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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of URGENCH YOG'-MOY JSC

Opinion

We have audited the consolidated financial statements of URGENCH YOG'-MOY JSC and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 *Auditor's responsibility 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' *Code of Ethics for Professional Accountants* (including International Independence Standards) ("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 for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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.

Auditor's responsibility 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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.

Boisov E.S.
Dbrector / Auditor

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 auditor's 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 auditor's 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 and 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, 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 partner in charge of the audit resulting in this independent auditor's report is Boisov E.S.

TGS-MAGNIT FINANCE

Boisov E.S.
Director / Auditor

Auditor Qualification Certificate No.
05388 dated June 11, 2016

53-B Shota Rustaveli str., BC Comfort Plaza, 2nd Floor, Tashkent 100100,
Republic of Uzbekistan

April 20, 2023

URGENCH YOG'-MOY JSC

Consolidated financial statements
for the year ended December 31, 2022
with an independent auditor's report

CONTENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2022

In thousands of soums	Notes	**December 31, 2022**	December 31, 2021
Assets			
Non-current assets			
Property, plant and equipment	6	**54,163,388**	56,597,227
Intangible assets	7	**740,313**	790,922
Biological assets	8	**627,197**	383,885
Other long-term financial assets		**96,614**	96,614
Other long-term non-financial assets		**482,763**	432,229
Deferred tax asset	24	**–**	55,849
Total non-current assets		**56,110,275**	58,356,726
Current assets			
Inventories	9	**96,791,449**	103,596,871
Trade and other accounts receivable	10	**2,330,934**	438,684
Short-term financial assets		**46,421**	146,421
Prepayment for other taxes and deductions	11	**6,883,216**	8,035,485
Advances paid	12	**12,946,446**	17,348,966
Income tax prepayment		**732,698**	–
Restricted cash	13	**5,205,484**	9,115,809
Cash and cash equivalents	13	**64,885**	70,160
Other current assets		**52,130**	59,850
		125,021,663	138,812,246
Assets held for sale		**527,625**	475,471
Total current assets		**125,549,288**	139,287,717
Total assets		**181,659,563**	197,644,443
Capital and liabilities			
Capital			
Charter capital	14	**11,255,363**	11,255,363
Retained earnings		**84,756,011**	99,504,880
Total capital		**96,011,374**	110,760,243
Non-current liabilities			
Loans	15	**5,046,853**	–
Other long-term financial liabilities	14	**29,841**	29,841
Total non-current liabilities		**5,076,694**	29,841
Current liabilities			
Loans	15	**65,538,130**	30,257,000
Dividends payable		**332,872**	305,983
Trade and other accounts payable	16	**9,120,240**	29,535,247
Payables to employees	17	**2,221,638**	5,791,236
Contract liabilities	18	**2,166,549**	17,355,383
Income tax payable		**–**	987,817
Other taxes payable		**286,060**	1,102,481
Other non-current liabilities		**619,513**	1,284,705
		80,285,002	86,619,852
Liabilities directly associated with assets classified as held for sale		**286,493**	234,507
Total current liabilities		**80,571,495**	86,854,359
Total liabilities		**85,648,189**	86,884,200
Total equity and liabilities		**181,659,563**	197,644,443

General Director

Xudayberganov U.A.

Chief Accountant

Turaev T.A.

The accounting policies and notes on pages 5-28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2022

In thousands of soums	Notes	**2022**	2021
Revenue from contracts with customers	19	**312,605,586**	398,375,346
Cost of sales	20	**(301,836,710)**	(365,131,793)
Gross profit		**10,768,876**	33,243,553
Selling expenses	21	**(3,174,245)**	(3,943,272)
Administrative expenses	22	**(6,595,462)**	(6,216,546)
Expected credit loss expenses	10	**(123,041)**	(63,763)
Other expenses		**(234,979)**	(1,312,548)
Operating profit		**641,149**	21,707,394
Financial income		**8,271**	270,950
Financial costs	23	**(8,425,094)**	(3,685,728)
Foreign exchange (loss) / income, net		**(23,475)**	8,448
(Loss) / profit before tax		**(7,799,149)**	18,301,394
Income tax expenses	24	**(851,541)**	(3,621,284)
Net (loss) / income for the year		**(8,650,690)**	14,679,770
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive (loss) / income for the year, net of tax		**(8,650,690)**	14,679,770

General Director

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Xudayberganov U.A.

Chief Accountant

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Turaev T.A.

The accounting policies and notes on pages 5-28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2022

In thousands of soums	Notes	**2022**	2021
Cash flows from operating activities:			
Receipts from the customers		**337,922,905**	462,617,239
Other receipts		**19,331,011**	31,334,166
Payments to suppliers of raw materials and services		**(333,378,257)**	(451,293,187)
Other payments		**(1,300,004)**	(259,380)
Employee benefits paid		**(25,951,785)**	(30,492,593)
Payments for taxes and deductions		**(18,279,820)**	(21,333,717)
Payments for income tax		**(2,545,000)**	(1,480,000)
Interest payments		**(7,815,240)**	(3,671,466)
Net cash used in operating activities		**(32,022,600)**	(14,578,938)
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment		**(1,667,740)**	(1,135,061)
Receipts from savings accounts		**100,000**	281,985
Proceeds from the sale of investments		**–**	20,006,648
Net cash flows (used in) / from investing activities		**(1,567,740)**	19,153,572
Cash flows from financing activities:			
Repayment of loans	15	**(93,909,046)**	(39,500,000)
Loan proceeds	15	**133,643,344**	40,257,000
Dividend payment		**(6,098,179)**	(5,382,985)
Net cash flows from / (used in) financing activities		**33,636,119**	(4,625,985)
Net change in cash and cash equivalents		**52,189**	(51,351)
Cash and cash equivalents as of January 1,		**70,160**	112,780
Net foreign exchange difference		**(57,464)**	8,731
Cash and cash equivalents as of December 31,	13	**64,885**	70,160

General Director

Xudayberganov U.A.

