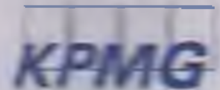
JSC Dehkanabad potash plant

Consolidated Financial Statements for 2021 and Independent Auditors' Report

Contents

Independent Auditors' Report 3
Consolidated Statement of Financial Position 6
Consolidated Statement of Profit or Loss and Other Comprehensive Income 7
Consolidated Statement of Changes in Equity 8
Consolidated Statement of Cash Flows 9
Notes to the Consolidated Financial Statements 10



Independent Auditors' Report

To the Shareholder of Joint Stock Company "Dehkanabad potash plant"

Qualified Opinion

We have audited the consolidated financial statements of Joint Stock Company "Dehkanabad potash plant" (the "Company") (and its subsidiaries (the "Group")), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

We did not observe the counting of inventories stated at UZS 63 332 million and UZS 71 606 million as at 31 December 2021 and 31 December 2020 because we were appointed as auditors of the Group only after specified dates. We were unable to satisfy ourselves as to those inventory quantities by alternative means. As a result, we were unable to determine whether adjustments might have been necessary in respect of inventories as at 31 December 2021 and 31 December 2020, and the related elements making up the consolidated statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows as at and for the years then ended.

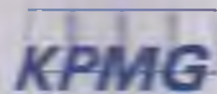
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Audited entity: JSC "Dehkanabad potash plant"

Registered by the Center of State Public services of the Dehkanabad district of the Republic of Uzbekistan on 22 May 2007.

Dehkanabad, Uzbekistan.

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

KPMG AUDIT

Saidov S.K.
General Director
AO "KPMG Audit" LLC
Tashkent, Uzbekistan
30 September 2022

Vakhidov N.V.
Engagement partner

UZS mln	Note	2021	2020
Revenue	5	651 087	450 726
Cost of sales	6	(403 235)	(305 808)
Gross profit		**247 852**	**144 918**
Other income	6	5 008	10 981
Distribution expenses	6	(23 346)	(14 852)
Administrative expenses	6	(59 499)	(25 036)
Other expenses	6	(15 854)	(13 510)
Profit from operating activities		**154 161**	**102 501**
Finance income	7	1 837	191
Finance costs	7	(158 132)	(327 016)
Net finance costs		**(156 295)**	**(326 825)**
Loss before income tax		**(2 134)**	**(224 324)**
Income tax (expense)/benefit	9	(607)	5 818
Loss for the year		**(2 741)**	**(218 506)**
Other comprehensive loss for the year			
Items that will never be reclassified to profit or loss:			
Changes in pension liabilities		(1 699)	(35)
Other comprehensive loss for the year, net of income tax		**(1 699)**	**(35)**
Total comprehensive loss for the year		**(4 440)**	**(218 541)**

These consolidated financial statements were approved by management on 30 September 2022 and were signed on its behalf by:

Chairman of the Board

Usarov R.Sh.

Deputy of Management Board Chairman on economics and finance

Turakulov R.O.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 46.

UZS mln	Note	30 December 2021	31 December 2020
ASSETS			
Property, plant and equipment	11	1 010 909	1 073 538
Other investments		5 633	3 417
Deferred tax assets	9	1 295	-
Non-current assets		**1 017 837**	**1 076 955**
Inventories	12	63 332	71 606
Trade and other receivables	13	52 417	34 822
Other investments		1 569	447
Current income tax assets		-	200
Cash and cash equivalents		103 886	41
Current assets		**221 204**	**107 116**
Total assets		**1 239 041**	**1 184 071**
Equity	15		
Share capital		748 798	691 468
Reserves		(4 788)	(3 089)
Accumulated loss		(2 458 349)	(2 420 406)
Total equity		**(1 714 339)**	**(1 732 027)**
Liabilities			
Loans and borrowings	17	879 311	963 839
Defined benefit pension plan	19	40 458	2 272
Other long-term liabilities		63	476
Deferred tax liabilities	9	-	12 876
Non-current liabilities		**919 832**	**979 463**
Loans and borrowings	17	1 759 992	1 698 194
Trade and other payables	18	255 244	233 521
Other taxes payable		4 393	3 957
Current tax liabilities		13 919	963
Current liabilities		**2 033 548**	**1 936 635**
Total liabilities		**2 953 380**	**2 916 098**
Total equity and liabilities		**1 239 041**	**1 184 071**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 46.

