the production development fund	12	82 705 204	-	(4 129 463)	4 129 463	82 705 204
Reversal of the production development fund	12	-	-	25 585 968	(25 585 968)	-
Allocation to the innovative development fund	12	-	-	(11 239 899)	11 239 899	-
Other adjustments to retained earnings and other reserves	12	-	-	(3 423 721)	3 423 721	-
<b>Balance at December 31, 2019</b>		165 740 644	8 777 861	82 470 228	51 884 158	308 872 891
Profit for the year	22	-	-	29 347 344		29 347 344
Total comprehensive income for 2020	22	-	-	29 347 344	-	29 347 344
<b>Transactions with founders:</b>						
Dividends declared during the year				(10 117 523)		(10 117 523)
Allocation to the production development fund				(1 011 675)	1 011 675	-
Reversal of the production development fund				(15 059 298)	15 059 298	-
Allocation to the innovative development fund				(7 971 218)	7 971 218	-
Other adjustments to retained earnings and other reserves				15 896 359	(10 626 965)	5 269 394
<b>Balance at December 31, 2020</b>		165 740 644	8 777 861	93 554 217	65 299 384	333 372 106

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Chairman of the Board



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Chief Accountant

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AS AT DECEMBER 31, 2020

Indicators (thousand UZS)	Notes	2020	2019
<b>Cash flow from operating activities:</b>			
Profit / (loss) before tax	22	39 674 889	40 499 012
<b>With adjustment:</b>			
Depreciation and impairment of the property, plant and equity	8	18 234 057	16 155 130
Foreign exchange loss less gains/ (Forex exchange gain less loss)	20	11 830 411	7 305 618
Impairment of trade and other receivables	10	3 997 328	199 535
Inventory impairment	20	2 078 983	293 909
Interest expenses	20	8 751 594	421 651
Interest income		(610 423)	(6 762 612)
Gain from disposal of property, plant and equipments	8	(677 273)	(744 235)
Other income		1 996 056	1 840 455
<b>Cash flows from operating activities before changes in working capital:</b>		<b>85 275 622</b>	<b>59 208 463</b>
Decrease/(increase) in trade and other receivables	10	(614 578 093)	(281 824 139)
Decrease/(increase) in inventories	9	(4 640 242)	(35 989 141)
Increase/(decrease) in trade and other payables	20	4 548 252	15 901 445
(Increase) / decrease in other current assets		(91 964)	(736 452)
<b>Changes in working capital</b>		<b>(529 486 425)</b>	<b>(243 439 824)</b>
Income tax paid	20	(4 841 540)	(5 312 258)
Interest income received	19	610 423	6 757 500
Interest paid	19	(10 273 537)	(855 928)
<b>Net cash received from / (used in) operating activities</b>		<b>(543 991 079)</b>	<b>(242 850 510)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	7	4 332 193	61 707 719
Proceeds from the sale of property, plant and equipment	7	9 770 647	251 191
Loans issued	9	-	(38 903 000)
Loans repayments	9	16 504 184	141 613 829
<b>Net cash from / (used in) investment activity</b>		<b>30 607 024</b>	<b>164 669 739</b>
<b>Cash flows from financial activities</b>			
Dividends paid	13	(9 160 987)	(20 883)
Proceeds from borrowings	14	515 962 462	70 916 609
Change in the balance of the cash with limited right to use	11	(3 397 867)	(868 559)
<b>Net cash from / (used in) financial activities</b>		<b>503 403 608</b>	<b>70 027 167</b>
<b>Net increase / (decrease) in cash and their equivalents</b>		<b>(9 980 447)</b>	<b>(8 153 604)</b>
Cash and cash equivalents at the beginning of the year	10	851 091	10 551 906
Effect of exchange rate changes on cash and cash equivalents	19	10 120 966	(1 547 211)
<b>Cash and cash equivalents at the end of the year</b>		<b>991 610</b>	<b>851 091</b>

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Buriev A.  
Chairman of the Board


  
Isaboev A.  
Chief Accountant

## 1 The Group and its operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2020 for Joint-Stock Company «Kvarts» (the «Company») and its subsidiaries LLC «Quvasoy Kvarts Agro» and LLC «Vodiy Tulporlari» (collectively referred to as the «Group» or the Group of «Kvarts» JSC).

The Group has reissued these IFRS financial statements to replace the IFRS financial statements approved by the Management Board on June 30, 2021 based on the clarification received from the government on the disputed tax issue (Note 18).

The Company's registered legal address is: Republic of Uzbekistan, Fergana region 150900. Kuvasay city, st. Mustakillik, 2a.

The production units of the Group are mainly located at the following address: Republic of Uzbekistan, Fergana Region 150 900. Kuvasay city, st. Mustakillik, 2a.

Unless otherwise indicated, the consolidated financial statements are denominated expressed in thousand Uzbek Sums ("thousand UZS").

The company "KVARTS" JSC was set by privatisation of the state property in accordance with the order of the State Committee of the Republic of Uzbekistan on state property management and business support No. 26-to-PO dated January 31, 1995.

"KVARTS" JSC was registered in accordance with the legislation of the Republic of Uzbekistan on 5 July 1995 by the Kuvasoy Governor Office No 001 and operates in the Republic of Uzbekistan.

The Company has additionally issued ordinary shares based on the Resolution of the General Meeting of Shareholders dated 14 June 2018. After additional issue the share capital amounted to 165 410 408 870 UZS. The Agency for State Assets Management of the Republic of Uzbekistan sold 5% of their shares in accordance with the Decree of the President of the Republic of Uzbekistan dated February 19, 2019. No. УП-5666. As of December 31, 2020, the outstanding shares of the Group amounted to 96,449,218 shares.

The shareholders of the Group and their respective share in the share capital are listed below:

Shareholders	December 31 2020	December 31 2019
"UzAssets Investment company" JSC	89,78%	89,78%
Other shareholders	10,22%	10,22%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>

The Group's main operation is the production of glass products: cans and bottles, polished and colored sheet glass, as well as glasses for the automotive industry in the Republic of Uzbekistan and other goods.

Based on the decision of the Supervisory Board dated July 20, 2013, the Company established the company LLC «Quvasoy Kvarts Agro» with a 100% ownership interest ("the Subsidiary"), registered by the Governor office of Kuvasay Fergana Region on August 12, 2013. The main operation of the Subsidiary is in the field of agriculture, livestock, poultry, horticulture and processing and storage of the resulting products.

According to the decision of the supervisory board dated 21.05.2018 Protocol No. 10 and the decision of the Company's Board dated 25.05.2018 Protocol No. 28 was established a subsidiary of «Vodiy Tulporlari» LLC with a 100% ownership interest ("the Subsidiary"), registered by the State Services Center Kuvasay city of Fergana region on May 29, 2018. The main operation of the subsidiary is horse breeding.

The Group controls the operating and financial activities of the Subsidiaries. The Subsidiaries are consolidated in the consolidated financial statements of the Group.