Chief Accountant

Turaev T.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2022

In thousands of soums	Notes	Charter capital	Retained earnings	Total
As of January 1, 2021		11,255,363	90,208,095	101,463,458
Net income for the year		–	14,679,770	14,679,770
Total comprehensive income for the year		–	14,679,770	14,679,770
Dividends	13	–	(5,382,985)	(5,382,985)
As of December 31, 2021		11,255,363	99,504,880	110,760,243
Net loss for the year		**–**	**(8,650,690)**	**(8,650,690)**
Total comprehensive loss for the year		**–**	**(8,650,690)**	**(8,650,690)**
Dividends	13	**–**	**(6,098,179)**	**(6,098,179)**
As of December 31, 2022		**11,255,363**	**84,756,011**	**96,011,374**

General Director

Xudayberganov U.A.

Chief Accountant

Turaev T.A.

The accounting policies and notes on pages 5-28 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

1. GENERAL INFORMATION

URGENCH YOG'-MOY JSC (the "Company") was registered as a joint stock company in accordance with the legislation of the Republic of Uzbekistan in 2003.

As of December 31, 2022 and 2021, the Company's shareholders were:

	December 31, 2022	December 31, 2021
State Assets Management Agency of the Republic of Uzbekistan	**60.31%**	60.31%
Demoret Finance JV LLC	**26.24%**	26.24%
Other shareholders	**13.45%**	13.45%
	100.00%	100.00%

The main activity of the Company is the production and sale of cotton-seed oil.

Legal address and place of business: 2 I. Dossov street, Urgench city, Xorazm region, Republic of Uzbekistan.

As of December 31, 2022 and 2021 the Company owned 100% share in Urganch Bioservice LLC (the "Subsidiary").

The consolidated financial statements comprise the financial statements of the Company and Urganch Bioservice LLC (jointly – the "Group") as of December 31, 2022.

These consolidated financial statements of the Group were signed by the General Director and Chief Accountant on April 20, 2023.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including all International Financial Reporting Standards and interpretations of the International Financial Reporting Standards Board adopted and in force during the reporting period, and are fully consistent with them.

These consolidated financial statements of the Group have been prepared in accordance with the historical cost principle, except for the transactions disclosed in the accounting policies and notes to these consolidated financial statements.

The consolidated financial statements are presented in Uzbek soums ("soums"). All amounts in these consolidated financial statements have been rounded to the nearest thousand, unless otherwise indicated.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiary as of December 31, 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Basis of consolidation (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognized at fair value.

As of December 31, 2022 and 2021 the assets and liabilities of the Subsidiary were classified as held for sale due to the management's decision to dispose of the investment in it. The Subsidiary does not qualify for discontinuing operation as it does not represent the major line of business.

Foreign currencies

The Group's consolidated financial statements are presented in soums, which is also the Company's functional currency.

Foreign currency transactions are translated to the functional currency using the exchange rates at the date of the transaction. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates at the reporting date are recognized in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rates ruling at the dates of the original transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates ruling at the date the fair value was determined.

Exchange rates

The official exchange rates in the Republic of Uzbekistan are set by the Central Bank of Uzbekistan ("CBU"). The exchange rate of the CBU as of December 31, 2022 was 11,225.46 soums per 1 USD (December 31, 2021: 10,837.66 soums). This rate was used to translate monetary assets and liabilities denominated in US dollars as of December 31, 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

For the purposes of fair value disclosure, the Group has classified assets and liabilities based on their nature, inherent characteristics and risks, and the applicable level in the fair value hierarchy, as set out below.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

Property, Plant and Equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of property, plant and equipment items is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Average useful lives
Buildings and constructions	40 years
Machinery and equipment	25 years
Vehicles	15 years
Other assets	9 years

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are adjusted prospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment (continued)

An item of property, plant and equipment and any significant component of an item of property, plant and equipment that was initially recognized is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

Biological assets and agricultural produce

Biological assets of the Group consist of livestock (pigs and poultry).

The Group recognizes a biological asset or agricultural produce when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group, and the fair value or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any results recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market. The difference between fair value less costs to sell and total production costs is allocated to biological assets held in stock as of each reporting date as a fair value adjustment. The change in this adjustment from one period to another is recognized as "Net change in fair value of biological assets and agricultural produce" in profit or loss.

Agricultural produce harvested from biological assets is recognized in inventory and measured at its fair value less costs to sell at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is recognized as "Net change in fair value of biological assets and agricultural produce" in profit or loss and for items sold is presented on net basis as a reduction of the line "Cost of sales".

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Lease

At the time the agreement is entered into, the Group evaluates whether the agreement is a lease or whether it contains signs of a lease. In other words, the Group determines whether the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

Group as a lessee

The Group applies the recognition exemption to short-term leases (ie, contracts for which the lease term is 12 months or less at the start of the lease and does not contain a call option). The Group also applies the recognition exemption for leases of low value assets to leases that are considered to be of low value. Lease payments for short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

Group as a lessor

A lease under which the Group retains substantially all the risks and rewards incidental to ownership of an asset is classified as an operating lease. The resulting rental income is accounted for on a straight-line basis over the lease term and included in revenue in the consolidated statement of comprehensive income due to its operating nature. Initial direct costs incurred in entering into an operating lease are included in the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rent is recognized in revenue in the period in which it is received.

