FARGONA YOG-MOY JSC

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

CONTENTS

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	**35,180,851**	37,432,100
Other long-term financial assets		**55,109**	55,109
Total non-current assets		**35,235,960**	37,487,209
Current assets			
Inventories	7	**42,177,169**	40,664,524
Trade and other accounts receivable	8	**1,768,583**	4,082,427
Short-term financial assets		**162,388**	86,908
Prepayment for other taxes and deductions	9	**3,061,230**	2,955,755
Advances paid	10	**27,437,475**	18,579,221
Income tax prepayment		**225,452**	–
Restricted cash		**1,746**	1,746
Cash and cash equivalents	11	**532**	46,873
Other current assets		**94,439**	102,036
Total current assets		**74,929,014**	66,519,490
Total assets		**110,164,974**	104,006,699
Capital and liabilities			
Capital			
Charter capital	12	**17,945,027**	17,945,027
Additional paid-in capital		**96,877**	96,877
Retained earnings		**744,643**	28,060,239
Total capital		**18,786,547**	46,102,143
Non-current liabilities			
Loans	13	**11,973,828**	–
Lease liabilities		–	15,353
Other long-term financial liabilities		**5,976**	5,976
Total non-current liabilities		**11,979,804**	21,329
Current liabilities			
Loans	13	**63,671,781**	39,000,000
Dividends payable		**816,368**	528,112
Trade and other accounts payable	14	**4,107,685**	4,685,566
Lease liabilities		**15,353**	36,712
Payables to employees	15	**2,101,616**	1,738,991
Contract liabilities	16	**7,300,672**	10,446,951
Income tax payable		**–**	297,706
Other taxes payable		**609,219**	813,565
Other current liabilities		**775,929**	335,624
Total current liabilities		**79,398,623**	57,883,227
Total liabilities		**91,378,427**	57,904,556
Total equity and liabilities		**110,164,974**	104,006,699

General Director

Kayumov B.T.

Chief Accountant

Hikmatov O.A.

The accounting policies and notes on pages 5-26 are an integral part of these financial statements.

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

In thousands of soums	Notes	**2022**	2021
Revenue from contracts with customers	17	**98,588,798**	134,806,319
Cost of sales	18	**(109,316,669)**	(122,801,867)
Gross (loss) / profit		**(10,727,871)**	12,004,452
Selling expenses	19	**(1,718,530)**	(1,829,711)
Administrative expenses	20	**(1,946,936)**	(1,494,253)
Expected credit loss recovery / (expenses)		**80,091**	(959,581)
Other expenses		**(389,831)**	(1,248,286)
Operating (loss) / profit		**(14,703,077)**	6,472,621
Financial costs	21	**(8,466,410)**	(4,313,280)
Foreign exchange loss income, net		**(1,407,085)**	(30,627)
(Loss) / profit before tax		**(24,576,572)**	2,128,714
Income tax expenses	22	**(92,416)**	(1,009,636)
Net (loss) / income for the year		**(24,668,988)**	1,119,078
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive (loss) / income for the year, net of tax		**(24,668,988)**	1,119,078

General Director

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Kayumov B.T.

Chief Accountant

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Hikmatov O.A.

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		**123,453,520**	171,557,714
Other receipts		**471,107**	1,980,878
Payments to suppliers of raw materials and services		**(34,665,926)**	(118,721,096)
Other payments		**(1,024,413)**	(1,571,452)
Employee benefits paid		**(9,128,926)**	(8,988,445)
Payments for taxes and deductions		**(6,039,178)**	(9,123,499)
Payments for income tax		**(615,574)**	(1,080,699)
Interest payments		**(8,466,410)**	(4,019,408)
Net cash from operating activities		**63,984,200**	30,033,993
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment		**(2,464,343)**	(303,422)
Net cash flows used in investing activities		**(2,464,343)**	(303,422)
Cash flows from financing activities:			
Repayment of loans	24	**(58,456,231)**	(28,575,808)
Lease payments		**(3,713)**	(40,050)
Dividend payment		**(2,358,351)**	(2,615,857)
Net cash flows used in financing activities		**(60,851,295)**	(31,231,715)
Net change in cash and cash equivalents		**668,562**	(1,501,144)
Cash and cash equivalents as of January 1,		**46,873**	1,549,334
Net foreign exchange difference		**(714,903)**	(1,317)
Cash and cash equivalents as of December 31,	11	**532**	46,873

General Director

Kayumov B.T.

Chief Accountant

Hikmatov O.A.

The accounting policies and notes on pages 5-26 are an integral part of these financial statements.

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

In thousands of soums	Notes	Charter capital	Additional paid-in capital	Retained earnings	Total
As of January 1, 2021		17,945,027	96,877	29,496,686	47,538,590
Net income for the year		–	–	1,119,078	1,119,078
Total comprehensive income for the year		–	–	1,119,078	1,119,078
Dividends	12	–	–	(2,555,525)	(2,555,525)
As of December 31, 2021		17,945,027	96,877	28,060,239	46,102,143
Net loss for the year		**–**	**–**	**(24,668,988)**	**(24,668,988)**
Total comprehensive loss for the year		**–**	**–**	**(24,668,988)**	**(24,668,988)**
Dividends	12	**–**	**–**	**(2,646,608)**	**(2,646,608)**
As of December 31, 2022		**17,945,027**	**96,877**	**744,643**	**18,786,547**

General Director

Kayumov B.T.

