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## **FE «INDORAMA KOKAND TEXTILE» JOINT STOCK COMPANY**

### **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**FE «INDORAMA KOKAND TEXTILE» JSC**

has received \_\_\_\_\_ copy(ies) of the Independent Auditor's Report  
(in writing)

" \_\_\_\_\_ " 2022

\_\_\_\_\_  
Seal (surname and initials) \_\_\_\_\_ (signature)

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

The following statement, which should be read in conjunction with the independent auditors' responsibilities with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of the FE JSC "Indorama Kokand Textile" (the "Company").

Management of the Company is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2021, the results of its operations, cash flows and changes in capital for the year ended December 31, 2021 in accordance with the International Financial Reporting Standards (the "IFRS").

In preparing the financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

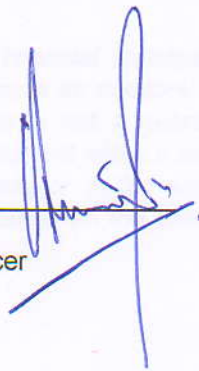
Management of the Company is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control, throughout the Company;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with legislation, accounting standards of the Republic of Uzbekistan and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- detecting and preventing fraud, errors and other irregularities.

The financial statements for the year ended December 31, 2021 were approved and authorized for issue on January 28, 2022 by the Management of the Company.

On behalf of the Management of the Company:

  
Deepak Raina  
General Director

  
Amit Jain  
Chief Finance Officer





## INDEPENDENT AUDITOR'S REPORT

To the shareholders of FE JSC «Indorama Kokand Textile»

### *Opinion*

We have audited the accompanying financial statements of FE JSC «Indorama Kokand Textile» (the "Company") which comprise the Statement of Financial Position as at 31 December 2021 and the Statement of Profits or Loss and Other Comprehensive Income, the Statement of Changes in Equity and Cash Flow Statement for the period from 1 January 2021 to 31 December 2021 and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present truly and fairly, in all material respects, the financial position of the Company as of 31 December 2021 and its financial performance and its cash flows for the period from 1 January 2021 to 31 December 2021 in accordance with International Financial Reporting Standards (IFRS).

### *Basis for Opinion*

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 Financial Statements section of our report. We are independent of the Company in accordance with the independence requirements that are relevant to our audit of the financial statements in with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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

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

In preparing the financial statements, management is responsible for assessing the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company financial reporting process.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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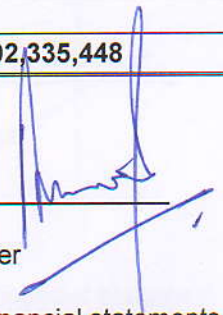
## FE "INDORAMA KOKAND TEXTILE" JSC

STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021

	<u>Note</u>	<u>31 December 2021</u> <u>US\$</u>	<u>31 December 2020</u> <u>US\$</u>
<b>ASSETS</b>			
<b><u>Non-current Assets</u></b>			
Property, plant and equipment	7	103,429,621	110,858,076
<b>Total non-current assets</b>		<b>103,429,621</b>	<b>110,858,076</b>
<b><u>Current Assets</u></b>			
Inventories	8	37,236,784	20,667,151
Trade and other receivables	9	51,278,528	21,637,553
Cash and cash equivalents	10	390,515	756,651
<b>Total current assets</b>		<b>88,905,827</b>	<b>43,061,355</b>
<b>Total assets</b>		<b>192,335,448</b>	<b>153,919,431</b>
		0	
<b>EQUITY AND LIABILITIES</b>			
<b><u>Capital and Reserves</u></b>			
Share capital		50,334,436	50,334,436
Retained earnings		51,639,128	20,025,950
<b>Total equity</b>		<b>101,973,563</b>	<b>70,360,386</b>
<b><u>Non-Current Liabilities</u></b>			
Government grant	13	607,001	690,332
Deferred tax liabilities (net)	14	15,258,870	15,715,673
Borrowings	11	0	13,136,063
<b>Total non-current liabilities</b>		<b>15,865,870</b>	<b>29,542,068</b>
<b><u>Current Liabilities</u></b>			
Borrowings	11	44,805,051	32,666,667
Trade and other payables	12	573,436	763,613
Advance received	15	29,117,527	20,586,697
<b>Total current liabilities</b>		<b>74,496,014</b>	<b>54,016,977</b>
<b>Total liabilities</b>		<b>90,361,884</b>	<b>83,559,045</b>
<b>Total equity and liabilities</b>		<b>192,335,448</b>	<b>153,919,431</b>

Approved for issue and signed on 28 January 2022

  
 Deepak Raina  
 General Director

  
 Amit Jain  
 Chief Finance Officer

The accompanying notes on page 10 to 30 are an integral part of these financial statements





## FE "INDORAMA KOKAND TEXTILE" JSC

STATEMENTS PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
AS AT 31 DECEMBER 2021

	<u>Note</u>	<u>2021</u> US\$	<u>2020</u> US\$
Revenue	16	133,511,770	91,528,069
Cost of sales	17	(92,286,738)	(80,177,478)
<b>Gross profit</b>		<b>41,225,032</b>	<b>11,350,590</b>
Other income	18	84,058	413,912
Selling and distribution expenses	19	(6,882,878)	(5,617,779)
Administrative expenses	20	(1,484,989)	(1,456,837)
Finance costs	21	(1,784,850)	(1,627,265)
<b>Profit before income tax</b>		<b>31,156,374</b>	<b>3,062,621</b>
Income tax expense		-	-
- current year		-	-
- deferred tax	22	456,804	(418,281)
<b>Profit for the year</b>		<b>31,613,178</b>	<b>2,644,341</b>

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 General Director

  
 Amit Jain  
 Chief Finance Officer

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## FE "INDORAMA KOKAND TEXTILE" JSC


STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Share Capital	Retained Earning	Total
	US\$	US\$	US\$
Balance as at 1 January 2020	50,334,436	17,381,609	67,716,045
Profit for the year		2,644,341	2,644,341
Balance as at 31 December 2020	50,334,436	20,025,950	70,360,386

	Share Capital	Retained Earning	Total
	US\$	US\$	US\$
Balance as at 1 January 2021	50,334,436	20,025,950	70,360,386
Profit for the year		31,613,178	31,613,178
Balance as at 31 December 2021	50,334,436	51,639,128	101,973,564

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Deepak Raina  
General Director

  
Amit Jain  
Chief Finance Officer

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## FE "INDORAMA KOKAND TEXTILE" JSC

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

In USD	2021 US\$	2020 US\$
<b>Cash flow from operating activities:</b>		
Profit before income tax	31 156 374	3 062 621
<b>Adjustments for:</b>	<b>9 323 441</b>	<b>9 170 159</b>
Amortisation and depreciation expense	7 622 650	7 655 745
Finance costs	1 096 756	1 165 571
Foreign exchange loss	688 094	461 694
Amortisation of government grant	(83 334)	(83 335)
(Gain)/Loss on disposal of PPE	(724)	(29 516)
<b>Operating profit before working capital changes</b>	<b>40 479 815</b>	<b>12 232 781</b>
Decrease/(Increase) Changes in inventories	(16 569 633)	(5 858 147)
(Increase)/Decrease in accounts receivable and prepayments	(29 640 975)	(5 040 646)
(Decrease)Changes in trade and other payables	(80 523)	(1 835 341)
(Decrease)/Increase in advances received	8 530 830	6 056 798
<b>Cash from operations</b>	<b>(37 760 301)</b>	<b>(6 677 336)</b>
Income tax paid	-	-
<b>Net cash generated from operating activities</b>	<b>2 719 514</b>	<b>5 555 445</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(196 012)	(252 168)
Proceeds from sale of property, plant and equipment	1 818	48 837
<b>Net cash used in investing activities</b>	<b>(194 194)</b>	<b>(203 331)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1 008 417)	(1 604 836)
Proceed from long term borrowings	-	-
Proceeds from borrowings net off refinancing	18 805 051	2 000 000
Repayment of long term borrowings	(20 000 000)	(6 666 668)
<b>Net cash from / (used in) financing activities</b>	<b>(2 203 366)</b>	<b>(6 271 504)</b>
<b>Net movements in cash and cash equivalents</b>	<b>321 954</b>	<b>(919 390)</b>
<b>Cash and cash equivalent at beginning of year</b>	<b>756 651</b>	<b>2 137 731</b>
<b>Net foreign exchange differences</b>	<b>(688 094)</b>	<b>(461 694)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>390 514</b>	<b>756 650</b>
<b>Cash and cash equivalents comprise of:</b>		
Cash and bank balances	390 515	756 651
Less: Bank overdrafts		
<b>Cash and cash equivalents at the end of the year</b>	<b>390 515</b>	<b>756 651</b>

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 Deepak Raina  
 General Director

  
 Amit Jain  
 Chief Finance Officer

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# FE "INDORAMA KOKAND TEXTILE" JSC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

### 1. GENERAL

FE «Indorama Kokand Textile» Joint Stock Company (the "Company") was incorporated in the Republic of Uzbekistan in April 2010, and started its main operations from July 2011. On 16 April 2019 the Company changed its form of organization from a limited liability to Joint Stock Company by issuing 1,043,370,717 shares with US\$ 405 par value and allocated all shares to the same participant.

The Company's participants and their respective shares in the charter capital were as follows:

Owners	31 December 2021	31 December 2020
Indorama Industry PTE.LTD (the «Immediate Parent»)	100.00%	100.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

The Company's ultimate parent and ultimate controlling party is PT Indo-Rama Synthetics Tbk.

**Principal activity.** The Company is a producer of spun yarn products in the region. The Company manufactures cotton yarn using raw material cotton, harvested in Uzbekistan. The Company's annual processing capacity is 35,000 – 50,000 tons of cotton fiber with actual production of approximately 32,000 – 36,000 tons.

**Registered address and place of business.** The Company's registered address and principal place of business is 205, Navoi street, Kokand City, Fergana region, Republic of Uzbekistan.

**Presentation currency.** These financial statements are presented in US Dollars ("USD"), unless otherwise stated.

### 2. OPERATING ENVIRONMENT OF THE COMPANY

**Republic of Uzbekistan.** The Uzbekistan economy displays characteristics of an emerging market, including but not limited to a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Economic stability in Uzbekistan is largely dependent upon the effectiveness of economic measures undertaken by the Government of Uzbekistan, together with other legal, regulatory and political developments, all of which are beyond the Company's control. During the year entire world business has been affected by COVID-19 and same affected Uzbekistan Economy Uzbekistan's economy is proving relatively resilient to the impact of Covid-19. Compared with other countries in Central Asia,

The Company's financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations which greatly impact Uzbek financial markets and the economy overall. Management is unable to predict all developments which could have an impact on the cotton yarn manufacturing sector generally and on the financial position of the Company in particular.

Uzbekistan experienced following key economic indicators in 2021:

- Inflation: 9.98% (2020: 11.1%);
- GDP growth: 6.2% (2020: 0.8%);
- Central Bank refinancing rate: 14% (2020: 14%).

Under Investment Agreement dated 30 March 2010 between the Immediate Parent and the Government of the Republic of Uzbekistan, construction of a spinning plant through development of existing Kokand Textile Plant was envisaged in two phases. According to Supplemental Investment Agreement No. 1 dated 15 September 2012 Phase I included investment by the Immediate Parent of USD 39,000 thousand to finance construction and installation works necessary for the commissioning of the plant with an annual capacity of at least 30,000 spindles. The commissioning date of Phase I per Investment Agreement was 31 August 2011.