Impairment non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the weighted average method. Costs include all costs incurred in bringing each product to its present location and condition, production costs, transportation and other costs (based on the normal production capacity).

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A. Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section *Revenue from contracts with customers* (IFRS 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

A. Financial Assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt
- instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

The Company does not have any financial assets measured at fair value through other comprehensive income.

Financial assets measured at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets measured at amortized cost are subsequently measured using the effective interest method and subject to impairment requirements. Gains or losses are recognized in profit or loss when an asset is derecognized, modified or impaired.

The Group classifies trade and other receivables and loans issued as financial assets measured at amortized cost.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in their fair value recognized in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

A. Financial Assets (continued)

Derecognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

B. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, guarantee liabilities and lease liabilities.

The Group does not have financial liabilities that it designates at initial recognition as at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge.

Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

B. Financial liabilities (continued)

Initial recognition and measurement (continued)

Loans

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Loans are classified as current liabilities unless the Group has an unconditional right to defer repayment for at least 12 months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Surety agreements (financial guarantees)

Guarantee obligations (financial guarantees) issued by the Group are agreements that provide for payment to be made to compensate the owner for a loss incurred when the specified borrower is unable to make payment when due under the terms of a debt instrument. Surety agreements are initially recognized as a liability at fair value, taking into account transaction costs directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the allowance for expected credit losses calculated in accordance with IFRS 9 and the amount of the liability initially recognized less accumulated amortization, if any.

As of December 31, 2022 and 2021 the Group did not have any outstanding financial guarantees issued.

C. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

D. Fair value of financial instruments

The fair value of financial instruments traded in active markets at each reporting date is determined based on quoted market or dealer prices (bid prices for long positions and ask prices for short positions) without deducting transaction costs.

For financial instruments not traded in an active market, fair value is determined by applying appropriate valuation techniques. Such techniques may include using prices from recent arm's length transactions, using the current fair value of similar instruments, discounted cash flow analysis or other valuation models.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

Restricted cash comprises cash deposited on the clearing accounts of the commodity exchanges in the Republic of Uzbekistan.

Dividends

The Company recognizes a liability to pay dividends when the distribution is approved and is no longer at the discretion of the Company. According to the legislation of the Republic of Uzbekistan, the distribution is approved by the participants. The corresponding amount is recognized directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The Company's activities are related to the production and sale of cotton-seed oil and accompanying products. The Subsidiary did not have significant sales in 2022 and 2021.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, except for the procurement services below, because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from the sale of goods is generally recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer.

Trade receivables

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognized if payment from the customer is received or becomes payable (whichever occurs first) before the Company transfers the related goods or services. Contract liabilities are recognized as revenue when the Company fulfills its obligations under the contract (ie transfers control of the related goods or services to the customer).

Labor costs and related deductions

Payroll expenses, pension contributions, social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits accrue as employees of the Group perform the relevant work. On behalf of its employees, the Group pays pension and severance benefits as provided for by the legislation of the Republic of Uzbekistan. Such expenses and payments are recognized in profit or loss as incurred. Upon the retirement of employees, the Group's financial obligations cease, and all subsequent payments to retired employees are made by public and private accumulative pension funds.

Income Tax

Current income tax

Assets and liabilities for current income tax are measured at the amount that is expected to be claimed for reimbursement by the tax authorities or paid to the tax authorities. The tax rates and tax laws used to calculate this amount are the rates and laws enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. The Group's management periodically assesses positions reflected in tax returns, in respect of which the relevant tax legislation can be interpreted differently, and, as necessary, creates estimated liabilities.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax (continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value added tax

Tax legislation provides for the payment of value added tax (VAT) on sales and purchases on a net basis. Thus, VAT receivable represents VAT on purchases less VAT on sales.

VAT payable

VAT payable is charged in accounting on income from the sale of goods, works and services subject to VAT, in accordance with the tax code of the Republic of Uzbekistan.

In addition, where an allowance for impairment of accounts receivable occurs, the amount of the impairment is charged on the gross amount of the debt, including VAT.

VAT recoverable

VAT recoverable is reflected in the accounting records for purchased goods, works and services that were purchased with VAT and, if any, were used to generate income.

On each reporting date, the amount of the VAT invoice to be reimbursed is subject to offset with the amount of the VAT invoice to be paid.

Disclosure of related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions, or has joint control of the entity. When deciding whether the parties are related, the content of the relationship between the parties, and not just their legal form, is taken into account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the financial statements and are disclosed in the consolidated financial statements unless it is unlikely that an outflow of resources to settle them will occur. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the consolidated financial statements when it is probable that the economic benefits associated with them will flow.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Events after the reporting date

Events that occur after the end of the reporting year that provide evidence of conditions that existed at the reporting date (adjusting events) are recognized in the financial statements. Events occurring after the end of the reporting year that are not adjusting events are disclosed in the notes to the consolidated financial statements if they are material.