## 2 Economic environment in which the Group operates

The markets of developing countries, including Uzbekistan, are subject to economic, political, social, judicial and legislative risks other than those of more developed markets. The future direction of Uzbekistan's development is strongly influenced by the fiscal and monetary policies adopted by the government, along with the development of the legal, regulatory and political environment. The management of the Group monitors current changes in the economic situation, political and economic transformations in the Republic of Uzbekistan, including the application of current and future legislation and tax regulations that have a significant impact on the financial markets of the Republic of Uzbekistan and the economy as a whole. The Group's management is not in a position

to predict all changes that could affect the construction materials and agriculture industry and, accordingly, the degree of their influence, if any, on the future financial position of the Group and its operating results.

The following main economic indicators were observed in Uzbekistan in 2020:

- Inflation – 11,1% (2019 - 15.2%);
- GDP growth - 1.6% (2019 - 5.5%);
- Refinancing rate of the Central Bank of the Republic of Uzbekistan - 14.0% (2019 - 16.0%)

The products of the Group are mainly sold domestically. The main consumers of glass containers are entities of canneries, winery and vodka production industry. Sheet glass is mainly used in construction and for further processing. Tempered glass is in demand in the automotive industry and in the production of consumer goods.

«KVARTS» JSC Group is a monopolist in the domestic market of construction glass and satisfies more than 40% of the needs in the Republic of Uzbekistan, makes up more than 80% in glass cans and up to 40% in glass bottles.

Competitors for the production of glass containers in Uzbekistan are: JSC «Gazalkent Oyna», JSC «Kampali», JSC «Asl Oyna», JSC «Uzmetkombinat», LLC «Karakalpaksteklotara». In free eco-zone «Jizzak», a large plant for the production of sheet glass is being built.

### 3 Significant Accounting Policies

**Basis of preparation.** These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. In addition to changes in accounting policies as a result of the adoption of amendments to some and the adoption of new standards effective 1 January 2020, these principles have been applied consistently for all periods presented in the financial statements, unless otherwise indicated. Refer to Notes 5. (Refer to Note 5 for new and revised standards as adopted by the Group).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

**Going concern.** Management prepared these consolidated financial statements on a going concern basis. Refer to Note 4 for uncertainties relating to events and conditions that may cast a significant doubt upon the Group's ability to continue as a going concern.

**Consolidated financial statements.** Subsidiaries are those investees, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition (consolidation) of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction-by-transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest

in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

**Purchases and sales of non-controlling interests.** The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

**Disposals of subsidiaries, associates or joint ventures.** When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The functional currency of the Group is Uzbek Sum ("UZS") in which this Group operates. The group presents consolidated financial statements in thousands of Uzbek UZS ("thousand UZS"), unless otherwise indicated.

Monetary assets and liabilities are translated into the functional currency of the Group at the official exchange rate of the Central Bank of the Republic of Uzbekistan ("Central Bank of Uzbekistan") at the end of the relevant reporting period.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the Central bank of Uzbekistan are recognised in consolidated profit or loss. Recalculation at the end of the year is not carried out for non-monetary balance sheet items, measured at historical cost.

The official rate of exchange used for translating foreign currency balances was as follows:

as of December 31, 2020 – 10,476.92 UZS for 1 USD

as of December 31, 2019 – 9,507.56 UZS for 1 USD

as of December 31, 2018 - 8,339.55 UZS for 1 USD

#### **Financial reporting taking into account the effects of hyperinflation.**

In accordance with IAS 29, consolidated financial statements prepared in the currency of a country with a hyperinflationary economy must be presented in units of measure effective at the reporting date.

The Republic of Uzbekistan has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29. As part of the Group's transition to IFRS, non-monetary assets, non-monetary liabilities and equity items arising from transactions prior to 1 January 2006 were restated in accordance with IAS 29 for the changes in the general purchasing power of the UZS from the dates of the transactions until 31 December 2006. The amounts expressed in the measuring unit current as at 31 December 2005 are treated as the basis for the carrying amounts in these consolidated financial statements. As the

characteristics of the economic environment of the Republic of Uzbekistan indicate that hyperinflation has ceased, transactions after 1 January 2006 are not subject to restatement in accordance with the provisions of IAS 29.

The amounts of adjustments were calculated based on translation factors based on consumer price indices of the Republic of Uzbekistan (CPI), published by the State Statistics Committee.

Property, plant and equipment are stated at cost, taking into account the adjustments to the purchasing power equivalent of the UZS as of December 31, 2005, for long-term assets acquired before January 1, 2006, less accumulated depreciation of property, plant and equipment and provision for impairment, where required.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Land and construction in progress are not subject to depreciation. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, namely:

	Useful life (years)
Buildings	1 - 23
Machinery and equipment	1 - 21
Furniture and Office equipment	1 - 7
Transport facilities	1 - 10
Other	1 - 10

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Due to their insignificance, the residual value of Property, plant and equipment for the reporting period were ignored when calculating depreciation.

**Impairment of non-financial assets.** Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**Prepayments.** Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

**Inventories.** Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis (AVEGO). The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of

business, less the estimated cost of completion and selling expenses.

**Biological assets.** Biological assets of the Group consist of unharvested crops (plant crops) and livestock (cows and horses). Bearer livestock is classified as non-current assets; consumable livestock and unharvested crops are classified as current assets in the consolidated statement of financial position.

Livestock is measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined by using valuation techniques, as there is no market for horses of the same physical conditions, such as weight, age, breed and milking capacity. The fair value of livestock is based on the expected volume of meat at the date of slaughter, the respective anticipated prices, the average expected productive lives of the livestock and future production costs. The discount rate is determined by reference to current market determined pre-tax rate. Point-of-sale costs include all costs that would be necessary to sell the assets.

The fair value of crops in the field is determined by using valuation techniques, as there is no market for winter crops of the same physical condition. The fair value of the Group's crops is calculated as the present value of anticipated future cash flows from the biological asset before tax. The fair value calculation of crops in the field is based on the existing field under winter crops and the assessments regarding the expected crop yield on harvest, the time of the harvest, the future cultivation, the treatment, harvest costs and selling prices. The discount rate is determined by reference to the current market determined pre-tax rate. At the year-end unharvested crops are carried at the accumulated costs incurred, which approximates the fair value since little biological transformation has taken place since initial cost incurrence due to the seasonal nature of the crops. Unharvested crop-growing costs represent costs incurred to plant and maintain seed crops which will be harvested during the subsequent reporting period. Subsequent to the year-end unharvested crops are measured at fair value less estimated point-of-sale costs.

Upon harvest plant crops are included into inventory for further processing or for sale and are initially measured at their fair value less estimated point-of-sale costs at the time of harvesting. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is recognised in profit or loss in the period in which it arises.

All the gross gains or losses arising from initial recognition of biological assets and from changes in the fair-value-less-cost-to-sell of biological assets are included as a separate line "Gain/ (Loss) on revaluation of biological assets and agricultural produce" above the gross profit line.

Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated costs of disposal at the point of harvest.

Financial instruments are carried at amortized cost. Below is a description of these assessment methods.

**Financial instruments – key measurement terms.** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

**Transaction costs** are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

**Amortised cost ("AC")** is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit

losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e., it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

**Financial instruments – initial recognition.** Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of loan from related parties, loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are amortised on a straight-line basis over the term of the loan from related parties, loans to related parties. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

**Financial assets – classification and subsequent measurement – measurement categories.** The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

**Financial assets – classification and subsequent measurement – business model.** The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. [Refer to Note 4 for critical judgements applied by the Group in determining the business models for its financial assets.