UZS mln	Note	Share capital	Reserves	Accumulated loss	Total
Balance at 1 January 2020		**691 468**	**(3 054)**	**(2 201 373)**	**(1 512 959)**
Total comprehensive loss					
Loss for the year		-	-	(218 506)	(218 506)
Other comprehensive loss					
Changes in pension liabilities		-	(35)	-	(35)
Total other comprehensive loss		-	**(35)**	-	**(35)**
Total comprehensive loss for the year		-	**(35)**	**(218 506)**	**(218 541)**
Transactions with owner of the Company					
Dividends		-	-	(279)	(279)
Other transactions with owner of the Company		-	-	(248)	(248)
Total transactions with owner of the Company		-	-	**(527)**	**(527)**
Balance at 31 December 2020		**691 468**	**(3 089)**	**(2 420 406)**	**(1 732 027)**
Balance at 1 January 2021		**691 468**	**(3 089)**	**(2 420 406)**	**(1 732 027)**
Total comprehensive loss					
Loss for the year		-	-	(2 741)	(2 741)
Other comprehensive loss					
Changes in pension liabilities	19	-	(1 699)	-	(1 699)
Total other comprehensive loss		-	**(1 699)**	-	**(1 699)**
Total comprehensive loss for the year		-	**(1 699)**	**(2 741)**	**(4 440)**
Transactions with owner of the Company					
Dividends		-	-	(5 928)	(5 928)
Other transactions with owner of the Company		-	-	(46)	(46)
Changes in share capital	15	57 330	-	(29 228)	28 102
Total transactions with owner of the Company		**57 330**	-	**(35 202)**	**22 128**
Balance at 31 December 2021		**748 798**	**(4 788)**	**(2 458 349)**	**(1 714 339)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 46.

UZS mln	2021	2020
Cash flows from operating activities		
Loss for the year	(2 741)	(218 506)
Adjustments:		
Depreciation	101 419	96 972
Reserve for obsolete stock	8 669	1 408
Changes in allowance for impairment and previously written-off financial assets	(2 241)	9 689
Penalties accrued	15 849	352
Income from payables write off	(39)	(7 704)
Interest expense	66 240	63 053
Exchange differences	95 564	266 196
Pension cost	37 230	-
Income tax expense/(benefit)	607	(5 818)
	320 557	**205 642**
Changes in:		
Inventories	(395)	(6 843)
Trade and other receivables	(29 791)	(46 787)
Trade and other payables	(1 804)	(12 171)
Other tax liabilities	436	1 701
Cash flows from operations before income taxes and interest paid	**289 003**	**141 542**
Income tax paid	(1 622)	(804)
Interest paid	(31 689)	(48 742)
Net cash flows from operating activities	**255 692**	**91 996**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1 095	404
Acquisition of property, plant and equipment	(39 885)	(24 763)
Acquisition of other investments	(3 339)	(490)
Net cash used in investing activities	**(42 129)**	**(24 849)**
Cash flows from financing activities		
Proceeds from borrowings	73 810	38 544
Repayment of borrowings	(182 766)	(116 964)
Dividends paid	(762)	(2 000)
Net cash used in financing activities	**(109 718)**	**(80 420)**
Net increase/(decrease) in cash and cash equivalents	**103 845**	**(13 273)**
Cash and cash equivalents at 1 January	41	13 314
Cash and cash equivalents as at 31 December	**103 886**	**41**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 46.

1 Reporting entity

(a) Business environment

Uzbekistan business environment

JSC Dehkanabad potash plant (hereinafter the "Company") and its subsidiaries (hereinafter the "Group") operations are primarily located in the Republic of Uzbekistan. Consequently, the Group is exposed to the economic and financial markets of the Republic of Uzbekistan which display characteristics of an emerging market. The legal, tax, and regulatory frameworks continue to be developed and are subject to varying interpretations and frequent changes which, together with other legal and fiscal impediments, add to the challenges faced by entities operating in the Republic of Uzbekistan. The COVID-19 coronavirus pandemic has further increased uncertainty in the business environment.

Uzbekistan continued reforms initiated by the President under the program *Action on five priority directions of development of the Republic of Uzbekistan in 2017-2021*. In the recent years the major currency conversion restrictions have been repealed, mandatory sale of foreign currency generated by export sales has been abolished, settlement period for export transactions has been increased, one-stop-shop of government services has been introduced and other positive changes have been implemented.

COVID-19 pandemic did not result in major interruptions of the Group's production process and did not significantly affect business of the Group.

The consolidated financial statements reflect management's assessment of the impact of the Uzbekistan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(b) Organisation and operations

The Group comprises companies registered in the Republic of Uzbekistan. The Company was established in 2007.

The company is registered in Dehkanabad district, Kashdaryinskiy region, Republic of Uzbekistan, 180405.

The Group's core business is mining of syilvinite and production of potash on its base. The Group's activities are mainly conducted in Kashdaryinskiy region. The Group's products are sold in the Republic of Uzbekistan and abroad.

The principal shareholders of the Group:

	Ownership, %	
	31 December 2021	**31 December 2020**
JSC Uzkimyosanoat	100%	100%

The ultimate beneficiary of the Group is the Republic of Uzbekistan. Details of transactions with related parties, including state-controlled entities, are disclosed in Note 23.

2 Basis of accounting

(a) Statement of compliance

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

(b) Going concern

In 2021 and 2020, the Group received net loss of UZS 2 741 million and UZS 218 506 million, respectively. As at 31 December 2021, current liabilities of the Group exceeded current assets by UZS 1 812 344 million, in 2021, the Group breached covenants under two loan agreements, the outstanding balance of debt as at 31 December 2021 amounted to UZS 1 638 353 million, the Group's negative net assets as at 31 December 2021 equaled to UZS 1 714 339 million. These financial results are mainly caused by significant amount of financial liabilities nominated in foreign currency that were attracted for realization of investment projects in 2007-2011. Since then national currency significantly devaluated against US dollar. Foreign exchange loss for 2021 and 2020 amounted to UZS 91 892 million and UZS 263 963 million, respectively.