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 37 – Onerous Contracts – Costs to Perform a Contract

The amendments to IAS 37 clarify what costs an entity should consider when assessing whether a contract is onerous or unprofitable. The amendments provide for an approach based on "costs directly attributable to the contract". Costs that are directly attributable to a contract for the provision of goods or services include both the incremental costs of performing that contract and the allocated costs that are directly attributable to the performance of the contract. General and administrative costs are not directly attributable to the contract and are therefore excluded unless they are expressly recoverable by the counterparty to the contract. These amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 3 - References to the Conceptual Framework

The purpose of these amendments is to replace references to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with references to the Framework for the Presentation of Financial Statements, issued in March 2018, without making significant changes to the requirements of the standard. The Board also added an exception to the recognition principle in IFRS 3, to avoid potential day 2 gains or losses, for liabilities and contingent liabilities that would be within the scope of IAS 37 or the IFRIC) 21 "Compulsory payments", if they arose as part of individual transactions. At the same time, the Board decided to clarify the existing requirements of IFRS 3 with respect to contingent assets, which would not be affected by the replacement of references to the Framework for the Preparation and Presentation of Financial Statements. These amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Use for the Purpose of Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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 recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the Group's consolidated financial statements due to the fact that there was no production during the period of construction of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the consolidated financial statements of the Group as it is not a first- time adopter.

Amendment to IFRS 9 "Financial Instruments" – Fees in the '10 per cent' test for derecognition of financial liabilities

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. These amendments had no impact on the consolidated financial statements of the Group.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had no impact on the consolidated financial statements of the Group.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group 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 released IFRS 17 Insurance Contracts, a comprehensive new financial reporting standard for insurance contracts that addresses recognition and measurement, presentation and disclosure. When IFRS 17 becomes effective, it will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life and non-life insurance, direct insurance and reinsurance), regardless of the type of entity that issues them, and to certain guarantees and financial instruments with conditions discretionary participation. There are several exceptions to the scope. The main objective of IFRS 17 is to provide an accounting model for insurance contracts that is more efficient and consistent for insurers. Unlike the requirements of IFRS 4, which are primarily based on previous local accounting policies, IFRS 17 provides a comprehensive accounting model for insurance contracts, covering all relevant aspects of accounting. IFRS 17 is based on a general model, supplemented by the following:

- Certain modifications for insurance contracts with direct participation terms (variable fee method);
- Simplified approach (premium distribution approach) mainly for short-term contracts.

IFRS 17 is effective for periods beginning on or after 1 January 2023 and comparative information is required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date of first application of IFRS 17. This standard is not applicable to the Group.

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

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

- what is meant by the right to delay the settlement of obligations;
- the right to defer settlement of obligations must exist at the end of the reporting period;
- the classification of liabilities is not affected by the likelihood that the entity will exercise its right to defer settlement of the liability;
- The terms of a liability will not affect its classification only if the derivative embedded in the convertible liability is itself an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

These amendments are effective for annual periods beginning on or after 1 January 2023 and are applied retrospectively. The Group is currently reviewing the possible impact of these amendments on the current classification of liabilities and the need to revise the terms of existing loan agreements.

Amendments to IAS 8 – Determination of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 introducing the definition of "accounting estimates". The amendments clarify the difference between changes in accounting estimates and changes in accounting policies and the correction of errors. It also explains how organizations use measurement methods and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023, and apply to changes in accounting policies and estimates that occur on or after the start of that period. These amendments are not expected to have a material impact on the Group.

Amendments to IAS 1 and Practice Guideline No. 2 on the Application of IFRS – Accounting Policies Disclosures

In February 2021, the IASB issued amendments to IAS 1 and Practice Guideline 2 on Making Materiality Judgments, which provide guidance and examples to help entities apply materiality judgments when disclosing accounting policies. The amendments should help entities disclose more useful information about accounting policies by replacing the requirement for entities to disclose "significant information" about accounting policies with a requirement to disclose "material information" about accounting policies, and by adding guidance on how entities should apply the concept materiality in making decisions on disclosure of information about accounting policies. The amendments to IAS 1 apply for annual periods beginning on or after 1 January 2023, with early application possible. Since the amendments to Practice Note 2 on the Application of IFRSs provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, it is not required to indicate the effective date of the amendments.

Deferred tax relating to assets and liabilities arising from a single transaction – amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12 that narrow the scope of initial recognition. An exemption under IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should apply to transactions that occur at or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (if there is sufficient taxable profit) and a deferred tax liability must also be recognized for all deductible and taxable temporary differences associated with the lease and decommissioning of the liability. The Group is currently assessing the impact of the amendments.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Useful life of property, plant and equipment

The Group evaluates the remaining useful life of property, plant and equipment at least once a year at the end of the financial year. If expectations differ from previous estimates, the changes are accounted for prospectively as changes in accounting estimates in accordance with IAS 8 Accounting *Policies, Changes in Accounting Estimates and Errors*.

Fair value of financial instruments

Where the fair value of financial instruments and financial liabilities recognized in the consolidated statement of financial position cannot be determined from active markets, it is determined using valuation techniques, including the discounted cash flow model. Observable markets are used as input to these models whenever possible, but where this is not practicable, a certain amount of judgment is required to establish fair value. Judgments include taking into account such inputs as liquidity risk, credit risk and volatility. Changes in assumptions about these factors may affect the fair value of financial instruments as reported in the consolidated financial statements.

Taxation

When assessing tax risks, management considers as possible liabilities known areas of non-compliance with tax laws that the Group is unable to contest or does not believe it will be able to successfully challenge if additional taxes are assessed by the tax authorities. Such a determination requires significant judgment and is subject to change as a result of changes in tax laws and regulations, amendments to taxation conditions, the determination of expected outcomes in pending tax proceedings, and the current outcome of tax compliance reviews by the tax authorities.