Phase II included additional investment by the Immediate Parent of USD 31,000 thousand to finance construction of the plant with an annual capacity of at least 30,000 spindles. The commissioning date of Phase II per Investment Agreement was 31 December 2013.



## FE "INDORAMA KOKAND TEXTILE" JSC

According to Supplemental Investment Agreement No. 2 dated 9 October 2013, the parties agreed to increase the investments by the Immediate Parent. The investment under Phase III of the project shall be for not less than USD 20,000 thousand to finance all related construction and installation works for the commissioning of at least 3,500 rotors. At 31 December 2014, construction in progress was mainly comprised of expenditures in respect of Phase III of the Investment Project.

According to Supplemental Investment Agreement No. 3 dated 7 May 2015, the parties agreed to increase the investments by the Immediate Parent. The investment under Phase IV of the project shall be for not less than USD 51,000 thousand, including USD 10,000 thousand in form of equity contribution by Indorama and USD 41,000 thousand as loan from Indorama Group to finance all related construction and installation works for the commissioning of at least 40,000 spindles. At 31 December 2015, construction in progress was mainly comprised of expenditures in respect of Phase IV of the Investment Project. Commissioning date of Phase IV per was June 2017.

At 31 December 2021 and 2020, the parties to the Investment Agreement and Supplemental Agreements were largely on track with their respective part of investment obligations.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation.** These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5 for new and amended standards adopted by the Company).

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

**Financial instruments - key measurement terms.** Financial instruments of the Company are carried at amortized cost as described below.

**Amortized cost** is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

**The effective interest method** is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

**Classification of financial assets.** The Company classifies its financial assets into loans and receivables. **Loans and receivables** are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Company intends to sell in the near term.

**Classification of financial liabilities.** The Company classifies its financial liabilities into financial liabilities carried at amortized cost.



## FE "INDORAMA KOKAND TEXTILE" JSC

**Initial recognition of financial instruments.** Financial assets and liabilities are initially recorded at fair value plus/less transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

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

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

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

**Property, plant and equipment.** Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Property, plant and equipment includes assets under construction for future use as property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalized and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the profit or loss for the year.

Construction in progress is carried at cost less provision for any impairment in value. Upon completion, assets are transferred to property, plant and equipment at their carrying value. Construction in progress is not depreciated until the asset is available for use.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss.

**Depreciation.** Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings and premises	35
Machinery and equipment	20
Other	5-10

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**Income taxes.** Taxation has been provided for in the financial statements in accordance with Uzbekistan legislation enacted or substantively enacted by the end of the reporting period.

The income tax charge comprises current tax and deferred tax and is recognized in profit or loss for the year except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.



## FE "INDORAMA KOKAND TEXTILE" JSC

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

Deferred income tax is provided using the balance sheet liability method, for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred tax assets and liabilities are presented net in the statement of financial position, since there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

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

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

**Trade and other receivables.** Trade and other receivables are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method.

**Cash and cash equivalents.** Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method.

**Restricted cash.** Restricted cash is comprised of funds in UZS held for conversion to USD, which the Company has no intention to call back prior to conversion.

**Charter capital.** The Company participant's ownership interest is classified as equity since the Company has an unconditional right to refuse redemption of the member's interest, based on its charter and local legislation.

Charter capital is represented by monetary and non-monetary contributions at fair value from the Company's participants, and is equal to the amount registered in the foundation documents of the Company. Increase or decrease of the charter capital can only be made based on participants' decision after introducing respective changes to the foundation documents of the Company.

**Additional paid in capital.** Additional paid in capital is comprised of contributions from participants to the Company's charter capital, which were not yet formally registered with relevant regulatory state authorities at the end of a reporting period.

**Dividends.** Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.



## FE "INDORAMA KOKAND TEXTILE" JSC

**Value added taxes.** Output value added tax related to sales is payable upon earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognized in the statement of financial position on a gross basis and disclosed separately as an asset and liability.

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

**Capitalisation of borrowing costs.** Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets from 1 January 2013.

The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

**Government grants.** Grants from the government in the form of a transfer of a non-monetary assets are recognized at their nominal amount where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to receipt of premises are included in liabilities and are credited to profit or loss on a straight line basis over the expected useful lives of related assets.

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

**Provisions for liabilities and charges.** Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

**Foreign currency translation.** The functional currency of the Company is the currency of the primary economic environment in which it operates. The Company's functional and presentation currency is US Dollars ("USD").

Monetary assets and liabilities in foreign currencies are translated into the Company's functional currency at the official exchange rate of the Central Bank of Uzbekistan ("CBU") at the respective end of the reporting period.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Company's functional currency at year-end official exchange rates of the CBU are recognized in profit or loss as finance income or costs. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

At 31 December 2021 the official rate of exchange, as determined by the CBU, was US Dollar ("USD") 1 = UZS 10,837.66 (2020: "USD" 1 = UZS 10,476.92). Average exchange rate for the year ended 31 December 2021 was USD 1 = UZS 10,609.98 (2020: USD 1 = UZS 10,055.70). The UZS is not a freely convertible currency outside of Uzbekistan.



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**Revenue recognition.** Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below.

Revenues from sales of goods are recognized at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Company agrees to transport goods to a specified location, revenue is recognized when the goods are passed to the customer at the destination point.

**Employee benefits.** *Wages*, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar payments beyond the payments to the statutory defined contribution scheme.

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

**Determination of functional currency.** The functional currency is the currency of the primary economic environment in which the entity operates (Note 3). The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash.

The Company's management considers various factors in determining its functional currency:

- the currency that mainly influences sales prices for goods and services,
- the currency that mainly influences material and other costs of providing goods,
- the currency in which the Company's finances are denominated, as well as other factors as required by International Accounting Standard 21 *The Effects of Changes in Foreign Exchange Rates*.