As at the date of these consolidated financial statements authorization the following measures were taken to ensure fulfilment of the Group's liabilities:

a) In accordance with decision of the President of Republic Uzbekistan loans in the amount of UZS 1 638 353 million as at 31 December 2021 will be converted to share capital of the Company through additional share issue. Therefore in 2021 and 2022 the Group did not make payments of respective loans. It is expected that conversion will be completed in 2022.

b) In accordance with decision of the parent company loans due to the parent company in the amount of UZS 22 531 million were converted to share capital of the Company through additional share issue (see Note 15(a)).

As at 31 December 2021, the Group's financial liabilities to a state-controlled bank maturing in 2022-2031 amounted to UZS 999 369 million. During 2021 and 2022, the Group fulfilled its obligations to this bank in accordance with the terms of the respective contracts. All bank loans of the Group are secured by government guarantees or guarantees from related parties.

The Group also received guarantees of financial support from the parent company.

In 2022, there was an increase in the selling price of the Group's products by 128% compared to 2021.

Based on these factors, management has a reasonable expectation that the Group has sufficient liquidity. Therefore, management concluded that there is no material uncertainty that may cast significant doubt about its ability to continue as a going concern and reasonably applied the going concern basis of accounting in the preparation of the Group's consolidated financial statements for the year 2021.

3 Functional and presentation currency

The national currency of the Republic of Uzbekistan is Uzbekistani som ("UZS"), which is the Group's companies functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in UZS has been rounded to the nearest million, except when otherwise indicated.

4 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the Notes 22 – litigations.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group involves independent appraiser if complex calculations of fair values are required. Key assumptions used in valuations are agreed with the Group's management.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in estimating fair value, see Note 20 – financial instruments.

5 Revenue

The Group generates its revenue mainly from the sale of mineral fertilisers and related products.

UZS mln	2021	2020
Potash	642 942	444 930
Other revenue	8 145	5 796
Total revenue	**651 087**	**450 726**

Almost all revenues relate to contracts with customers.

In 2021, approximately 78% of revenues related to export (2020: 72%).

As at 31 December 2021 and 31 December 2020, information about the remaining performance obligations with the initial expected duration of one year or less is not disclosed as permitted by IFRS 15.

6 Income and expenses

(a) Cost of sales

UZS mln	2021	2020
Purchases of services	52 487	60 750
Raw materials and supplies	88 418	57 008
Labour and wages	115 823	59 994
Social contributions	9 926	7 677
Depreciation	101 419	96 972
Other	13 640	12 797
Changes in balances of finished goods and work in progress	21 522	10 610
	403 235	**305 808**

(b) Other income

UZS mln	2021	2020
Gain on write-off of accounts payable	39	7 704
Changes in allowance for impairment and previously written-off financial assets	2 241	-
Other	2 728	3 277
	5 008	**10 981**

(c) Distribution expenses

UZS mln	2021	2020
Commission fee	9 127	5 735
Wages and salaries	3 800	4 056
Other	10 419	5 061
	23 346	**14 852**

(d) Administrative expenses

UZS mln	2021	2020
Wages and salaries	10 272	6 543
Social security contributions	1 023	662
Bank services	6 947	2 221
Consulting services	36 462	11 368
Other	4 795	4 242
	59 499	**25 036**

(e) Other expenses

UZS mln	2021	2020
Penalties	15 849	352
Changes in allowance for impairment and previously written-off financial assets	-	9 689
Other	5	3 469
	15 854	**13 510**

7 Net finance costs

UZS mln	2021	2020
Other	1 837	191
Total finance income	**1 837**	**191**
Interest expense	(66 240)	(63 053)
Net foreign exchange loss	(91 892)	(263 963)
Total finance expenses	**(158 132)**	**(327 016)**
Net finance costs recognised in profit or loss	**(156 295)**	**(326 825)**

8 Employee benefits

UZS mln	2021	2020
Wages and salaries	129 895	70 593
Social security contributions	10 949	8 339
	140 844	**78 932**

9 Income tax expense

(a) Amounts recognised in profit or loss

The Group's applicable tax rate in 2020 is 15% (2019: 15%; 1 January 2019: 12%) and represents the income tax rate for Uzbek companies.