Deferred tax assets are recognized to the extent that it is probable that taxable temporary differences and the commercial nature of such expenses will be justified. A significant management judgment is required to determine the amount of deferred tax assets that can be recognized in the consolidated financial statements, based on the likely timing and extent of future taxable profits and future tax planning strategies.

Allowances for expected credit losses

The Group uses an allowance matrix to calculate ECLs for trade receivables. Allowance rates are set based on the number of days past due for groups of different customer segments with similar loss incurrence characteristics. Initially, the allowance matrix is based on observed data on the occurrence of defaults in past periods. The Group will update the matrix in order to adjust the past experience of credit losses taking into account forward-looking information. For example, if forecast economic conditions (eg. GDP) are expected to worsen over the next year, which could lead to an increase in defaults in the manufacturing sector, then the historical default rate is adjusted. At each reporting date, the observable data on the level of default in previous periods are updated and changes in forward estimates are analyzed. Estimating the relationship between historical observed default rates, projected economic conditions and ECLs is a significant estimate. In 2022 and 2021, ECL was not sensitive to changes in circumstances and projected economic conditions. The Group's past experience of credit losses and the forecast of economic conditions may also not be indicative of an actual buyer default in the future. Information on ECLs for trade receivables of the Group is disclosed in *Note 10*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT

In thousands of soums	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost						
As of January 1, 2021	75,711,286	62,765,236	6,192,244	521,370	3,931,489	149,121,625
Additions	45,000	133,755	1,300	3,644	1,093,666	1,277,365
Transfer	505,468	2,787,197	–	26,460	(3,319,125)	–
Disposals	(51,272)	(102,431)	(211,889)	(30,104)	–	(395,696)
As of December 31, 2021	76,210,482	65,583,757	5,981,655	521,370	1,706,030	150,003,294
Additions	**–**	**–**	**–**	**–**	**1,661,330**	**1,661,330**
Transfer	**164,650**	**1,365,276**	**–**	**54,878**	**(1,584,804)**	**–**
Disposals	**(45,007)**	**(26,915)**	**(64,100)**	**(3,129)**	**–**	**(139,151)**
На 31 декабря 2022 года	**76,330,125**	**66,922,118**	**5,917,555**	**573,119**	**1,782,556**	**151,525,473**
Accumulated depreciation						
As of January 1, 2021	(34,777,109)	(49,517,523)	(4,767,520)	(376,104)	–	(89,438,256)
Charge for the year	(1,507,047)	(2,288,134)	(222,759)	(63,396)	–	(4,081,336)
Disposals	25,094	88,431	–	–	–	113,525
As of December 31, 2021	(36,259,062)	(51,717,226)	(4,990,279)	(439,500)	–	(93,406,067)
Charge for the year	**(1,495,605)**	**(2,274,531)**	**(220,723)**	**(64,535)**	**–**	**(4,055,394)**
Disposals	**5,232**	**26,915**	**64,100**	**3,129**	**–**	**99,376**
As of December 31, 2022	**(37,749,435)**	**(53,964,842)**	**(5,146,902)**	**(500,906)**	**–**	**(97,362,085)**
Net book value						
As of December 31, 2021	39,951,420	13,866,531	991,376	81,870	1,706,030	56,597,227
As of December 31, 2022	**38,580,690**	**12,957,276**	**770,653**	**72,213**	**1,782,556**	**54,163,388**

As of 31 December 2022 and 2021, construction in progress comprises various productive equipment to be installed.

As of 31 December 2022 and 2021, the cost of fully amortized assets amounted to 37,988,125 thousand soums and 37,595,818 thousand soums, respectively.

All of the Group's buildings and constructions were pledged as collateral for the loans (*Note 15*) as of December 31, 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INTANGIBLE ASSETS

In thousands of soums	Right-of-use of land plots	Software	Total
Cost			
As of January 1, 2021	1,203,510	132,688	1,336,198
As of December 31, 2021	1,203,510	132,688	1,336,198
На 31 декабря 2022 года	**1,203,510**	**132,688**	**1,336,198**
Accumulated amortization			
As of January 1, 2021	(480,401)	(14,267)	(494,668)
Charge for the year	(24,070)	(26,538)	(50,608)
As of December 31, 2021	(504,471)	(40,805)	(545,276)
Charge for the year	**(24,070)**	**(26,539)**	**(50,609)**
As of December 31, 2022	**(528,541)**	**(67,344)**	**(595,885)**
Net book value			
As of December 31, 2021	699,039	91,883	790,922
As of December 31, 2022	**674,969**	**65,344**	**740,313**

8. BIOLOGICAL ASSETS

Below is the information on quantities of the productive biological assets (in units):

In units	Cattle	Chickens
As of January 1, 2021	107	–
Additions	16	–
Disposals	(58)	–
As of December 31, 2021	65	–
Additions	**21**	**5,400**
Disposals	**(3)**	**(493)**
As of December 31, 2022	**83**	**4,907**

Changes in the carrying value of biological assets was presented as follows:

In units	Cattle	Chickens	Total
As of January 1, 2021	548,883	–	548,883
Additions	24,000	–	
Change in fair value as a result of biological transformation	182,715	–	182,715
Disposals	(371,713)	–	(371,713)
As of December 31, 2021	383,885	–	383,885
Additions	**31,500**	**39,420**	**70,920**
Change in fair value as a result of biological transformation	**78,580**	**128,401**	**206,981**
Disposals	**(20,380)**	**(14,209)**	**(34,589)**
As of December 31, 2022	**473,585**	**153,612**	**627,197**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVENTORIES

In thousands of soums	**December 31, 2022**	December 31, 2021
Finished goods	**79,905,061**	63,586,823
Raw materials	**14,474,284**	36,218,559
Fuel	**1,128,189**	1,714,488
Containers and packaging materials	**686,934**	1,569,779
Spare parts	**349,360**	365,898
Goods for re-sale	**45,543**	13,294
Other	**202,078**	128,030
	96,791,449	103,596,871

10. TRADE AND OTHER ACCOUNTS RECEIVABLE

In thousands of soums	**December 31, 2022**	December 31, 2021
Trade accounts receivable	**2,498,302**	485,756
Other accounts receivables	**19,436**	16,691
Less: allowance for expected credit losses	**(186,804)**	(63,763)
	2,330,934	438,684

The Group's estimated ECL for the accounts receivable overdue 180 days was 100.00% as of December 31, 2022 and 2021.

11. PREPAYMENT FOR OTHER TAXES AND DEDUCTIONS

In thousands of soums	**December 31, 2022**	December 31, 2021
Value added tax	**6,208,597**	7,932,711
Income tax on dividend	**522,361**	963
Other	**102,258**	101,811
	6,833,216	8,035,485

12. ADVANCES PAID

In thousands of soums	**December 31, 2022**	December 31, 2021
Prepayments for seeds	**11,561,870**	15,892,226
Prepayments for other materials and services	**1,430,575**	1,484,739
Minus: allowance for impairment of advances issued	**(27,999)**	(27,999)
	12,964,446	17,348,966

13. CASH AND CASH EQUIVALENTS

In thousands of soums	**December 31, 2022**	December 31, 2021
Bank account in ruble	**25,044**	23,514
Bank account in euro	**10,918**	11,158
Cash on card accounts in soums	**10,311**	7,158
Bank account in US dollars	**8,919**	6,010
Bank account in soums	**7,616**	2,880
Cash in transit in soums	**2,077**	19,440
	64,885	70,160

As of December 31, 2022 and 2021 the Group had cash placed on clearing accounts of the commodity exchanges in the Republic of Uzbekistan. These cash balances are restricted in use as they intended for payment to the suppliers upon completion of tender processes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. CAPITAL

The Company's charter capital comprises 30,918,366 common shares and 81,756 preferred shares issued and fully paid with par value of 365 soums each.

The holders of common shares have the rights to vote and receive dividends.

The Company is obliged to pay a fixed dividend of 25.00% of par value to the holders of preferred shares. The preferred shares also give the right to the holders to receive 100.00% of par value upon redemption. The Company classified the preferred shares as liability within the Other non-current liabilities in the consolidated statement of financial position. Dividends accrued on the preferred shares are recorded as financial costs.

In 2022, the declared dividends amounted to 6,098,179 thousand soums (2021: 5,382,985 thousand soums).

15. LOANS

In thousands of soums	**Interest rate**	**Maturity**	**December 31, 2022**	December 31, 2021
The National Bank for Foreign Economic Activity of the Republic of Uzbekistan	21.00-23.00%	2023	**39,444,444**	28,000,000
Orient Invest LLC	20.00%	2023	**25,500,000**	–
PAXTAKOR SIFAT YOG` LLC	Interest-free	2022	**–**	2,257,000
Invest Finance Bank JSCB (Khorezm Branch)	23.99%	2024	**5,046,853**	–
Interest payable			**593,686**	–
Total			**70,584,983**	30,257,000
Shown in current liabilities			**65,538,130**	30,257,000
Shown in non-current liabilities			**5,046,853**	–

All loans were denominated in soums.

The National Bank for Foreign Economic Activity of the Republic of Uzbekistan ("NBU")

The Company obtained the loans from NBU for financing of purchases of raw materials. The loans are short-term and repayable in nine equal installments after the grace period of three months. Interest is paid monthly. The loans are secured by the Company's buildings and constructions (*Note 6*).

Orient Invest LLC

This loan was obtained for financing of purchases of raw materials. The loan is short-term and repayable upon availability of funds but not later than 365 days from the loan agreement date. Interest is paid monthly. The loan is not secured.

Invest Finance Bank JSCB (Khorezm Branch) ("IFB")

In September 2022 the Company concluded a credit line agreement with IFB for 50,000,000 thousand soums for financing of purchases of raw materials. The loans are repayable upon availability of funds but not later than 18 months from the receipt date. Interest is paid monthly. The loans are secured by the bank guarantee.

16. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of soums	**December 31, 2022**	December 31, 2021
Trade payables for seeds	**4,722,676**	26,550,478
Trade payables for other materials	**856,633**	134,840
Trade and other payables for services	**3,540,931**	2,849,929
	9,120,240	29,535,247

Trade and other accounts payables are denominated in soums.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. PAYABLES TO EMPLOYEES

In thousands of soums	**December 31, 2022**	December 31, 2021
Salaries payable	**2,198,711**	5,772,304
Other payables to employees	**22,927**	18,932
	2,221,638	5,791,236

18. CONTRACT LIABILITIES

In thousands of soums	**December 31, 2022**	December 31, 2021
Prepayments for the supply of cotton-seed oil	**2,142,178**	17,325,542
Prepayments for the supply of other gods and services	**24,371**	29,841
	2,166,549	17,355,383

19. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from sales of finished goods and other products is recognized at a point in time. Revenue from services is recognized over time.