**Financial assets – classification and subsequent measurement – cash flow characteristics.** Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

**Financial assets – reclassification.** Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

**Financial assets impairment – credit loss allowance for ECL.** The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC, trade and other receivables, loans issued and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies simplified approach for impairment of trade and lease receivable. For other financial assets the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Group identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL.

**Financial assets – write-off.** Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

**Financial assets – derecognition.** The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

**Financial assets – modification.** The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to

make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

**Financial liabilities – measurement categories.** Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

**Financial liabilities – derecognition.** Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

**Offsetting financial instruments.** Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

**Borrowings.** Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

**Trade and other payables.** Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Tax payables are the amount that is expected to be paid to the tax authorities (reimbursed by the tax authorities) in respect of the taxable base for the current and previous periods.

#### **The Group is a taxpayer of generally taxes system.**

**Income tax.** Income taxes have been provided for in the consolidated financial statements in accordance with legislation of the Republic of Uzbekistan enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income (VAT and excise tax) are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are

expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

**Uncertain tax positions.** The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance expenses and other gains/(losses), net, respectively.

**Value Added Tax.** Output value added tax related to sales is payable to tax authorities at the date of supply of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice.

The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

**Share capital.** Ordinary shares is classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

The shareholding of the shareholders of the Group is recorded as equity, since the Group has an unconditional right not to repay the ownership share in accordance with its charter and legislation of the Republic of Uzbekistan. Share capital is represented by cash and non-cash investments by the founders and shareholders of the Group, recorded at fair value. The increase or decrease in the authorized capital can be made on the basis of the decision of the shareholders after making the appropriate changes to the statutory documents of the Group and the state registration of the decision on the additional issue of shares.

Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

The Group recognizes investments from the founders and shareholders, other than those in the share capital, as additional paid-in capital.

**Dividends.** Dividends are recognized as liabilities and deducted from the amount of capital in the period in which they were declared and approved. Information on dividends declared after the reporting date, but before the date of approval of the consolidated financial statements, is reflected in Note 26 "Events after the end of the reporting period". The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Uzbek legislation identifies the basis of distribution as the current year net profit and undistributed retained earnings of prior years.

**Revenue recognition.** Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, returns and value added taxes.

**Sales of goods.** Sales are recognised when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of 90 days, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

If the Group provides any additional services to the customer after control over goods has passed, revenue from such services is considered to be a separate performance obligation and is recognised over the time of the service rendering. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

**Sales of services.** The Group provides services under fixed-price and variable price contracts. If the Group transfers control of a service over time and therefore satisfies a performance obligation over time, revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours. If a performance obligation is not satisfied over time, revenue is recognised at a point in time at which the Group satisfies a performance obligation.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such revenue.]

**Financing components.** The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

**Interest income.** Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that

are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Payroll, pension fund contributions, paid annual leave and sick leave, premiums, and non-monetary benefits (such as health care and kindergartens) are accrued in the year when the services defining these types of remuneration were provided by the Group employees. The Group does not have any legal or obligations arising from current business practices to pay pensions or similar payments in excess of payments under the state plan with defined contributions.

#### 4 Important accounting estimates and professional judgments in applying accounting policies

The accounting records of the Group: «KVARTS» JSC and its subsidiaries are maintained in accordance with the legislation of the Republic of Uzbekistan. The accompanying consolidated financial statements, based on accounting records and maintained in accordance with national accounting standards, have been adjusted accordingly to align it with IFRS.

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Going concern.** Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the macro-economic developments on the operations of the Group.

**The useful life of Property, plant and equipment.** Estimation of the useful life of Property, plant and equipment was made using professional judgment on the basis of available experience in relation to similar assets. The future economic benefits associated with these assets will mainly come from their use.

However, other factors, such as obsolescence from a technological or commercial point of view, as well as depreciation of equipment, often lead to a decrease in the economic benefits associated with these assets. Management assesses the remaining useful life of property, plant and equipment based on the current technical condition of the assets and taking into account the calculation period during which these assets will bring economic benefits to the Group. The following main factors are taken into account:

- expected use of assets;
- expected physical wear and tear of equipment, which depends on the operational characteristics and maintenance regulations;
- obsolescence of equipment from a technological and commercial point of view as a result of changes in market conditions.

**Initial recognition of related party transactions.** In the normal course of business, the Group enters into transactions with related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. The terms and conditions of transactions with related parties are reflected in Note 6.

**ECL measurement.** Estimating expected credit losses is a significant estimate that uses valuation methodology, models, and inputs. Details of the methodology for estimating expected credit losses are disclosed in Note 9. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

**Business model assessment.** The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Group assesses significance of sales transactions by comparing the value of the sales to the

value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group's control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes portfolios of financial assets managed for the purpose of realizing cash flows, primarily through sale, used to generate profits. This business model often involves collecting contractual cash flows.

**Assessment whether cash flows are solely payments of principal and interest ("SPPI").** Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement.

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. The Group applied a threshold of 5% to determine whether differences against a benchmark instruments are significantly different. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

The Group identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, ie instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Group considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply (such as bail in legislation relevant to bank deposits in certain countries), are not relevant for assessing whether cash flows are SPPI.

The instruments that did not pass the SPPI test at the date of transition are measured at fair value through profit or loss.

**Modification of financial assets.** When financial assets are contractually modified (e.g. renegotiated), the Group assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Group applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

**Write-off policy.** Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement. Management considered the following indicators that there is no reasonable expectation of recovery: loans being past due over 180 days, liquidation or bankruptcy proceedings, fair value of collateral is less than the costs to repossess it or enforcement activities were completed. Management also considers, based on past practices, that contractual default interest is not collectible for loans overdue over 180 days. Therefore, the default interest was written-off from the gross carrying amounts of the respective loans.

## 5 Adoption of New or Revised Standards and Interpretations

The following new standards, amendments to standards and interpretations of IFRSs became mandatory

for the Group from 1 January 2020:

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- IFRS 3 Business Definition. The amendments were applied by the Group starting from January 1, 2020;
- Amendments to the Conceptual Framework for Financial Reporting;
- Amendments to IAS 1 and IAS 8 - Determination of Materiality;
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Reform (Stage 1);
- Amendments to IFRS (IFRS) 16, - Covid-19 Lease Assignment (effective from 1 June 2020);

A number of new standards, amendments to standards and interpretations that did not come into effect as of January 1, 2021 and were not early adopted by the Group:

- IFRS 17 Insurance Contract;
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets in transactions between an investor and an associate or joint venture;
- Amendments to IFRS 17 and amendments to IFRS 4;
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current, Effective Postponement;
- Amendments to the Restricted Scope of IAS 16, IAS 37 and IFRS 3 - Revenue Before Intended Use, Onerous Contracts (Cost of Completion), Reference to Conceptual Framework;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest rate reform (stage 2);
- Amendments to IFRS 1, IFRS 9, to IFRS 16 and to IFRS 41 - Annual Improvements to IFRSs 2018-2020.
- Unless otherwise stated above, these new standards, amendments to standards and interpretations are not expected to or materially affect the consolidated financial statements of the Group.