UZS mln	**2021**	**2020**
Current income tax		
Accrued in the reporting period	(14 778)	(1 275)
	(14 778)	**(1 275)**
Deferred income tax		
Origination and reversal of temporary differences	14 171	7 093
	14 171	**7 093**
Total income tax (expense)/benefit	**(607)**	**5 818**

(b) Reconciliation of effective tax rate:

	2021		**2020**	
	UZS mln	**%**	**UZS mln**	**%**
Loss before income tax	(2 134)	(100)	(224 324)	(100)
Income tax at applicable tax rate	320	15	33 649	15
Underprovided in prior periods	(3 724)	(175)	-	-
Non-deductible expenses	2 797	131	(27 831)	(12)
	(607)	**(29)**	**5 818**	**27**

(c) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
UZS mln	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Property, plant and equipment	20 901	17 238	(38 880)	(40 856)	(17 979)	(23 618)
Investments	1 562	1 825	-	-	1 562	1 825
Inventories	4 291	3 928	-	-	4 291	3 928
Trade and other receivables	11 558	9 210	-	-	11 558	9 210
Loans and borrowings	-	64	-	(4 825)	-	(4 761)
Trade and other payables	1 873	540	(10)	-	1 863	540
Tax assets/(liabilities)	**40 185**	**32 805**	**(38 890)**	**(45 681)**	**1 295**	**(12 876)**
Set-off of tax	(38 890)	(32 805)	38 890	32 805	-	-
Net tax assets/(liabilities)	**1 295**	**-**	**-**	**(12 876)**	**1 295**	**(12 876)**

(d) Movement in deferred tax balances

UZS mln	1 January 2021	Recognized in profit or loss	31 December 2021
Property, plant and equipment	(23 618)	5 639	(17 979)
Investments	1 825	(263)	1 562
Inventories	3 928	363	4 291
Trade and other receivables	9 210	2 348	11 558
Loans and borrowings	(4 761)	4 761	-
Trade and other payables	540	1 323	1 863
	(12 876)	**14 171**	**1 295**

UZS mln	1 January 2020	Recognized in profit or loss	31 December 2020
Property, plant and equipment	(29 374)	5 756	(23 618)
Investments	1 847	(22)	1 825
Inventories	3 500	428	3 928
Trade and other receivables	7 794	1 416	9 210
Loans and borrowings	(4 746)	(15)	(4 761)
Trade and other payables	1 010	(470)	540
	(19 969)	**7 093**	**(12 876)**

10 Adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA)

Management of the Group provided information on the adjusted EBITDA. This indicator is used by management to assess the financial performance of the Group and, therefore, management believes that its presentation is appropriate. Adjusted EBITDA is calculated by adjusting profit/loss before tax to exclude the impact of net finance costs and depreciation.

Adjusted EBITDA is not a prescribed measure of financial performance under IFRS. Accordingly, the procedure for calculating the adjusted EBITDA applied by the Group may not correspond to the procedure for calculating the same indicator used by other entities.

Reconciliation of adjusted EBITDA to loss before income tax for the period

UZS mln	2021	2020
Loss before income tax	(2 134)	(224 324)
Adjustments:		
Net finance costs	156 295	326 825
Depreciation	101 419	96 972
Adjusted EBITDA	**255 580**	**199 473**

11 Property, plant and equipment

UZS mln	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost or deemed cost						
Balance as at 1 January 2020	587 947	589 421	11 882	12 447	44 431	1 246 128
Additions	1	570	-	3	24 189	24 763
Put in use	68	42 985	-	220	(43 273)	-
Disposals	(3)	(35)	(6)	(4)	(404)	(452)
Balance as at 31 December 2020	**588 013**	**632 941**	**11 876**	**12 666**	**24 943**	**1 270 439**
Balance as at 1 January 2021	588 013	632 941	11 876	12 666	24 943	1 270 439
Additions	56	479	50	1	39 299	39 885
Put in use	2 585	22 262	2 304	47	(27 198)	-
Disposals	(3)	(40)	-	(27)	(1 075)	(1 145)
Balance as at 31 December 2021	**590 651**	**655 642**	**14 230**	**12 687**	**35 969**	**1 309 179**

UZS mln	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Depreciation and impairment losses						
Balance as at 1 January 2020	31 022	64 527	1 533	2 895	-	99 977
Depreciation for the year	31 055	62 530	1 282	2 105	-	96 972
Disposals	(3)	(35)	(6)	(4)	-	(48)
Balance as at 31 December 2020	**62 074**	**127 022**	**2 809**	**4 996**	**-**	**196 901**
Balance as at 1 January 2021	62 074	127 022	2 809	4 996	-	196 901
Depreciation for the year	31 095	66 845	1 387	2 092	-	101 419
Disposals	(3)	(40)	-	(7)	-	(50)
Balance as at 31 December 2021	**93 166**	**193 827**	**4 196**	**7 081**	**-**	**298 270**
Carrying amount						
As at 31 December 2020	**525 939**	**505 919**	**9 067**	**7 670**	**24 943**	**1 073 538**
As at 31 December 2021	**497 485**	**461 815**	**10 034**	**5 606**	**35 969**	**1 010 909**

(a) Security

At 31 December 2021, property, plant and equipment with a carrying amount of UZS 802 157 million (31 December 2020: UZS 856 232 million) was pledged as collateral for bank loans (see Note 17).

12 Inventories

UZS mln	31 December 2021	31 December 2020
Raw materials and consumables	58 528	42 494
Work in progress	398	856
Finished products and goods for resale	33 014	48 195
Allowance for obsolete or slow-moving inventories impairment	(28 608)	(19 939)
	63 332	**71 606**

13 Trade and other receivables

UZS mln	31 December 2021	31 December 2020
Trade receivables	2 624	8 706
Advances to suppliers	33 310	14 847
Other receivables	468	2 365
Other taxes receivable	16 149	9 302
Allowance for doubtful debts	(134)	(398)
	52 417	**34 822**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 20.