All sales of granulated sugar were in the Republic of Uzbekistan. In general, sales are carried out through the Commodity and Raw Materials Exchange of the Republic of Uzbekistan.

In thousands of soums	**2022**	2021
Revenue from the sale of finished products	**311,044,443**	395,846,178
Revenue from the sale of other products and goods	**974,517**	745,187
Revenue from services	**586,626**	1,783,981
	312,605,586	398,375,346

20. COST OF SALES

In thousands of soums	**2022**	2021
Raw materials	**(290,124,587)**	(380,567,649)
Salaries and other payments	**(13,008,373)**	(13,940,372)
Depreciation and amortization	**(3,969,077)**	(4,006,270)
Cost of goods for re-sale	**(911,241)**	(339,102)
Change in finished products	**16,318,238**	38,991,687
Other expenses	**(10,141,670)**	(5,270,087)
	(301,836,710)	(365,131,793)

21. SELLING EXPENSES

In thousands of soums	**2022**	2021
Commodity exchange services	**(1,605,278)**	(1,979,896)
Salaries and other payments	**(357,850)**	(487,364)
Materials	**(47,241)**	(76,124)
Taxes other than income tax	**(41,327)**	(56,983)
Depreciation and amortization	**(25,177)**	(25,032)
Other expenses	**(1,097,372)**	(1,317,873)
	(3,174,245)	(3,943,272)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. ADMINISTRATIVE EXPENSES

In thousands of soums	**2022**	2021
Salaries and other payments	**(4,692,451)**	(4,338,502)
Membership fees	**(983,695)**	(1,123,584)
Taxes other than income tax	**(396,744)**	(377,802)
Depreciation and amortization	**(111,749)**	(100,642)
Other	**(410,823)**	(276,016)
	(6,595,462)	(6,216,546)

23. FINANCIAL COSTS

In thousands of soums	**2022**	2021
Interest expense on loans	**(8,408,926)**	(3,671,466)
Dividends on preferred shares	**(16,168)**	(14,272)
	(8,425,094)	(3,685,738)

24. INCOME TAX

In thousands of soums	**2022**	2021
Current income tax expense	**(795,692)**	(3,566,034)
Deferred income tax expense	**(55,849)**	(55,250)
	(851,541)	(3,621,284)

A reconciliation of income tax expense calculated from accounting profit before tax at the statutory income tax rate of 15% to income tax expense is as follows:

In thousands of soums	**2022**	2021
(Loss) / profit before tax	**(7,799,149)**	18,301,054
Tax rate	**15%**	15%
Income tax benefit / (expense) on accounting profit before tax	**1,169,872**	(2,745,158)
Other permanent differences	**(2,021,413)**	(876,126)
Income tax expense	**(851,541)**	(3,621,284)

Deferred income tax assets and liabilities were as follows:

In thousands of soums	January 1, 2021	Charged to profit and loss	December 31, 2021	**Charged to profit and loss**	**December 31, 2022**
Non-current assets	111,099	(55,250)	55,849	**–**	**55,849**
Unrecognized deferred tax assets	–	–	–	**(55,849)**	**(55,849)**
Net deferred tax assets	111,099		55,849		**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. RELATED PARTY DISCLOSURES

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. When deciding whether the parties are related, the content of the relationship between the parties, and not just their legal form, is taken into account.

Related parties may enter into transactions that would not be conducted between unrelated parties. The prices and terms of such transactions may differ from the prices and terms of transactions between unrelated parties.

Information on transactions and balances with related parties is presented below.

In thousands of soums	**December 31, 2022**	December 31, 2021
Trade accounts receivable		
Companies under common control	**2,124**	12,727
	2,124	12,727
Advances paid		
Companies under common control	**2,905,000**	–
	2,905,000	–
Revenues		
Companies under common control	**930,762**	852,950
	930,762	852,950

Compensation to key management employees of the Company

Key management personnel consist of 4 people as of December 31, 2022 (2021: 6 people). In 2022, the total amount of remuneration to key management personnel amounted to 619,586 thousand soums (2021: 770,158 thousand soums) consisted of salaries and other short-term benefits and was included in administrative expenses.

26. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and other accounts receivable, trade and other accounts payable and loans payable. The principal risks arising from the Company's financial instruments are presented below.

Market risk

The Group assumes market risks. Market risk arises from the presence of open positions in currencies subject to general and specific market fluctuations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is not significant as its debt obligations with fixed interest rates.

Currency risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the currency risk is not significant as it does not make significant transactions in foreign currencies.

Credit risk

Credit risk is the risk of non-performance by counterparties of contractual obligations and the Group's incurring losses associated with these. The Group's policy provides for working exclusively with creditworthy counterparties and obtaining, if necessary, sufficient collateral to reduce the risk of losses from default.

As at 31 December 2022, the Company one customer, the carrying amount of which amounted to 75% of the total balance of trade and other accounts receivables (31 December 2021: four customers – 80%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The Group's maximum exposure to credit risk in relation to financial assets is represented by the carrying amounts of cash and cash equivalents, restricted cash and trade and other accounts receivable *(Notes 10 and 13)*.

The Group's cash in the bank accounts were mainly placed in the commercial banks with the credit ratings of BB- (stable) according to Standard&Poor's rating.

Liquidity risk

The Group monitors the risk of shortage of funds using the current liquidity planning tool. This tool analyzes the timing of payments associated with financial investments and financial assets, as well as projected cash flows from operating activities.