In determination of the functional currency, the management also considered the underlying economic conditions of the Company's operations. This determination of what the specific underlying economic conditions are requires judgement. In making this judgement, the Company evaluates among other factors, the sources of revenue and risks associated with activities. Specifically, in determination of the functional currency, the Company based its judgement on the fact that the Company operate internationally on markets mainly influenced by the USD (not UZS) and their major activities include export sales to foreign customers. Moreover, the USD is the currency in which the business risks and exposures are managed, and the performance of their business is measured.

Overall, the factors relevant for determination of functional currency provide mixed evidence. Primary indicators are mixed while secondary indicators are generally in favor of USD. According to IAS 21, when indicators are mixed and the functional currency is not obvious, management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Management of the Company believes that USD provides more faithful presentation of the financial statements.

#### 4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

**Presentation of charter capital contributions prior to registration with Ministry of Justice.** Under Uzbekistan legislation, contributions to the Company's charter capital can be made once a decision to increase charter capital is made at an annual general meeting of the Company's participants ("AGM"). Subsequently, this increase in charter capital undergoes formal registration with the Ministry of Justice of Uzbekistan. Participants can make contributions once the decision to increase charter capital is approved at the AGM, but before the increase is registered with the Ministry of Justice. In this case, the entity recognises increase in "Additional paid in capital" along with a corresponding increase in a respective asset, until the increase is formally registered with the Ministry of Justice. Although the contributing participant is not legally entitled to related dividends before the increase in charter capital is formally registered, the Company's



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management believes that its presentation of such contributions within equity (rather than liability) is justified because once the contribution to the Company's charter capital is made, the participant(s) have no legal ability to call the contribution back. That is, there should be a separate approval to that end at the AGM by the Company's participants.

**Useful lives of property, plant and equipment.** The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use.

However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

**Tax legislation.** Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 23.

### 5. NEW ACCOUNTING PRONOUNCEMENTS, AMENDED STANDARDS AND INTERPRETATIONS

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

#### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

#### Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling



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such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

### **Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract/**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

### **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

### **Amendments to IAS 8 Definition of Accounting Estimates.**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

### **Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies.**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the new and amended standards. The new and amended standards are not expected to have a material impact on the Company.

## **6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

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

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. Related parties of the Company predominantly comprise parties under the control of the Company's controlling owners.



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The outstanding balances with related parties were as follows:

Relation ship		31 December 2021	31 December 2020
		US\$	US\$
Receivable	Entities under common control	324	
Prepayments for purchase of Raw materail	Entities under common control	10,354,581	9,081,988
Advances received	Entities under common control	21,412,187	18,538,447
Borrowings	Ultimate parent	44,805,051	26,000,000

The income and expense items with related parties for 2021 and 2020 were as follows:

Nature of transaction Relationship		31 December 2021	31 December 2020
		US\$	US\$
Sales	Entities under common control	88,510,229	53,384,824
Purchase of property, plant and equipment	Entities under common control		142,963
Professional fess	Entities under common control	150,000	
Sale of property ,plant and equipment	Entities under common control	1,300	17,305
Finance cost	Ultimate parent	534,203	513,160
Purchase of Raw materail	Entities under common control	60,514,569	22,998,558
Borrowing repaid	Ultimate parent	3,194,949	6,000,000
Borrowing taken	Ultimate parent	22,000,000	8,000,000

Related party Details for the period January - December 2021 were as follows:

Name	Country	Nature of transaction	Purchase/Ex penses US \$	Sales US \$	Adv. Against Purchase US \$	Payable US \$	Recei- vable US \$
Indorama Agro	Uzbekistan	Purchase of cotton	60,514,569		10,354,581		
Indorama Agro	Uzbekistan	Sales of Yarn		8,068,335			-
Indorama Agro	Uzbekistan	Rental Income		481			-
Indorama Fertilizer	Uzbekistan	Rental Income		1,151			324
Indorama Fertilizer	Uzbekistan	Rental Expenses		-			
PT Indo-Rama Synthetics Tbk	Indonesia	Interest in PL	534,203			35,370	
PT Indo-Rama Synthetics Tbk	Indonesia	Interest to be capitalised					
PT Indo-Rama Synthetics Tbk	Indonesia	Loan				44,805,051	
«IRS UNIVERSAL PTE. LTD» (Singapore)	Singapore	Sales		80,440,262		21,412,187	
Indorama DMCC «IRS UNIVERSAL PTE.LTD» (Singapore)	Singapore	Professional Fess	150,000			-	
INDORAMA IPLIK SAN VE TIC A.S	Turkey	Purchase asset					
		Sale of assets		1,300		-	
<b>Total</b>			<b>61,198,772</b>	<b>88,511,529</b>	<b>10,354,581</b>	<b>66,252,608</b>	<b>324</b>

Key management compensation is presented below:

	2021 US\$	2020 US\$
<b>Short-term benefit:</b>		
- Salaries including bonuses	275,492	459,025

Key management includes five members of the Company's management team composed of General Director, Finance Director, Commercial Manager, Chief Accountant, Deputy General Director Plant (2020: Five members).