14 Cash and cash equivalents

UZS mln	31 December 2021	31 December 2020
Bank balances	103 886	41
Cash and cash equivalents	**103 886**	**41**

The fair value of cash and cash equivalents is equal to their carrying amount. Bank balances and term deposits are neither overdue nor impaired. Cash balances are kept in state banks.

As at 31 December 2021, restricted cash amounts UZS 48 119 million.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 20.

15 Capital and reserves

(a) Share capital

Shares, unless other specified	**31 December 2021**	**31 December 2020**
Ordinary shares	2 301 392 924 315	691 467 965 251
Par value (UZS)	1	1
Issued shares as at the reporting date unpaid	1 552 595 080 242	-
Issued and fully paid shares as at the reporting date	**748 797 844 073**	**691 467 965 251**

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company.

In 2021, the Company increased its share capital by additional issue of 1 609 924 959 064 shares, 5 571 041 156 shares were paid by offsetting against dividends declared in 2021, 51 758 837 666 shares were paid by offsetting against previously provided interest free loans from parent company in the amount of UZS 22 531 million and also by the effect of interest free loans from parent company discounting previously recognized in retained earnings in the amount of UZS 29 228 million, while the other part was unpaid as at 31 December 2021 and were included in other receivables, see Note 13.

(b) Dividends

Dividends declared in 2021 amounted to UZS 5 928 million or 0.01 sum per share, of which 5 571 million were offset in the charter capital (2020: UZS 279 million or 0.0004 sum per share). As at 31 December 2021, dividends payable amounted to UZS 40 million (31 December 2020: UZS 445 million) and were included in other payables (see Note 18).

(c) Reserves

Reserves relate to recognition of actuarial losses with respect to pension liabilities through other comprehensive income.

16 Capital management

The Group has no formal policy for capital management. Measures taken to increase equity of Group are described in Note 2(b).

There were no changes in the Group's approach to capital management during the year.

17 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see Note 20.

UZS mln	31 December 2021	31 December 2020
Non-current liabilities		
Non-secured loans from related parties	-	22 531
Secured bank loans	879 311	941 308
	879 311	**963 839**
Current liabilities		
Non-secured loans from related parties	-	11 909
Current portion of secured bank loans	1 759 992	1 686 285
	1 759 992	**1 698 194**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

UZS mln	Currency	Nominal interest rate	Year of maturity	31 December 2021 Carrying amount	31 December 2020 Carrying amount
Secured bank loans	USD	2.25%	2022	1 638 353	1 550 333
	USD	2.25%	2022-2031	801 509	852 272
	USD	2.25%	2022-2027	197 860	220 696
	UZS	20.00%	2022	1 581	-
	USD	5.00%	2021	-	2 172
	UZS	20.00%	2021	-	2 120
Non-secured loans from related parties	UZS	-	2022-2027	-	22 531
	USD	9.00%	2021	-	11 909
				2 639 303	**2 662 033**

Bank loans are secured by property, plant and equipment with carrying amount of UZS 802 157 million (31 December 2020: UZS 856 232 million), see Note 11.

A number of loans outstanding at year end contain certain restrictive covenants relating to improper execution of obligations.

As at 31 December 2021 and 31 December 2020, the Group breached covenants under certain loan agreements in the amount of UZS 1 638 353 million as at 31 December 2021 (31 December 2020: UZS 1 550 333 million). Respective liabilities were classified as short term.

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

UZS mln	
Balance as at 31 December 2019	**2 511 567**
Proceeds from loans and borrowings	38 544
Repayment of borrowings	(116 964)
Interest expense	63 053
Interest paid	(48 742)
Effect of changes in foreign exchange rates	248 137
Offset of loans and receivables	(33 562)
Balance as at 31 December 2020	**2 662 033**
Proceeds from loans and borrowings	73 810
Repayment of borrowings	(182 766)
Interest expense	66 241
Interest paid	(31 689)
Effect of changes in foreign exchange rates	88 642
Offset of loans and share capital	(22 531)
Offset of loans and receivables	(14 437)
Balance as at 31 December 2021	**2 639 303**

18 Trade and other payables

UZS mln	31 December 2021	31 December 2020
Trade payables	203 689	221 148
Other payables	30 498	11 798
Advances received	21 057	575
	255 244	**233 521**

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 20.

19 Defined benefit plan

The Group's post-employment and post-retirement benefits plan provides for additional pension payments and additional financial support for retired employees, and provides for additional financial assistance for disabled persons. The amount of pension payments depends on the length of service in the Group of participants in the program. The amount of non-recurring payments on retirement depends on the amount of the monthly salary and the length of service of the employee at the time of retirement.

The last independent actuarial valuation of pension payments and other post-employment and post-retirement benefits at 31 December 2021 for IFRS purposes was performed in August 2022. For the purpose of valuation at the request of the Group, census data for the Group's employees as at the valuation date were prepared.