The following table summarizes the maturities of the Group's financial liabilities as at December 31, 2022 and 2021 based on contractual undiscounted payments.

In thousands of soums	**Less than 1 year**	**From 1 - 2 years**	**Total**
December 31, 2022			
Loans	**74,276,547**	**5,551,538**	**79,828,086**
Trade and other accounts payable	**9,120,240**	**–**	**9,120,240**
	83,396,787	**5,551,538**	**88,948,326**
December 31, 2021			
Loans	34,291,267	–	34,291,267
Trade and other accounts payable	29,535,247	–	29,535,247
	63,826,514	–	63,826,514

Management believes that the Group has access to sufficient financing resources in the local banks to meet the Group's obligations in accordance with the established deadlines.

Changes in financial liabilities arising from financing activities

In thousands of soums	**December 31, 2021**	**Loans received**	**Loans repaid**	**Interest accrued**	**Interest paid**	**December 31, 2022**
Loans	30,257,000	133,643,344	(93,909,046)	8,408,926	(7,815,241)	**70,584,983**
	30,257,000	133,643,344	(93,909,046)	8,408,926	(7,815,241)	**70,584,983**

In thousands of soums	**December 31, 2020**	**Loans received**	**Loans repaid**	**Interest accrued**	**Interest paid**	**December 31, 2021**
Loans	29,500,000	40,257,000	(39,500,000)	3,671,466	(3,671,466)	30,257,000
	29,500,000	40,257,000	(39,500,000)	3,671,466	(3,671,466)	30,257,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments

In thousands of soums	Carrying value		Fair value	
	December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
Financial assets:				
Cash and cash equivalents	**64,885**	64,885	**70,160**	70,160
Restricted cash	**5,205,484**	5,205,484	**9,115,809**	9,115,809
Trade and other accounts receivable	**2,330,934**	2,330,934	**438,684**	438,684
Other current financial assets	**46,421**	46,421	**146,421**	146,421
Other non-current financial assets	**96,614**	96,614	**96,614**	96,614
	7,744,338	7,744,338	**9,867,688**	9,867,688
Financial liabilities:				
Loans	**74,276,547**	74,276,547	**34,291,267**	34,291,267
Trade and other accounts payable	**9,120,240**	9,120,240	**29,535,247**	29,535,247
	83,396,787	83,396,787	**63,826,514**	63,826,514

There were no changes in the hierarchy of the instruments. The Group's financial instruments are included in the Level III, except for cash and cash equivalents and other non-current financial assets (Level I).

Capital management

The Group manages capital in order to maintain business continuity while maximizing returns for stakeholders by optimizing the balance of debt and equity.

27. COMMITMENTS AND CONTINGENCIES

Operating environment

Uzbekistan continues economic reforms and the development of legal, tax and administrative infrastructure that would meet the requirements of a market economy. The stability of the economy of Uzbekistan will largely depend on the progress of these reforms, as well as on the effectiveness of the measures taken by the Government in the field of economy, financial and monetary policy.

In particular, the President of the Republic of Uzbekistan issued Decree No. UP-60 dated January 28, 2022 and approved the Action Strategy for seven priority areas for the development of New Uzbekistan for 2022-2026. The government is carrying out large-scale political and legal socio-economic reforms, state and regional programs in accordance with the Action Strategy for 2022-2026. The economy of Uzbekistan was affected by the government's currency reforms in 2017, which resulted in a significant devaluation of the Uzbek soum against major hard currencies by 92-94% based on the official exchange rates set by the Central Bank of Uzbekistan.

For the first time in its history, the Republic of Uzbekistan received an international credit rating in 2019. In December 2022, the International Rating Agency Standard & Poor's Global Ratings confirmed the long-term credit rating of the Republic of Uzbekistan at the level of "BB- "with a "stable" outlook for liabilities in foreign currencies.

The management of the Group believes that it is taking all necessary measures to maintain the economic stability of the Group in these conditions.

Legal matters

The Group may be subject to legal proceedings and judgments. Management believes that the resolution of all possible business issues will not have a material impact on the Group's financial position or results of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. COMMITMENTS AND CONTINGENCIES (continued)

Taxation

Uzbekistan currently has a number of laws governing various taxes imposed by republican and local governments. Often, executive orders for the application of normative acts are not clear or do not exist at all. There are frequent cases of different opinions regarding the interpretation of legislative acts, both between different departments and within one department (that is, the State Tax Committee and its various inspectorates), which creates uncertainty and grounds for various disputes. Tax declarations, as well as other areas of legal regulation (for example, customs and currency control issues), are under the control of several departments, which, by law, have the right to impose very significant fines, penalties and accrue interest. This situation creates a greater degree of probability of tax risks in Uzbekistan than, for example, in other countries with more developed systems of tax legislation. Management believes that the Company generally complies with all provisions of the tax legislation that affect its activities. However, the risk remains that the relevant authorities may take a different stance on contentious issues.

Management believes that, as of December 31, 2022, its interpretation of applicable tax, currency and customs legislation is appropriate and it is probable that the Group's position on these matters will be confirmed.

Other matters

The Group considered the impact of the possible impact of the conflict between the Russian Federation and Ukraine, as well as the potential impact of changing micro and macroeconomic conditions on the financial position and results of operations of the Group and concluded that these factors did not have a material impact on the Group's operations.

28. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the reporting date that could require disclosure in these consolidated financial statements.