## 6 Settlements and transactions with related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The related parties of the Group during the reporting period were:

- UzAssets Investment company JSC;
- Group management;

«UzAssets Investment company» JSC is an organization engaged in pre-sale preparation and negotiating with investors for the sale of large state-owned enterprises in accordance with international practice. The Company serves as a platform for the accumulation of advanced international experience in the field of mergers and acquisitions of large enterprises with a state share, for the main shareholder of the Company, the Agency for the Management of State Assets of the Republic of Uzbekistan.

For the «UzAssets Investment company» JSC, the Group has applied the exemption from the disclosure requirements set out in paragraph 18 of IAS 24, Related Party Disclosures, in relation to transactions with related parties and balances from such transactions, including liabilities if the relationship between related parties is the fact that:

- a) the Government of the Republic of Uzbekistan exercises control over the Group; and
- b) there are other related entities over which the Government of the Republic of Uzbekistan also exercises control.

The balances on transactions with related parties controlled by the O'zqurilishmateriallari Association and its subsidiary as at 31 December 2020 are presented below:

Indicators (thousand UZS)	Affiliates
Investments in subsidiaries	18 512 650
Trade and other payables	64 535
Investment to associates	50 000

Sales and purchases with related parties for 2020 are presented below:

Indicators (thousand UZS)	Affiliates
Revenue from the sale of goods	43 902
Purchase of goods	1 630 798

Group management remuneration. The management includes: members of the supervisory board and members of the board.

The table below provides information on remuneration for the Company's management:

Indicators (thousand UZS)	2020	2019
<b>Short term payments</b>		
Salary	573 941	442 878
Short Term Bonuses	2 349 336	3 014 914
<b>Total senior management remuneration</b>	<b>2 923 277</b>	<b>3 457 792</b>

Short-term remuneration premiums are payable in full within 12 months after the end of the period in which the related service is rendered by management.

## 7 Property, plant and equipment

Changes in the carrying value of Property, plant and equipment are presented below:

Indicators (thousand UZS)	Building and facilities	Machinery and equipment	Furniture and Office equipment	Transport facilities	Other	Capital Investment	Total
<b>Book value at December 31, 2018</b>	<b>22 984 433</b>	<b>38 096 061</b>	<b>1 309 279</b>	<b>7 702 016</b>	<b>1 509 459</b>	<b>6 314 704</b>	<b>77 915 952</b>
Acquisitions	-	6 202 991	-	-	388	24 839 062	31 042 441
Internal transfer	754 732	4 216 337	161 786	1 203 997	200 680	(6 537 532)	-
Disposals	-	(95 640)	-	(237 394)	(21 071)	(40 499)	(394 604)
Disposal of cost	(989)	(2 623 457)	(5 301)	(541 628)	(96 783)	(40 499)	(3 308 657)
Disposal of accumulated depreciation	989	2 527 817	5 301	304 234	75 712	-	2 914 053
Depreciation charge	(1 979 126)	(9 209 313)	(423 422)	(2 119 101)	(210 926)	-	(13 941 888)
<b>Book value at December 31, 2019</b>	<b>21 760 039</b>	<b>39 210 436</b>	<b>1 047 643</b>	<b>6 549 518</b>	<b>1 478 530</b>	<b>24 575 735</b>	<b>94 621 901</b>
Cost	43 769 703	96 019 838	2 478 342	13 562 529	2 566 693	24 575 735	182 972 840
Accumulated depreciation	(22 009 664)	(56 809 402)	(1 430 699)	(7 013 011)	(1 088 163)	-	(88 350 939)
<b>Book value at December 31, 2019</b>	<b>21 760 039</b>	<b>39 210 436</b>	<b>1 047 643</b>	<b>6 549 518</b>	<b>1 478 530</b>	<b>24 575 735</b>	<b>94 621 901</b>
Acquisitions	-	5 349 386	-	-	-	53 857 519	59 206 905
Internal transfer	169 819	451 586	135 461	255 502	166 390	(1 178 758)	-
Disposals	-	(133)	-	-	(43 364)	(9 770 514)	(9 814 011)
Disposal of cost	-	(4 460 711)	(16 421)	(5 489)	(47 752)	(9 770 514)	(14 300 887)
Disposal of accumulated depreciation	-	4 460 578	16 421	5 489	4 388	-	4 486 876
Depreciation charge	(1 746 237)	(9 703 366)	(215 208)	(1 854 405)	(184 601)	-	(13 703 817)
<b>Book value at December 31, 2019</b>	<b>20 183 621</b>	<b>35 307 909</b>	<b>967 896</b>	<b>4 950 615</b>	<b>1 416 955</b>	<b>67 483 982</b>	<b>130 310 978</b>
Cost	43 939 522	97 360 099	2 597 382	13 812 542	2 685 331	67 483 982	227 878 858
Accumulated depreciation	(23 755 901)	(62 052 190)	(1 629 486)	(8 861 927)	(1 268 376)	-	(97 567 880)
<b>Book value at December 31, 2019</b>	<b>20 183 621</b>	<b>35 307 909</b>	<b>967 896</b>	<b>4 950 615</b>	<b>1 416 955</b>	<b>67 483 982</b>	<b>130 310 978</b>

Capital expenditures represent mainly construction in progress in the amount of 58 924 714 thousand UZS and equipment in the amount of 8 309 854 thousand UZS, including capitalized costs within the framework of the construction of a float glass production line 400 tons per day in the amount of 39 617 374 thousand UZS.

Capital expenditure does not include borrowing costs.

The group is building a new production line on a turnkey basis. Until the delivery of the construction object, accounting is kept in the composition of advances issued for non-current assets, and the object itself is accounted for by the general contractor. As of December 31, 2020, the Group made advance payments in the amount of 621 283 382 thousand UZS.

## 8 Inventories

Changes in the carrying amount of inventories are as follows:

Indicators (thousand UZS)	December 31 2020	December 31 2019
Raw materials	82 162 775	68 752 835
Work in process	106	106
Finished products	27 769 756	37 411 756
Goods for resale	6 891 903	6 050 111
<b>Total reserves</b>	<b>116 824 540</b>	<b>112 214 808</b>
<b>Impairment allowance</b>	<b>11 313 213</b>	<b>9 533 344</b>
<b>Total including impairment</b>	<b>105 511 327</b>	<b>102 681 464</b>

As a result of the measurement of inventories at the end of each reporting period at the lower of cost or net realizable value, a provision has been made in accordance with the requirement of IAS 2 for impairment of inventories unused for at least one year (11 313 213 thousand UZS).

## 9 Trade and other receivables

Indicators (thousand UZS)	December 31 2020	December 31 2019
Trade receivables	5 863 236	16 670 966
Loans issued	2 614 610	19 118 794
Other financial receivables	48 984	1 297 627
<b>Total financial assets in trade and other financial receivables</b>	<b>8 526 830</b>	<b>37 087 387</b>
Prepaid taxes and obligatory payments	4 638 846	4 563 854
Prepayment to suppliers and contractors	625 011 686	167 053 057
Other receivables	5 560 469	5 333 905
<b>Total trade and other receivables</b>	<b>643 737 831</b>	<b>214 038 203</b>

Prepayments to suppliers and contractors in the amount of 624 820 640 thousand UZS as of December 31, 2020 mainly represent the prepayment of Shanghai Pony Technology Co., Ltd. in the amount of 621 233 702 thousand UZS for the purchase of machinery and equipment and the implementation of contract construction work on a turnkey basis within the framework of the investment project for the construction of a production line with a capacity of 400 tons of thermopolished float glass per day. The technical and economic parameters of this investment project were approved by the Order of the President of the Republic of Uzbekistan No. P-5374 dated September 18, 2017 "On measures to accelerate the implementation of the investment project for the construction of a new float line for the production of flat glass at JSC Quartz".