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## 7. PROPERTY, PLANT AND EQUIPMENT

Movement in the carrying amount of Property, plant and equipment were as follows:

	Land & Building	Plant, Equipment and Machinery	Motor Vehicles	Fixtures & Fittings	Construction Work-in Progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Cost</b>						
<b>Cost As at 1 January 2020</b>	43,235,630	119,389,449	578,071	3,419,165	13,384	166,635,699
Addition				298	251,869	252,168
Disposal			(224,215)			(224,215)
Reclassification	2,090	205,570		37,062	(244,722)	-
<b>As at 31 December 2020</b>	<b>43,237,720</b>	<b>119,595,020</b>	<b>353,856</b>	<b>3,456,526</b>	<b>20,531</b>	<b>166,663,652</b>
<b>Cost As at 1 January 2021</b>	43,237,720	119,595,020	353,856	3,456,526	20,531	166,663,652
Addition					196,012	196,012
Disposal		(1,817)				(1,817)
Reclassification	-	5,888		50,630	(56,518)	-
<b>As at 31 December 2021</b>	<b>43,237,720</b>	<b>119,599,091</b>	<b>353,856</b>	<b>3,507,156</b>	<b>160,024</b>	<b>166,857,846</b>
<b>Accumulated depreciation</b>						
<b>As at 1 January 2020</b>	10,631,333	35,149,256	448,736	2,125,400	-	48,354,726
Charge for the year	1,236,539	5,970,263	70,771	378,172		7,655,745
Disposal			(204,895)			(204,895)
Reclassification						
<b>As at 31 December 2020</b>	<b>11,867,872</b>	<b>41,119,520</b>	<b>314,612</b>	<b>2,503,572</b>	<b>-</b>	<b>55,805,576</b>
<b>Accumulated depreciation</b>						
<b>As at 1 January 2021</b>	11,867,872	41,119,520	314,612	2,503,572	-	55,805,576
Charge for the year	1,236,599	5,979,793	36,298	371,201		7,623,891
Disposal		(1,241)				(1,241)
<b>As at 31 December 2021</b>	<b>13,104,471</b>	<b>47,098,072</b>	<b>350,910</b>	<b>2,874,773</b>	<b>-</b>	<b>63,428,226</b>
<b>Carrying amount</b>						
<b>As at 31 December 2020</b>	11,867,872	41,119,520	314,612	2,503,572	-	55,805,576
<b>As at 31 December 2021</b>	<b>13,104,471</b>	<b>47,099,313</b>	<b>350,910</b>	<b>2,874,773</b>	<b>-</b>	<b>63,429,467</b>



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Cost

At 1 January 2021  
Charge for the year

As at 31 December 2021

Accumulated amortisation

At 1 January 2021  
Charge for the year  
As at 31 December 2021

Carrying amount

As at 31 December 2021

Land & Buildings	Plant & Machinery	Fixtures & Fittings	Motor Vehicles	Construction Work-in Progress	Total
US\$	US\$	US\$	US\$	US\$	US\$
43,237,720	119,595,020	353,856	3,456,526	20,531	166,663,652
-	4,071	-	50,630	139,494	7,450,850
43,237,720	119,599,091	353,856	3,507,156	160,024	166,857,846
11,867,872	41,119,520	2,503,572	314,612		55,805,576
1,236,599	5,978,552	36,298	371,201		7,622,650
13,104,471	47,098,072	2,539,870	685,813	-	63,428,226
30,133,249	72,501,019	(2,186,014)	2,821,343	160,024	103,429,621

Cost

At 1 January 2020  
Addition

As at 31 December 2020

Accumulated amortisation

At 1 January 2020  
Charge for the year

As at 31 December 2020

Carrying amount

As at 31 December 2020

Land & Buildings	Plant & Machinery	Fixtures & Fittings	Motor Vehicles	Construction Work-in Progress	Total
US\$	US\$	US\$	US\$	US\$	US\$
43,235,630	119,389,449	578,071	3,419,165	13,384	166,635,699
2,090	205,570	(224,215)	37,360	7,147	27,952
43,237,720	119,595,020	353,856	3,456,526	20,531	166,663,652
10,631,333	35,149,256	448,736	2,125,400	-	48,354,726
1,236,539	5,970,263	(134,124)	378,172	-	7,450,850
11,867,872	41,119,520	314,612	2,503,572	-	55,805,576
31,369,848	78,475,500	39,244	952,954	20,531	110,858,076



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## 8. INVENTORY

	<u>31 December 2021</u>	<u>31 December 2020</u>
	US\$	US\$
Raw Material	33,461,631	17,334,080
Work in progress	807,038	709,169
Finished goods	1,805,252	997,286
Spares and consumables	1,010,074	883,413
Goods in transit	-	-
Cotton waste	152,789	743,203
	<u>37,236,784</u>	<u>20,667,151</u>

Raw materials are mainly comprised of cotton fibre purchased from entity under same control 'FE Indorama Agro LLC' & Different Cotton cluster. The cost of inventories (raw materials) recognized as an expense and included in 'cost of sales' amounted to USD 72,189,923 (2020: USD 60,011,391). During the year Company also Purchased cotton from entity under same control 'FE Indorama Agro LLC' of USD 60,514,569 (2020: USD 22,998,558)

## 9. TRADE &amp; OTHER RECEIVABLE

	<u>31 December 2021</u>	<u>31 December 2020</u>
	US\$	US\$
<b>Trade Receivables</b>		
Third parties	36,466,709	9,892,177
Related parties	10,354,581	9,081,988
	<u>46,821,290</u>	<u>18,974,165</u>
<b>Other Receivables</b>		
Government subsidy	-	0
Recoverable tax and value-added tax receivables	4,288,339	2,489,189
Others TAX	168,900	174,199
	<u>4,457,238</u>	<u>2,663,388</u>
<b>Total Trade &amp; Other receivable</b>	<u>51,278,528</u>	<u>21,637,553</u>

At 31 December 2021 and 2020 the financial assets are neither past due nor impaired. The carrying amount of financial assets approximates their fair value. Other receivables are mainly comprised of prepayments for materials and services.

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 25.