(a) Changes in net liabilities of defined benefit plans

Reconciliation between the opening and closing balances of the net defined benefit obligation and its components is as follows:

	Defined benefit obligations	
UZS mln	**31 December 2021**	**31 December 2020**
Balance at 1 January	**2 471**	**2 139**
Allocated to profit or loss		
Current service fees	462	272
Past service cost due to changes in plan terms	36 486	-
Interest expense	282	251
	37 230	**523**
Allocated to other comprehensive income		
Actuarial losses	1 699	35
	1 699	**35**
Other		
Payments made	(364)	(225)
	(364)	**(225)**
Balance at 31 December	**41 036**	**2 471**

Including short-term portion: UZS 578 million (2020: UZS 200 million), long-term portion: UZS 40 458 million (2020: UZS 2,272 million).

(b) Actuarial assumptions

Key actuarial assumptions at the reporting date are as follows:

	2021	**2020**
Discount rate	10%	12%
Inflation	7%	8%
Amount of minimum wage	822 000	747 300
Increase in minimum wage	9%	10%

(c) Sensitivity analysis

The following is a description of how a reasonably possible change in one of the significant actuarial assumptions at the reporting date may affect the defined benefit obligation if other actuarial assumptions remain constant:

31 December 2021	Defined benefit obligations	
UZS mln	**Increase**	**Decrease**
Discount rate (0.5% change)	(3 311)	2 179
Wages (0.5% change)	2 194	(3 348)

20 Fair values and risk management

(a) Accounting classifications and fair value

The Group has no financial assets and liabilities measured at fair value other than investments in equity instruments measured at fair value through other comprehensive income. These investments are classified as Level 1. Their fair value is determined based on quoted market prices.

As at 31 December 2021 and 31 December 2020, the carrying amounts of the Group's financial assets and liabilities were not materially different from their fair values.

As at 31 December 2021 and 31 December 2020, the fair values of financial assets (excluding investments referred to above) and liabilities were determined on the basis of discounted cash flows from these instruments using market interest rate, thus the fair values of financial assets and liabilities are classified as Level 3 in the fair value hierarchy.

(b) Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 1, 2 and 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type of financial instrument	Valuation technique
Equity investments	Quoted market price method

Financial instruments not measured at fair value

Type of financial instrument	Valuation technique
Cash and cash equivalents	Discounted Cash Flow
Other investments	Discounted Cash Flow
Trade and other receivables	Discounted Cash Flow
Other financial liabilities	Discounted Cash Flow

* Other financial liabilities include loans and borrowings, trade and other payables.

(c) Financial risk management

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

- credit risk (Note 20(c)(ii));
- liquidity risk (Note 20(c)(iii));
- market risk (Note 20(c)(iv)).

(i) Risk management framework

The Supervisory Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

Formalised risk management policies are in the process of being established and approved. Key risk management decisions are taken by the Supervisory Board.

(ii) Credit risk

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

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

The credit risk exposure related to trade and other receivables in terms of markets was as follows:

	Carrying amount	
UZS mln	**31 December 2021**	**31 December 2020**
Domestic market	2 956	6 152
Export	2	4 521
	2 958	**10 673**

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base, including the default risk of the industry and country in which customers operate.

As at 31 December 2021 100% (31 December 2020: 81%) of receivables relate to state-controlled companies. The Group derecognises accounts receivable when the payment is overdue by more than 1 year as the recoverability of the receivable is low. For the remaining receivables, the Group recognises an impairment allowance based on its available official credit ratings or ratings calculated by itself.

The credit risk exposure related to trade and other receivables at the reporting date by group of counterparties by credit rating was as follows:

UZS mln	**31 December 2021**	**31 December 2020**
External credit rating Caa	1 816	7 101
Sovereign credit rating of the Republic of Uzbekistan	1 276	3 970
Total gross carrying amount	**3 092**	**11 071**
Expected credit losses	(134)	(398)
Total net carrying amount	**2 958**	**10 673**

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 December 2021		**Contractual cash flows**				
UZS mln	**Carrying amount**	**Total**	**Up to 1 year**	**1 - 3 yrs**	**3 - 5 yrs**	**Over 5 years**
Bank loans and borrowings	2 639 303	2 736 731	1 781 446	255 367	245 424	454 494
Trade and other payables	234 187	234 187	234 187	-	-	-
	2 873 490	**2 970 918**	**2 015 633**	**255 367**	**245 424**	**454 494**

31 December 2020		**Contractual cash flows**				
UZS mln	**Carrying amount**	**Total**	**Up to 1 year**	**1 - 3 yrs**	**3 - 5 yrs**	**Over 5 years**
Bank loans and borrowings	2 662 033	2 781 975	1 732 323	252 566	242 999	554 087
Trade and other payables	232 946	232 946	232 946	-	-	-
	2 894 979	**3 014 921**	**1 965 269**	**252 566**	**242 999**	**554 087**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iv) Market risk

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

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group entities. The functional currencies of the Group companies are Uzbekistani soms (UZS). The currency in which the above transactions are primarily denominated is US Dollar.