The following is an analysis of loans issued and trade and other receivables by credit quality:

Indicators (thousand UZS)	31 декабря 2020 г.			31 декабря 2019 г.		
	Trade receivables	Loans issued	Other financial receivables	Trade receivables	Loans issued	Other financial receivables
<b>Total amount of not overdue and not impaired</b>	<b>2 957 566</b>	<b>2 597 074</b>	<b>47 234</b>	<b>6 602 499</b>	<b>19 118 794</b>	<b>112 039</b>
<i>Overdue but not impaired</i>						
-less than 30 days overdue	278 090	-	-	1 590 089	-	1 012 921
-30 to 90 days overdue	1 627 279	-	-	1 747 662	-	167 467
-91 to 120 days overdue	-	-	-	-	-	-
-121 to 270 days overdue	1 000 301	17 536	1 750	6 730 716	-	5 200
<b>Total overdue but not impaired amounts</b>	<b>2 905 670</b>	<b>17 536</b>	<b>1 750</b>	<b>10 068 467</b>	<b>-</b>	<b>1 185 588</b>
<b>Total</b>	<b>5 863 236</b>	<b>2 614 610</b>	<b>48 984</b>	<b>16 670 966</b>	<b>19 118 794</b>	<b>1 297 627</b>

The Group applies the simplified approach in IFRS 9 for estimating expected credit losses, which uses a lifetime expected credit loss allowance for all trade and other receivables.

For the purpose of estimating expected credit losses, trade and other receivables have been grouped based on overall credit risk characteristics and the number of days overdue.

Expected credit loss levels are based on sales payment schedules for 36 months prior to December 31, 2020 or January 1, 2020, respectively, and similar historical credit losses incurred during that period. Historical loss levels are adjusted for current and forward-looking information on macroeconomic factors that affect the ability of customers to repay receivables. The group determined that the impact of changes in macroeconomic indicators such as GDP, exports, imports and inflation on the historical loss rate is not significant.

The allowance for credit losses in respect of trade and other receivables is determined in accordance with the provision matrix. The provision matrix is based on the number of days the asset is past due.

The following is an analysis of the credit quality of trade and other financial receivables measured at amortized cost as at 31 December 2020 and 1 January 2020, respectively:

Measurement category (thousand UZS)	Amount	Gross Exposure			Impairment Allowance			Net Exposure		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
- Cash and Cash equivalents	991 609	991 609	-	-	-	-	-	991 609	-	-
- Restricted Cash	5 907 412	5 907 412	-	-	-	-	-	5 907 412	-	-
- Trade and other receivables	6 863 537	5 863 236	n/a	1 000 301	-	n/a	-	5 863 236	n/a	1 000 301
- Loans issued	2 632 146	2 614 610	n/a	17 536	-	n/a	-	2 614 610	n/a	17 536
- Other financial receivables	50 734	48 984	n/a	1 750	-	n/a	225	48 984	n/a	1 525
<b>Total</b>	<b>16 445 438</b>	<b>15 425 851</b>	<b>-</b>	<b>1 019 587</b>	<b>-</b>	<b>-</b>	<b>225</b>	<b>15 425 851</b>	<b>-</b>	<b>1 019 362</b>

Measurement category (thousand UZS)	Amount	Gross Exposure			Impairment Allowance			Net Exposure		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
- Cash and Cash equivalents	851 091	851 091	-	-	-	-	-	851 091	-	-
- Restricted Cash	2 509 544	2 509 544	-	-	-	-	-	2 509 544	-	-
- Trade and other receivables	16 670 966	9 940 250	n/a	6 730 716	-	n/a	-	9 940 250	n/a	6 730 716
- Loans issued	19 118 794	19 118 794	n/a	-	-	n/a	-	19 118 794	n/a	-
- Other financial receivables	1 301 359	1 292 427	n/a	8 932	-	n/a	3 732	1 292 427	n/a	5 200
<b>Total</b>	<b>40 451 754</b>	<b>33 712 106</b>	<b>-</b>	<b>6 739 648</b>	<b>-</b>	<b>-</b>	<b>3 732</b>	<b>33 712 106</b>	<b>-</b>	<b>6 735 916</b>

## 10 Cash and cash equivalents

Indicators (thousand UZS)	December 31 2020	December 31 2019
Cash in Uzbek Sum	661 074	261 830
Cash in USD	80 903	546 143
Cash in Euro	24	43 118
Cash in Rub	249 609	-
<b>Total cash and cash equivalents</b>	<b>991 610</b>	<b>851 091</b>

The table below presents an analysis of cash and cash equivalents for credit quality:

Indicators (thousand UZS)	December 31 2020	December 31 2019
B1 rating (Moody's)	335 965	330 427
B2 rating (Moody's)	462 434	476 286
BB+ (Fitch Ratings)	10 666	-
BB- (Fitch Ratings)	151 646	43 878
BB- (Standard & Poor's)	30 899	500
<b>Total cash and cash equivalents</b>	<b>991 610</b>	<b>851 091</b>

## 11 Restricted cash

Indicators (thousand UZS)	December 31 2020	December 31 2019
<b>Total restricted cash</b>	<b>5 907 411</b>	<b>2 509 544</b>

Restricted cash represents the amount in a bank account blocked by the bank in exchange for transferring US dollars to the Group in order to finance the purchase of raw materials (unenriched quartz sand) and equipment. The group cannot use these funds during the period of restriction on their use. Usually, cash was restricted to use for a maximum of three-six months.

## 12 Share capital

The total amount of authorized share capital as at 31 December 2020 was 165 739 763 thousand UZS at par. The number of shares outstanding at the end of each reporting period is presented below:

Indicators (thousand UZS)	Number of shares in circulation	Common stock	Share premium	Total
<b>December 31, 2018</b>	<b>48 224 609</b>	<b>83 035 440</b>	<b>8 777 861</b>	<b>91 813 301</b>
New shares issued (ordinary)	48 224 609	82 705 204		82 705 204
<b>December 31, 2019</b>	<b>96 449 218</b>	<b>165 740 644</b>	<b>8 777 861</b>	<b>174 518 505</b>
New shares issued (ordinary)				-
<b>December 31, 2020</b>	<b>96 449 218</b>	<b>165 740 644</b>	<b>8 777 861</b>	<b>174 518 505</b>

Added capital represents share premium for which capital contributions exceeded the par value of issued shares (3 336 448 thousand UZS), as well as the amount of investments made by investors in excess of the authorized capital within the framework of the investment obligation (5 441 413 thousand USZ).

The nominal amount of the registered issued share capital of the Group is consistent with the amount reported in these consolidated financial statements as at 31 December 2020.

Indicators (thousand UZS)	Nominally Registered		Amount adjusted for inflation
	Amount	Effect of hyperinflation	
Total share capital including share premium	174 188 270	330 235	174 518 505

Other reserves mainly represent the reserve capital formed from profit (49,075,033 thousand UZS) and tax and customs benefits provided by the state, with the condition of targeted use of the released funds for the modernization and development of the Group's production and (16,224,351 thousand UZS) property received free of charge.