## 10. CASH AND CASH EQUIVALENT:

	<u>31 December,2021</u>	<u>31 December,2020</u>
	US\$	US\$
Cash on hand		
Cash at bank	390,515	756,651
Short term fixed and call deposits		
	<u>390,515</u>	<u>756,651</u>

Included in bank balances payable on demand is USD 246,639 (31 December 2020: USD 630,311) held predominantly in USD. The remaining balances were held in UZS and other currencies.



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As at 31 December 2021 and 2020, cash and cash equivalents as well as restricted cash balances were neither past due nor impaired with S&P's B+ rated local bank.

### 11. BORROWINGS

	<u>31 December,2021</u>	<u>31 December,2020</u>
	<u>US\$</u>	<u>US\$</u>
- Current	44,805,051	32,666,667
- Non-current	-	13,136,063
<b>TOTAL Borrowings</b>	<b><u>44,805,051</u></b>	<b><u>45,802,730</u></b>

As at 31 December 2021, the Company's borrowings were denominated in USD and include, working capital loan from 'PT-Indorama synthetics Tbk', at an interest rate of 3 month labor plus 1.5 percent.

Agreement dated 7<sup>th</sup> March,2011: Outstanding amount: 29,805,051

Agreement dated 18<sup>th</sup> September,2018: Outstanding amount: 15,000,000

In 2021, the Company repaid the loan balances as at 31 December 2020, received from PT Indo-Rama Synthetics Tbk in the amount of USD 3,194,949. And repayment made to IFC in 2020 was USD 20,000,000.

During 2021, the company taken borrowing from PT Indo-Rama Synthetics Tbk for USD 22,000,000. As at 31 December 2021 and 2020 the carrying value of borrowings approximated their fair value.

#### Working capital Borrowing:

<i>Particular</i>	<i>Loan Currency</i>	<i>Interest period (Month)</i>	<i>Bench Mark</i>	<i>Repayment Type</i>	<i>Maturity</i>	<i>2021 USD</i>
Revolving credit from PT-Indorama Synthetic Ltd.						
7th Mar 2011	USD	3	Libor	5 Quarters	Jun-22	29,805,051
18th Sept 2018	USD	3	Libor	5 Quarters	Jun-22	15,000,000
<b>Total</b>						<b><u>44,805,051</u></b>

### 12. TRADE & OTHER PAYABLE:

<u>Trade &amp; Other Payable</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
	<u>US\$</u>	<u>US\$</u>
<u>Trade Payables</u>		
Trade Payables	84,389	135,462
	<b><u>84,389</u></b>	<b><u>135,462</u></b>
<u>Other Payables</u>		
Accrued expenses		
Advances from customers	-	-
Accrued employee Benefits	339,676	390,670
Interest payables	35,370	144,303
Government Grant	83,333	83,333
Other taxes and fees	30,668	9,845
	<b><u>489,047</u></b>	<b><u>628,151</u></b>
<b>TOTAL Trade &amp; Other Payable</b>	<b><u>573,436</u></b>	<b><u>763,613</u></b>

Trade and other payable of USD 84,389 (31 December 2020: USD 135,462) are denominated in USD and mainly include payable for freight forwarding services. The remaining trade payable are denominated in UZS and EURO.



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## 13. GOVERNMENT GRANT

<u>Government Grant</u>	<u>31 December 2021</u> <u>USD</u>	<u>31 December 2020</u> <u>USD</u>
Government grant at 1 January	773,664	856,996
Amortisation of government grant	(83,332)	(83,332)
<b>Total government grant at 31 December</b>	<b>690,332</b>	<b>773,664</b>
Non-current portion	607,000	690,332
Current portion	83,332	83,332
<b>Total government grant at 31 December</b>	<b>690,332</b>	<b>773,664</b>

In June 2010, the Company received property (main building of Kokand Textile Plant and land use rights) from the Government of Uzbekistan free of charge with a precondition of fulfilment by the Immediate Parent of its investment obligations under Investment Agreement dated 30 March 2010. The Company accounted for the transfer of these assets as a government grant. Building and land use rights were valued by a local valuation firm at USD 2,078,000. The Company amortizes the asset on a straight line basis over the period of 20 years (i.e. USD 83,332 annually).

## 14. DEFERRED TAX

Deferred tax assets/(liabilities) are attributable to the following:

	<u>Assets</u> <u>US\$</u>	<u>Liabilities</u> <u>US\$</u>	<u>Net</u> <u>US\$</u>
<b>2021</b>			
Depreciation and amortisation of property, plant and equipment and intangible assets	-	15,258,870	(15,258,870)
Other items			
Tax assets / (liabilities)	-	15,258,870	(15,258,870)
<b>2020</b>			
Depreciation and amortisation of property, plant and equipment and intangible assets	-	15,715,673	(15,715,673)
Other items			
Tax assets / (liabilities)	-	15,715,673	(15,715,673)

Details of movement of deferred tax assets/(liabilities) are as follow:

	<u>2021</u> <u>US\$</u>	<u>2020</u> <u>US\$</u>
At beginning of the year	15,715,674	15,297,393
Allowance of doubtful debts		
Depreciation and amortisation of property, plant and equipment and intangible assets	(456 804)	418,281
<b>At the end of the year</b>	<b>15,258,870</b>	<b>15,715,674</b>

In accordance with Investment Agreement between the Immediate Parent and the Government of the Republic of Uzbekistan dated 30 March 2010, the Company is exempt from corporate income tax, property tax, infrastructure development tax as well as mandatory contributions to the Republican Road Fund up to 1 May 2022.



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Income tax expense recorded in profit or loss is comprised of deferred tax charges only. These expenses stem from recognition of deferred tax as related to temporary differences on property, plant and equipment that are expected to reverse after the exemption period.

In, 2021 the income tax rate applicable to the Company's income is 15%.

### 15. ADVANCE RECEIVED

Advance received of USD 21,821,380 (31, December 2020: USD 20,586,697) are denominated in USD and mainly include prepayment received from customer for cotton yarn. The remaining advance received are denominated in UZS and EURO (USD 693,5090 and USD 361,418 respectively).