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

Exposure to currency risk

The Group's exposure to currency risk, based on nominal values, was as follows:

UZS mln	**USD-denominated**	
	31 December 2021	**31 December 2020**
Trade receivables	-	4 779
Loans and borrowings	(2 637 722)	(2 637 382)
Trade payables	(206 367)	(194 472)
Net exposure	**(2 844 089)**	**(2 827 075)**

The following significant exchange rates have been applied during the year:

in UZS	Average rate		Reporting date spot rate	
	2021	2020	31 December 2021	31 December 2020
USD 1	10 612	10 065	10 838	10 477

Sensitivity analysis

A reasonably possible strengthening (weakening) of the UZS, as indicated below, against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss before taxes by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales revenue and purchases.

	Strengthening		Weakening	
UZS mln	Equity	Profit or loss	Equity	Profit or loss
31 December 2021				
UZS (10% movement) to USD	284 409	284 409	(284 409)	(284 409)
31 December 2020				
UZS (10% movement) to USD	282 708	282 708	(282 708)	(282 708)

Interest rate risk

Interest rate risk is caused by changes in interest rates, which may affect the Group's financial results or the amount of the Group's equity. Changes in interest rates may lead to changes in interest income and expense.

The Group performs interest rate risk management with the objective of ensuring the sustainability of the net financial result of interest-bearing items.

The Group does not hedge interest rate risk.

Exposure to interest rate risk

As at the reporting date the interest interest-bearing financial instruments comprised fixed-rate instruments.

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial instruments as FVTPL or FVOCI. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

21 Commitments

As at the reporting date the Group does not have significant commitments.

22 Contingencies

(a) Insurance

The insurance industry in the Republic of Uzbekistan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group property or relating to

Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigations

As at 31 December 2020, the Group participates in a number of litigations. The amount of claims under pending litigations, where based on the Group's estimate negative result is probable, amounts to UZS 194 312 million (31 December 2020: UZS 187 844 million). Respective liabilities were recognized within trade payables (see Note 18).

(c) Taxation contingencies

Taxation contingencies in Uzbekistan

The taxation system in the Republic of Uzbekistan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties, and interest charges. A tax year generally remains open for review by the tax authorities during the five subsequent calendar years.

All these circumstances may create tax risks in the Republic of Uzbekistan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Uzbekistan tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The tax authorities may review prices on transactions with customers for compliance with market and contractual prices. They may charge additional taxes if they conclude that the taxpayer received an unjustified tax benefit as a result of such transactions.

The Group acquires property, plant and equipment as part of its investing activities. Management of the Group believes that depreciation expense on items of property, plant and equipment is in compliance with current tax legislation, however, there is a risk that the Group will incur additional expenses if management's position regarding the tax treatment of these expenses is challenged by the tax authorities in the event of insufficient documentation of expenses on the acquisition of items of property, plant and equipment. Amount of depreciation expense recognized for tax purposes for 2021 amounted to UZS 87 068 million (2020: UZS 92 606 million). Management of the Group believes that it is not possible to determine the financial implications of potential tax liabilities which may arise for the Group due to the variety of approaches by the tax authorities inspection.

23 Related parties

(a) Parent company and ultimate controlling party

The Company's immediate and ultimate parent company is JSC Uzkimyosanoat. The Group's ultimate controlling party is the Republic of Uzbekistan.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in employee benefit expenses (see Note 8):

UZS mln	2021	2020
Salaries and bonuses, and Contributions to State pension fund	1 587	974
	1 587	**974**

(c) Other related party transactions

	Transaction value for the year ended 31 December	
UZS mln	**2021**	**2020**
Sales of goods and services:		
Companies under state control	31 317	38 339
Companies under common control	3 838	3 015
Other related parties	-	384
Purchases of goods and services:		
Companies under state control	22 819	22 732
Companies under common control	48 079	25 885
Interest expense:		
Banks under state control	63 710	59 317
Companies under common control	2 530	2 127
Parent company	-	1 609

	Outstanding balance as at	
UZS mln	**31 December 2021**	**31 December 2020**
Sales of goods and services:		
Companies under state control	266	5 980
Companies under common control	622	2 280
Other related parties	205	48
Purchases of goods and services:		
Companies under state control	2 765	3 185
Companies under common control	(22 326)	(939)
Investments:		
Banks under state control	618	521
Companies under common control	82	1
Loans received:		
Banks under state control	2 639 303	2 627 593
Companies under common control	-	11 909
Parent company	-	22 531

In 2021, the Group settled net loans received and receivables in the amount of UZS 14 437 million (2020: UZS 33 562 million) (see Note 17(b)), also in 2021, the Group reclassified loans received from parent company in the amount of UZS 22 531 million to share capital (see Note 15 (a)). Other outstanding balances with related parties are to be settled in cash within 12 months, except for loans and borrowing (see Note 17 and Note 2(b)). None of the balances are secured, except for loans and borrowings (see Note 17). The Group did not issue guarantees to related parties. Bank loans are secured with guarantees of parent company and the Republic of Uzbekistan.

24 Subsequent events

In June 2022, dividends in the amount of UZS 28 705 million were approved for payment by the decision of the shareholder.