## 13 Dividends

The distribution and other use of profit is made based on the shareholders decisions. The amount of profit determined by local GAAP is subject to the distribution. According to the legislation of the Republic of Uzbekistan, current year net profit and undistributed retained earnings for prior year are subject to distribution. However, laws and other regulations governing the distribution of profits may have different interpretations, and therefore management does not consider it appropriate at present to disclose the amount of allocated reserves in these consolidated financial statements.

Indicators (thousand UZS)	2020	2019
<b>Dividends payable on January 1</b>	<b>39 695</b>	<b>18 811</b>
Dividends declared during the year	10 117 523	87 058 109
Dividends paid during the year	(9 215 223)	20 884
Dividends capitalized in the authorized capital	-	(82 705 204)
Dividend tax withheld at source	(512 873)	(4 352 905)
<b>Dividends payable on December 31</b>	<b>429 122</b>	<b>39 695</b>

## 14 Loans and borrowings

Indicators (thousand UZS)	December 31 2020	December 31 2019
Long-term borrowing	395 857 346	66 890 176
<b>Total long-term borrowing</b>	<b>395 857 346</b>	<b>66 890 176</b>
Long-term borrowing current part	110 953 749	2 128 457
<b>Итого краткосрочные заимствования</b>	<b>110 953 749</b>	<b>2 128 457</b>
<b>Total borrowing</b>	<b>506 811 095</b>	<b>69 018 633</b>

Loans and loans of the Group are denominated in the following currencies:

Indicators (thousand UZS)	December 31 2020	December 31 2019
EURO	506 811 095	69 018 633
<b>Total borrowing</b>	<b>506 811 095</b>	<b>69 018 633</b>

During 2019 and 2020, the Group attracted credit funds for the construction of a float line and beneficiation of quartz sand. A loan from Asaka Bank under the JPMorgan Chase Bank, N.A credit line was provided with a maturity period until 2026 in the amount of EUR 36 424 649 and an interest rate of 3.3% + Euribor. A loan from Hulk Bank in the amount of EUR 4.7 million with an interest rate of 9% and a maturity of 3 years. A loan from Agro Bank in the amount of EUR 1 068,45 thousand with a maturity of 5 years with an interest rate of 5%. A loan from Tenge Bank to JSCB in the amount of EUR 5 614,5 thousand with an interest rate of 6.5% per annum for 6 years.

In 2020, the company repaid all of its loans received in previous years and related interest.

#### 15 Trade and other payables

Indicators (thousand UZS)	December 31 2020	December 31 2019
Trade payables	4 103 158	12 139 866
Borrowings received	395 857 346	66 890 176
Long-term borrowing current part	110 953 749	2 128 457
Other financial payables	25 152 479	8 523 235
<b>Total financial liabilities in trade payables</b>	<b>536 066 732</b>	<b>89 681 734</b>
Prepayment received	2 608 431	3 544 997
Accrued remuneration of employees	6 047 879	3 302 309
Accounts payable to budget and off-budget funds (taxes)	3 700 130	5 053 923
Other non-financial payables	1 048 775	1 302 080
<b>Total trade and other payables</b>	<b>549 471 947</b>	<b>102 885 043</b>

Trade payables in the amount of 4 103 158 thousand UZS include debts for the purchase of goods (work, services). The prepayment received includes advances in the form of cash for glass jars, glass bottles and building glass.

Other financial payables mainly include the amount of advances received in the amount of (25 152 479 thousand UZS) for goods and services denominated in the foreign currency.

#### 16 Revenue

Indicators (thousand UZS)	2020	2019
Revenue from glass jars and bottles	141 615 325	113 635 055
Revenue from glass sheet	138 547 749	128 917 350
Revenue from sales of other goods and services	28 508 408	4 360 911
<b>Total revenue</b>	<b>308 671 482</b>	<b>246 913 316</b>

Revenues from the sale of the Group are denominated in the following currencies:

Indicators (thousand UZS)	2020	2019
Revenues - USD	21 624 233	16 888 241
Revenues - UZS	287 047 249	230 025 075
<b>Total revenue</b>	<b>308 671 482</b>	<b>246 913 316</b>

**17 Cost of sales**

Indicators (thousand UZS)	2020	2019
Materials	128 784 804	91 584 821
Labor costs	38 392 216	30 040 397
Fuel for technological needs	31 640 046	24 139 697
Depreciation charge	5 271 117	4 987 426
Energy for technological needs	8 576 462	8 349 853
Third-party company services	8 892 108	9 905 209
Other	1 015 697	223 010
<b>Total cost of sales</b>	<b>222 572 450</b>	<b>169 230 413</b>

The labor costs includes mandatory contributions to the state pension fund in the amount of 4 607 066 thousand UZS (2019: 7 510 099 thousand UZS).

**18 General and administrative expenses**

Indicators (thousand UZS)	2020	2019
Labor costs	18 982 898	26 665 865
Taxes	5 722 334	5 205 339
Professional Services	3 080 777	1 918 394
Inventory impairment to net realizable value	2 078 983	293 909
Estimated provision for expected credit losses	3 997 328	199 535
Depreciation charge	630 894	1 384 223
Charity and donations	578 408	1 444 936
Bank fees	3 994 299	6 016 736
The maintenance of the association's headquarter	625 000	375 000
The cost of office vehicles	1 588 172	1 261 505
Fuel and purchased energy	610 353	260 244
Materials	4 057 449	2 045 789
The maintainance of social infrastructure facilities	4 751 980	7 494 129
Other	2 033 731	3 429 081
<b>Total general and administrative expenses</b>	<b>52 732 606</b>	<b>57 994 685</b>

Labor costs include mandatory contributions to the state pension fund in the amount of 4 745 725 thousand UZS (2019: 6 666 466 thousand UZS).

Based on the clarification of the Ministry of Finance dated July 8, 2021, the Group eliminated income tax expense at source of payment in the amount of 29 158 688 thousand UZS under a long-term import contract with the Chinese company Shanghai Pony Technology.

**19 Financial expenses and income**

The presentation of the Company's financial expenses is as follows:

Indicators (thousand UZS)	2020	2019
Interest expenses	9 132 359	418 669
<b>Total financial expenses</b>	<b>9 132 359</b>	<b>418 669</b>

The Company's financial income is provided below:

Indicators (thousand UZS)	2020	2019
Interest income	566 725	7 230 989
Foreign exchange gain less loss	11 830 411	7 305 617
<b>Total financial income</b>	<b>12 397 136</b>	<b>14 536 606</b>

## 20 Taxes

## (a) Components of income tax expense / (benefit)

Income tax expense comprises the following:

Indicators (thousand UZS)	2020	2019
Current income tax	9 564 746	5 312 258
Deferred tax	762 799	493 845
<b>Consumption / (income) income tax for the year</b>	<b>10 327 545</b>	<b>5 806 103</b>

## (b) Reconciliation of the expense / (income) income tax with the amount of accounting profit multiplied by the applicable tax rate

The current income tax rate applied to the majority of the Company's profit for 2020 is 15% (in 2019 - 12%). A reconciliation of the estimated and actual income tax expense is provided below.