### 16. REVENUE

	<u>2021</u> US\$	<u>2020</u> US\$
Type of goods and service		
-Yarns	120,034,750	82,861,089
-Waste	13,477,020	8,666,979
<b>TOTAL Revenuee</b>	<b>133,511,770</b>	<b>91,528,069</b>

	<u>2021</u> US\$	<u>2020</u> US\$
Revenue from Export Sales	113,459,981	81,227,588
Revenue from Domestic Sales	20,051,789	10,300,480
<b>TOTAL Revenuee</b>	<b>133,511,770</b>	<b>91,528,069</b>

	<u>2021</u> US\$	<u>2020</u> US\$
Geographical markets		
Indonesia	-	-
Asia	132,664,535	73,677,417
Europe	265,030	16,634,806
North America	105,127	1,026,813
South America	-	-
Other countries	477,078	189,033
<b>TOTAL Revenuee</b>	<b>133,511,770</b>	<b>91,528,069</b>

### 17. COST OF SALES

	<u>2021</u> US\$	<u>2020</u> US\$
Changes in inventories of finished goods and work in progress	(315,422)	(161,876)
Raw materials and consumables used	72,189,923	60,011,391
Depreciation and amortisation	7,215,151	7,206,802
Labour	4,244,326	4,065,528
Packaging and material consumptions	1,816,203	1,826,257
Power, gas and fuel	4,793,961	4,838,790
Repair and maintenance	40,707	30,213
Removal and transportation	-	-
Storage and spares	2,301,888	2,360,372
Others	-	-
	<b>92,286,738</b>	<b>80,177,478</b>



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## 18. OTHER INCOME

	<u>2021</u> US\$	<u>2020</u> US\$
-Deferred Income -Government Grant	83,333	83,333
-Subsidy Received	-	301,124
- Miscellaneous income	725	29,455
<b>TOTAL</b>	<b>84,058</b>	<b>413,912</b>

## 19. SELLING &amp; DISTRIBUTION EXPENSES

	<u>2021</u> US\$	<u>2020</u> US\$
Freight & transportation expense	6,882,878	5,614,176
Advertisement & promotion	-	3,603
Others	-	-
<b>TOTAL</b>	<b>6,882,878</b>	<b>5,617,779</b>

## 20. ADMINISTRATIVE EXPENSES

	<u>2021</u> US\$	<u>2020</u> US\$
Administrative expenses		
Auditors' remuneration	23,191	50,682
Bank charges	104,203	147,731
Corporate Social Responsibility	85,004	58,716
Communication expense	19,557	19,146
Directors' remuneration	-	-
Insurance expenses	256,895	286,616
Legal & professional fees	224,601	67,129
Printing and stationary	11,752	13,929
Rental expenses	-	-
Repair and maintenance	35,013	69,196
Salaries, wages and other benefits	-	-
Security expenses	62,661	57,808
Subscription fees	1,015	67,023
Transportation and travelling	74,961	43,045
Others	586,136	575,814
	<b>1,484,989</b>	<b>1,456,837</b>

## 21. FINANCE COST

	<u>2021</u> US\$	<u>2020</u> US\$
Interest expense on borrowings	1,096,756	1,165,571
Interest expense on lease liabilities		
Exchange (gain)/loss	688,094	461,694
Other finance costs (including facilities agents fee)		
	<b>1,784,850</b>	<b>1,627,265</b>



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## 22. INCOME TAX EXPENSES

	2021 US\$	2020 US\$
Current tax		
Deferred tax	(456 804)	418,281
<b>Income tax expense for the year</b>	<b>(456,804)</b>	<b>418,281</b>

Verification of profit tax amount, calculated according to the Uzbek tax rate, and pre-tax profit and actual profit tax amount presented in the Report of comprehensive income is in the table below:

	2021 US\$	2020 US\$
<b>Profit (loss) before tax</b>	<b>31,156, 374</b>	<b>3,062,621</b>
Profit tax rate	15%	15%
Profit tax calculated according to the Uzbek tax rate	(4,673,456)	(459,393)
Tax effect of change of profit tax rate	-	-
Unrecognized deferred tax assets as a result of difference between functional and tax accounting currency		41,112
<i>Tax effect of items which are not deductible or assessable for taxation purposes:</i>		
Non-taxable income	5,130,260	
Non-deductible expenses		
<b>Expense/(income) on profit tax</b>	<b>456,804</b>	<b>(418,281)</b>

Deferred taxes are recognized by the Company only on temporary differences arising from property, plant and equipment.

## 23. CONTINGENCIES AND COMMITMENTS

**Legal proceedings.** From time to time and in the normal course of business, claims against the Company may be received. Management is not aware of any existing or potential claims that could significantly affect these financial statements.

**Tax contingencies.** Uzbek tax, currency and customs legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. As a result, the Company may be assessed additional taxes, penalties and interest. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

In accordance with Investment Agreement between the Immediate Parent and the Government of the Republic of Uzbekistan dated 30 March 2010, the Company has the right to export its products to the Indorama Group of companies without the need for any prior authorization, subject to the requirements established by the Uzbek legislation.

The Company's management believes its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained. Accordingly, at 31 December 2020 and 2019 no provision for potential tax liabilities had been recorded. In addition, the Company estimates that it has no potential obligations from exposure to other than remote tax risks.

**Contractual commitments.** At 31 December 2020, the Company has no contractual capital expenditure commitments in respect of property, plant and equipment (31 December 2019: USD NIL thousand).



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**Environmental matters.** The enforcement of environmental regulation in the Republic of Uzbekistan is evolving. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**Compliance with covenants.** The Company is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Company including growth in the cost of borrowings and declaration of default. The Company was in compliance with covenants at 31 December 2021 and 31 December 2020.