25 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Set out below is a list of the significant accounting policies, the details of which are available on the pages that follow:

(a)	Basis of consolidation	31
(b)	Revenue	33
(c)	Finance income and finance costs	34
(d)	Foreign currency	34
(e)	Employee benefits	35
(f)	Income tax	36
(g)	Inventories	37
(h)	Property, plant and equipment	37
(i)	Financial instruments	38
(j)	Share capital	42
(k)	Impairment	43
(l)	Provisions	45

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see Note 25(a)(ii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (see Note 25(a)(iii)).

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less

— The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated in full to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of additional paid-in capital. Any cash paid for the acquisition is recognised directly in equity.

(v) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as measured at FVOCI financial asset depending on the level of influence retained.

(vi) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share in the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

(i) Sale of goods

The Group generates revenue mainly from the sale of potash. Other revenue includes provision of services and sales of other finished goods (see Note 5).

Generally, the Group recognises revenue when there is compelling evidence (usually in the form of an executed sales contract) that control over the goods has been transferred to the customer. The moment of transfer of control and payment terms vary depending on the specific terms of the purchase agreement and characteristics of the buyer. As a rule, settlements under a specific contract with a customer take place over a period of less than a year, which is why the Group applies a practical expedient and does not calculate a significant financing component for such contracts.

The Group does not offer discounts, bonuses or premiums to its customers.

The Group grants standard warranties on the quality of its products. There is no separate obligation to provide product warranties under contracts with customers.

(ii) Services

Revenue from services rendered is recognised in proportion to the stage of completion of works under the agreement as at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

c) Finance income and finance costs

The Group's finance income and costs include:

— interest income;

— interest expense;

— dividend income;

— profit or loss on revaluation of financial assets and financial liabilities in foreign currency.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

— the gross carrying amount of the financial asset; or

— the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

d) Foreign currency

i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

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

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

Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

— an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

(e) Employee benefits

(i) Short-term employee benefits

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

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees. they are recognised in profit or loss as incurred.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions to a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions.

Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(iii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or

loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(f) Income tax

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

In accordance with the tax legislation of the Republic of Uzbekistan, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group's management believes that its tax liabilities are recognised to the full extent for all open tax years based on its assessment of many factors, including interpretations of Uzbek tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available causing the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period in which such judgment is made.

g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted-average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of self-manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

h) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment at 1 January 2019, the Group's date of transition to IFRSs, was determined by reference to their fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

ii) Subsequent expenditure

Subsequent expenditure increases the cost of items of property, plant and equipment only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) ***Depreciation and amortisation***

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

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

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

- buildings 2-46 years;
- plant and equipment 1-19 years;
- vehicles 1-20 years;
- others 1-10 years.

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

Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

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

Financial assets are reclassified after their initial recognition only if the Group changes the financial assets management business model, in which case the affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

— it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – business model assessment

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

— the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

— how the performance of the portfolio is evaluated and reported to the Group's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

— how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;

— the frequency, volume and timing of financial assets sales in prior periods, the reasons for such sales and expectations about future sales activity.

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

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

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

— contingent events that would change the amount and timing of cash flows;

— terms that may adjust the contractual coupon rate, including variable-rate features;

— prepayment and extension features; and

— terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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

Financial assets – subsequent measurement and gains and losses

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

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

ii) ***Modification of financial assets and financial liabilities***

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as

'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

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

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

— change in the currency of the financial asset;

— change in collateral or other credit enhancement;

— change of terms of a financial asset that lead to non-compliance with the SPPI criterion (e.g. inclusion of conversion feature).

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

Financial liabilities

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

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

Changes in cash flows on existing financial liabilities are not considered as a modification if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CB of the Republic of Uzbekistan key rate, if the loan contract entitles banks to do so and the Group has an option to redeem the loan early at par without a material penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

— change in the currency of the financial liability;

— change in collateral or other credit enhancement;

— inclusion of conversion option;

— change in the subordination of the financial liability.

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to sell the asset and settle the liability simultaneously.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

— financial assets measured at amortised cost;

— debt investments measured at FVOCI; and

— contract assets.

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

— debt securities that are determined to have low credit risk at the reporting date, and

— other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

— the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'. The Group considers it to be Baa3 or higher per Moody's rating agency.

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

— significant financial difficulty of the borrower or issuer;

— a breach of contract such as a default or being more than 90 days past due;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

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

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. For individuals the Group has a policy of writing off the gross carrying amount when a financial asset is 180 days past due based on historical experience of recovering amounts on similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group does not expect significant recoveries of amounts written off. However, financial assets that were written off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For

goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each reporting date.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

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

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the

amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all existing contracts as at 31 December 2020 will be performed prior to the effective date of the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Other standards

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

— COVID-19-Related Rent Concessions beyond 30 June 2020 (Amendment to IFRS 16).

— *Annual Improvements to IFRS Standards 2018-2020 Cycle – various standards.*

— Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 *Property, Plant and Equipment*).

— References to Conceptual Framework for Financial Statements (Amendments to IFRS 3).

— Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

— IFRS 17 *Insurance contracts.*

— Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).

— Definition of Accounting Estimates (Amendments to IAS 8).