Indicators (thousand UZS)	2020	2019
<b>Profit before tax</b>	<b>39 674 889</b>	<b>40 499 012</b>
The theoretical amount of income tax at the statutory rate of 12% (2018 -14%):	8 604 004	4 337 533
Tax effect of items which are not deductible or assessable for taxation purposes:	-	-
- Sales below cost	-	13 626
- Non deductible expenses	1 939 299	835 257
- Profit exempt from taxation	(88 868)	(837 709)
- Effects of different tax rates (10%)	-	675 273
- The effect of of the tax rate changes from 14% to 12%	134 465	(89 643)
- Other	(261 355)	871 766
<b>Consumption / (income) income tax for the year</b>	<b>10 327 545</b>	<b>5 806 103</b>

## (c) Recognized deferred tax assets and liabilities

Differences between IFRS and statutory taxation regulations in Republic of Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

Indicators (thousand UZS)	December 31, 2020	Restored / (assigned) to profit and loss 2020	December 31, 2019	Restored / (assigned) to profit and loss 2019	December 31, 2018
Tax effect of deductible / (taxable) temporary differences:					
Property, plant and equipment	2 592 971	256 027	2 336 944	261 491	2 075 453
Investment in subsidiary	54 186	-	54 186	3 612	50 574
Inventory	1 912 433	642 981	1 269 452	(157 699)	1 427 151
Trade and other receivables	701 835	592 100	109 735	35 251	74 484
Loans issued	758 221	7 500	750 721	49 654	701 067
Other current assets	(721)	(2 879 453)	2 878 732	2 879 799	(1 067)
Additional capital	816 212	-	816 212	54 414	761 798
Trade and other payables	1 193 452	715 656	477 796	280 924	196 872
Other reserves (revaluation surplus)	(10 394 325)	(97 610)	(10 296 715)	(1 022 069)	(9 274 646)
Long-term borrowing	(2 879 222)	-	(2 879 222)	(2 879 222)	-
<b>Net deferred tax assets / (liabilities)</b>	<b>(5 244 958)</b>	<b>(762 799)</b>	<b>(4 482 159)</b>	<b>(493 845)</b>	<b>(3 988 314)</b>

## 21 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share.

Indicators (thousand UZS)	2020	2019
Profit for the year attributable to ordinary shareholders	29 347 344	34 692 909
<b>Profit for the year belonging to the owners</b>	<b>29 347 344</b>	<b>34 692 909</b>
Weighted average number of ordinary shares in issue	96 449 218	96 449 218

### Basic and diluted earnings per ordinary share (expressed in UZS per share)

Indicators (thousand UZS)	2020	2019
Profit for the year attributable to the owners of the Parent	29 347 344	34 692 909
Less dividends on ordinary and preference shares	-	-
Undistributed profit for the year	29 347 344	34 692 909
Undistributed profit for the year attributable to ordinary shareholders based on terms of the shares	29 347 344	34 692 909
<b>Profit for the year allocated to ordinary shareholders</b>	<b>29 347 344</b>	<b>34 692 909</b>

## 22 Contingencies and Commitments

**Legal proceedings.** From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

**Tax contingencies.** The tax and customs legislation of the Republic of Uzbekistan is subject to varying interpretations and is subject to frequent changes. Management's interpretation of legislation applied to the operations and activities of the Group may be challenged by the relevant authorities. The tax authorities of the Republic of Uzbekistan can take a more assertive position and take a more complex approach in interpreting legislation and the results of tax audits. As a result, additional taxes, penalties and interest may be assessed. Tax periods remain open for inspection by the relevant tax authorities for the purpose of paying taxes during the five calendar years preceding the year for which the audit is carried out. Under certain circumstances reviews may cover longer periods. The management of the Group believes that its interpretation of the relevant legislation is correct and that the Group's tax, currency and customs positions will be confirmed. Accordingly, at 31 December 2020, management did not form a provision for potential tax liabilities (2019: the reserve was not formed). The Group estimates that it does not have potential tax liabilities, with the exception of those, which remotely possible (2019: no liabilities).

**Capital expenditure commitments.** At December 31, 2020, the Group has contractual capital expenditure commitments in respect of property, plant and equipment in the amount of EUR 38,108,716. This commitment represents the purchasing of machinery and equipment, as well as for the construction of a production line with a capacity of 400 tonnes per day for the production of thermo-polished float glass.

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

## 23 Financial Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

The Group is exposed to credit risk, namely the risk that one of the parties on a financial instrument will cause financial losses to the other party through non-fulfillment of its obligations. Exposure to credit risk arises from the Group's sale of products on deferred payment terms and other transactions with counterparties that result in financial assets.

The maximum credit risk incurred by the Group in asset classes includes the following:

Indicators (thousand UZS)	December 31 2020	December 31 2019
Cash and cash equivalents	991 609	851 091
Restricted cash	5 907 412	2 509 544
Trade and other receivables	5 863 236	16 670 966
Loans issued	2 614 610	19 118 794
Other financial receivables	48 984	1 297 627
<b>Total maximum exposure to credit risk</b>	<b>15 425 851</b>	<b>40 448 022</b>

The Group's management analyzes the timing of payment delays on trade receivables and monitors overdue balances. Therefore, management believes it appropriate to provide information on the timing of payment delays and other information on credit risk disclosed in Note 9.

Credit risk concentration. As of December 31, 2020 and December 31, 2019, the Group was not exposed to credit risk because does not have a counterparty, the total amount of balances on receivables would exceed 10% of the total amount of trade and other receivables.

As at 31 December 2020, as at 31 December 2019, the Group's bank deposits were placed with several banks, which does not cause a concentration of credit risk for the Group.

The Group is exposed to market risks. Market risks are associated with open positions in: a) foreign currencies, b) interest-bearing assets and liabilities, which are subject to the risk of general and specific changes in the market.

The sensitivity to market risk presented below is based on a change in one factor with all other variables remaining unchanged. In practice, this is hardly possible and changes in several factors can be correlated - for example, changes in interest rates and exchange rates.

Currency risk. The table below presents the Group's exposure to changes in exchange rates at the end of the reporting period:

Indicators (thousand UZS)	December 31, 2020			December 31, 2019		
	Financial assets	Financial liabilities	Net balance position	Financial assets	Financial liabilities	Net balance position
UZS	9 197 567	5 778 920	3 418 647	37 358 229	13 432 412	23 925 817
USD	80 903	12 572	68 331	546 899	39 952	506 947
EURO	5 897 772	530 275 240	(524 377 468)	2 542 894	76 209 370	(73 666 476)
	249 609	-	-	-	-	-
<b>Total</b>	<b>15 425 851</b>	<b>536 066 732</b>	<b>(520 890 490)</b>	<b>40 448 022</b>	<b>89 681 734</b>	<b>(49 233 712)</b>

The above analysis includes only monetary assets and liabilities. The main monetary assets denominated in foreign currency are cash and cash with limited use and their equivalents of the Group in USD 80 903 thousand UZS, in EURO 5 897 772 thousand UZS, and in Russian rubles 249 609 thousand UZS.