### 24. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Company managed as of 31 December 2021 was USD 101,973,563 (2020: USD 70,360,386).

### 25. FINANCIAL RISK MANAGEMENT

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures in order to minimise operational and legal risks.

**Credit risk.** The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is exposed to concentration of credit risk primarily as a result of placing the Company's cash and cash equivalents with one local commercial bank. However, this bank is deemed to have a minimal risk of default, since it is ultimately controlled by the Government of Uzbekistan. The Company sells its yarn products on a 100% prepayment basis or under letter of credit terms, hence, there is no associated credit risk.

The Company's maximum exposure to credit risk by class of assets is as follows:

	Note	31 December 2021	31 December 2020
Cash and cash equivalents	10	390,515	756,651
Restricted cash			
Financial assets within accounts receivable and prepayments	9	2,618,752	37,551
<b>Total maximum exposure to credit risk</b>		<b>3,009,267</b>	<b>794,202</b>

**Market risk.** The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.



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**Currency risk.** The tables below summarize the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2021			At 31 December 2020		
	Monetary assets	Monetary liabilities	Net balance sheet position	Monetary assets	Monetary liabilities	Net balance sheet position
UZS	48,215,542	7,371,925	40,843,617	21,945,208	16,394,942	5,550,266
Currencies other than Uzs	2,683,238	379,316	2,303,922	448,996	201,965	247,031
<b>Total</b>	<b>50,898,780</b>	<b>7,751,241</b>	<b>43,147,539</b>	<b>22,394,204</b>	<b>16,596,907</b>	<b>5,797,297</b>

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the statement of financial position date, with all other variables held constant: The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

In USD	At 31 December 2021	At 31 December 2020
	Impact on profit or loss and equity	Impact on profit or loss and equity
UZS strengthening by 3.33% (2020-6%)	76,721	14,822
UZS weakening by 3.33% (2020-6%)	(76,721)	(14,822)

**Interest rate risk.** The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarizes the Company's exposure to interest rate risks on interest bearing financial instruments. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual interest repricing or maturity dates.

The Company does not have formal policies and procedures in place for management of interest rate risks arising from its borrowings granted by the related party.

In USD	Demand less than and 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	More than 5 years	Total
<b>31 December 2021</b>						
<b>Liabilities</b>						
Borrowings	-	44,805,051	-	-	-	44,805,051
<b>Total future payments, including future principal and interest payments</b>	-	44,805,051	-	-	-	44,805,051
<b>31 December 2020</b>						
<b>Liabilities</b>						
Borrowings	1,666,667	27,666,667	5,000,001	11,469,395	-	45,802,730
<b>Total future payments, including future principal and interest payments</b>	1,666,667	27,666,667	5,000,001	11,469,395	-	45,802,730



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**Liquidity risk.** Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by the top management of the Company.

The tables below show liabilities at 31 December 2021 and 2020 by their remaining contractual maturity. The amounts disclosed in the maturity tables are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the respective reporting period.

The maturity analysis of financial liabilities at 31 December 2021 and 31 December 2020 is as follows:

In USD 31 December 2021	Demand less than and 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	More Than 5 years	Total
<b>Liabilities</b>						
Borrowings	-	44,805,051	-	-	-	44,805,051
Trade and other payables	84,389	-	-	-	-	84,389
<b>Total future payments, including future principal and interest payments</b>	<b>84,389</b>	<b>44,805,051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,889,440</b>
In USD 31 December 2020	Demand less than and 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	More Than 5 years	Total
<b>Liabilities</b>						
Borrowings	1,666,667	27,666,667	5,000,001	11,469,395	-	45,802,730
Trade and other payables	135,462	-	-	-	-	135,462
<b>Total future payments, including future principal and interest payments</b>	<b>1,802,129</b>	<b>27,666,667</b>	<b>5,000,001</b>	<b>11,469,395</b>	<b>-</b>	<b>45,938,192</b>

### 26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

#### **Assets and liabilities not measured at fair value but for which fair value is disclosed**

Fair values analyzed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value at 31 December 2021 were as follows:



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2021				
	Level 1	Level 2	Level 3	Carrying value
<b>Assets</b>				
Cash and cash equivalents	-	390 515	-	390 515
Restricted cash	-	-	-	-
Trade and other financial receivables	-	-	2 618 752	2 618 752
<b>Total financial assets</b>	-	390 515	2 618 752	3 009 267
<b>Liabilities</b>				
Borrowings	-	-	44 805 051	44 805 051
Financial payables within trade and other payables	-	-	490 103	490 103
<b>Total financial liabilities</b>	-	-	45 295 154	45 295 154

Fair values analyzed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value at 31 December 2020 were as follows:

	Level 1	Level 2	Level 3	Carrying value
<b>Assets</b>				
Cash and cash equivalents	-	756,651	-	756,651
Restricted cash	-	-	-	-
Trade and other financial receivables	-	-	37,331	37,331
<b>Total financial assets</b>	-	756,651	37,331	793,982
<b>Liabilities</b>				
Borrowings	-	-	45,802,730	45,802,730
Financial payables within trade and other payables	-	-	680,280	680,280
<b>Total financial liabilities</b>	-	-	46,483,010	46,483,010

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty. The fair value of floating rate instruments is normally their carrying amount.

## 27. EVENTS AFTER THE REPORTING PERIOD

The evaluation of subsequent events has been carried out up to 25nd January, 2022, the date these financial statements were authorized for issuance. The company has determined that there are no items to disclose.

## 28. COVID-19 AFFECTS

During 2021, Companies business has not affected by COVID-19. Company was fully operational for entire year. Due to shortage of yarn in market, prices for yarn has drastically raised at end of the year & Company has gained due to increase in prices.