The table below presents an analysis of the sensitivity of profit or loss and equity to possible changes in foreign exchange rates at the reporting date against the functional currency of the Group, with all other variables remaining unchanged. The risk was calculated only for monetary assets and liabilities denominated in currencies other than the functional currency of the Group.

Indicators (thousand UZS)	December 31, 2019		December 31, 2018	
	Impact on profit or loss	Impact on capital	Impact on profit or loss	Impact on capital
US Dollars strengthening by 10% (2019: 14% increase)	6 833	6 833	70 973	70 973
US Dollars weakening by 10% (2019, a weakening of 14%)	(6 833)	(6 833)	(70 973)	(70 973)
EUR strengthening by 20% (2019: 12% increase)	(104 875 494)	(104 875 494)	(8 839 977)	(8 839 977)
EUR weakening by 20% (2019, a weakening of 12%)	104 875 494	104 875 494	8 839 977	8 839 977
RUB strengthening by 8% (2019: 28% increase)	19 969	19 969	-	-
RUB weakening by 8% (2019, a weakening of 28%)	(19 969)	(19 969)	-	-

Liquidity risk is the risk that the Group will face difficulties in meeting its financial obligations. Groups are at risk due to the daily use of available cash. Liquidity risk is managed by the management of the Group.

The table below shows the allocation of liabilities at the end of each reporting period by contractual time remaining until maturity. The amounts in the table represent contractual non-discounted cash flows. These non-discounted cash flows differ from the amounts reflected in the balance sheet as the balance sheet amounts are based on discounted cash flows.

In cases where the amount to be paid is not fixed, the amount in the table is determined based on the conditions existing at the reporting date. Payables, denominated in the foreign currency are translated using the spot exchange rate at the reporting date.

The table below presents an analysis of financial liabilities by maturity as of 31 December 2020:

Indicators (thousand UZS)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to more than 5 years	More than 5 years	Total
<b>Liabilities</b>						
Borrowings	-	84 580 427	26 373 322	332 446 803	63 410 543	506 811 095
Trade and other payables	28 927 678	249 196	20 981	57 782	-	29 255 637
<b>Total future payments, including payment of principal and interest</b>	<b>28 927 678</b>	<b>84 829 623</b>	<b>26 394 303</b>	<b>332 504 585</b>	<b>63 410 543</b>	<b>536 066 732</b>

The table below presents an analysis of financial liabilities by maturity as of 31 December 2019:

Indicators (thousand UZS)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to more than 5 years	More than 5 years	Total
<b>Liabilities</b>						
Borrowings	-	-	2 128 457	58 710 652	8 179 524	69 018 633
Trade and other payables	8 941 062	11 568 074	153 965	-	-	20 663 101
<b>Total future payments, including payment of principal and interest</b>	<b>8 941 062</b>	<b>11 568 074</b>	<b>2 282 422</b>	<b>58 710 652</b>	<b>8 179 524</b>	<b>89 681 734</b>

At the end of each reporting period, the amount of current assets does not exceed the amount of the Group's current liabilities. Thus, the Group does not have a liquidity risk and will not face difficulties in meeting its financial obligations. Management of the Group manages liquidity risk through monthly monitoring of cash flow forecasts of the Group.

The Group seeks to maintain a stable funding base consisting primarily of shareholders' cash and non-cash contributions, long-term bank loans, and trade and other payables (Notes 12, 14 and 15). The liquidity portfolio of the Group includes cash and cash equivalents (Note 10) and trade and other receivables (Note 9). According to management's estimates of cash, bank deposits can be converted into cash in order to meet unforeseen liquidity needs.

The Group is exposed to the risk associated with the influence of fluctuations in market interest rates on its financial position and cash flows. The table below provides a general analysis of interest rate risk by the group of financial instruments that generate (carry) interest income (expenses). It also shows the total financial assets and liabilities of the Group at book value broken down by (a) dates for revising interest rates in accordance with agreements or (b) maturities, depending on which of these dates is earlier.

Indicators (thousand UZS)	To demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More 5 years	Total
<b>December 31, 2020</b>						
Total financial assets	6 960 765	8 465 086	-	-	-	15 425 851
Total financial liabilities	28 927 679	84 829 622	26 394 303	332 504 585	63 410 543	536 066 732
<b>Net interest rate gap on December 31, 2020</b>	<b>(21 966 914)</b>	<b>(76 364 536)</b>	<b>(26 394 303)</b>	<b>(332 504 585)</b>	<b>(63 410 543)</b>	<b>(520 640 881)</b>
<b>December 31, 2019</b>						
Total financial assets	14 738 378	7 839 965	17 851 080	18 599	-	40 448 022
Total financial liabilities	8 941 059	11 568 074	2 282 425	58 710 652	8 179 524	89 681 734
<b>Net interest rate gap on December 31, 2019</b>	<b>5 797 319</b>	<b>(3 728 109)</b>	<b>15 568 655</b>	<b>(58 692 053)</b>	<b>(8 179 524)</b>	<b>(49 233 712)</b>

Interest rates on short-term loan agreements concluded with the bank are fixed and not subject to change as a result of any external or internal circumstances. In 2020, the group fully repaid its long-term borrowed funds.

## 24 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 25 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows:

Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and

Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

Indicators (thousand UZS)	December 31, 2020		December 31, 2019	
	Level 1	Level 3	Level 1	Level 3
<b>FUNCTIONAL ASSETS</b>				
Restricted cash	991 609	-	851 091	-
Cash and cash equivalents	5 907 412	-	2 509 544	-
Trade and other receivables	-	5 863 236	-	16 670 966
Loans issued	-	2 614 610	-	19 118 794
Other financial receivables	-	48 984	-	1 297 627
<b>Итого финансовые активы</b>	<b>6 899 021</b>	<b>8 526 830</b>	<b>3 360 635</b>	<b>37 087 387</b>
<b>FINANCIAL COMMITMENTS</b>				
Trade payables	-	4 103 158	-	12 139 866
Loans received	-	395 857 346	-	66 890 176
Long-term borrowing current part	-	110 953 749	-	2 128 457
Other financial payables	-	25 152 479	-	8 523 235
<b>Total financial liabilities the world</b>	<b>-</b>	<b>536 066 732</b>	<b>-</b>	<b>89 681 734</b>

The table above discloses the sensitivity to inputs for financial assets and financial liabilities when a change in one or more components of the unobservable inputs using realistic alternative assumptions results in a significant change in fair value. For this purpose, a judgment was made as to the significance of the effect of these changes on profit or loss and total assets or total liabilities, or, if changes in fair value are recognized in other comprehensive income, total equity.

During the years ended 31 December 2020 and 31 December 2019, there was no change in valuation techniques for multiple measurements of Level 3 fair values.

## 26 Events after the Reporting Period.

The Covid 19 pandemic that began in 2019 and the related quarantine measures, self-isolation and lockdowns led to the postponement of the launch of a construction glass production line with a capacity of 400 tons per day. The management of the Company at the time of preparation of financial statements is launching and testing the production line and plans to reach the planned production capacity by mid-autumn 2021.

In May 2021, the Company launched a production line for the beneficiation of quartz sand. Enrichment of quartz sand will make it possible to obtain high quality transparent glass.

Approved by the Board and signed on behalf of the Board July 8, 2021

  
Buriev A.  
Chairman of the Board



  
Isaboev A.  
Chief Accountant