Chief Accountant

Hikmatov O.A.

The accounting policies and notes on pages 5-26 are an integral part of these financial statements.

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

1. GENERAL INFORMATION

FARGONA YOG-MOY JSC (the "Company") was registered as a joint stock company in accordance with the legislation of the Republic of Uzbekistan in 2014.

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	**84.45%**	84.45%
Other shareholders	**15.55%**	–
Kayumov Bunyod Tashmatovich	**–**	15.55%
	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: 9 Memor street, Fergana city, Fergana region, Republic of Uzbekistan.

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Company has 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 financial statements of the Company has been prepared in accordance with the historical cost principle, except for the transactions disclosed in the accounting policies and notes to these financial statements.

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

Going concern

The financial statements have been prepared on the basis of going concern principle, which implies a continuation of the normal course of business, sale of assets and settlement of obligations in the normal course of business.

For the year ended 31 December 2022, the Company had a net loss of 24,668,988 thousand soums (2021: net income of 1,119,078 thousand soums). As of December 31, 2022 the Company's current liabilities exceeded its current assets by 4,469,609 thousand soums. As of December 31, 2021 the Company's current assets exceeded its current liabilities by 8,636,263 thousand soums.

The management believes that the Company will continue its activities as going concern, and in forming such this view, management has considered the current intention and financial position of the Company.

In particular, the following factors were considered into account in assessing the Company's ability to continue its activities as going concern:

- The Company is in negotiation with the cotton-seed suppliers the terms of future purchases;
- The Company's management believes that the additional funds for working capital financing will be obtained from the banks;
- The management of the Company believes that Company will receive financial support from the Shareholders, if needed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Foreign currencies

The Company's 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 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 US dollar (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 Company presents assets and liabilities in the 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 Company classifies all other liabilities as non-current.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

For the purposes of fair value disclosure, the Company 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 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 financial statements at fair value on a recurring basis, the Company 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.

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 Company 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.

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 statement of profit or loss when the asset is derecognized.

Lease

At the time the agreement is entered into, the Company evaluates whether the agreement is a lease or whether it contains signs of a lease. In other words, the Company 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.

Company as a lessee

The Company 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 Company 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.

A lease under which the Company 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment non-financial assets

The Company 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 Company 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 Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company'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 Company 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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company has applied the practical expedient are measured at the transaction price as disclosed in section *Revenue from contracts with customers* (IFRS 15).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

A. Financial Assets (continued)

Initial recognition and measurement (continued)

The Company’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 Company 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 Company 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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

A. Financial Assets (continued)

Derecognition (continued)

When the Company 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 Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

Impairment of financial assets

The Company 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 Company 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. 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 Company's financial liabilities include trade and other payables, loans and borrowings, guarantee liabilities and lease liabilities.

The Company 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 Company. 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 Company 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 Company 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 Company 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.

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.

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 Company perform the relevant work. On behalf of its employees, the Company 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 Company’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 Company’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 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 Company 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 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 financial statements unless it is unlikely that an outflow of resources to settle them will occur. Contingent assets are not recognized in the financial statements but are disclosed in the financial statements when it is probable that the economic benefits associated with them will flow.

Provisions

Provisions are recognized when the Company 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 Company 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 financial statements if they are material.

New and amended standards and interpretations

The Company 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 Company 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 Company’s 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 Company’s 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 Company’s financial statements due to the fact that there was no production during the period of construction of property, plant and equipment.

NOTES TO THE 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 financial statements of the Company 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 financial statements of the Company.

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 financial statements of the Company.

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 Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB 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 Company.

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 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 Company 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 Company.

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 Company is currently assessing the impact of the amendments.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s 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 Company’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Property lease classification – Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company 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 Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Estimates and assumptions (continued)

Useful life of property, plant and equipment

The Company 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 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 financial statements.

Taxation

When assessing tax risks, management considers as possible liabilities known areas of non-compliance with tax laws that the Company 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 financial statements, based on the likely timing and extent of future taxable profits and future tax planning strategies.

Allowances for expected credit losses

The Company uses an allowance matrix to calculate ECLs for trade receivables. Allowance rates are set based on the number of days past due for Companys 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 Company 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 Company’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 Company is disclosed in *Note 8*.

NOTES TO THE 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	49,237,831	14,643,093	1,679,836	1,320,825	4,488,008	71,369,593
Additions	–	–	–	–	303,422	303,422
Transfer	–	–	–	8,261	(8,261)	–
Disposals	–	–	–	(6,945)	–	(6,945)
As of December 31, 2021	49,237,831	14,643,093	1,679,836	1,322,141	4,783,169	71,666,070
Additions	**–**	**–**	**–**	**–**	**2,464,343**	**2,464,343**
Transfer	**2,233,079**	**1,385,691**	**79,251**	**64,798**	**(3,762,819)**	**–**
Disposals	**(685)**	**(31,725)**	**(48,514)**	**(27,784)**	**–**	**(108,708)**
На 31 декабря 2022 года	**51,470,225**	**15,997,059**	**1,710,573**	**1,359,155**	**3,484,693**	**74,021,705**
Accumulated depreciation						
As of January 1, 2021	(17,159,604)	(11,965,701)	(1,229,012)	(1,043,456)	–	(31,397,773)
Charge for the year	(1,957,845)	(651,461)	(164,101)	(69,735)	–	(2,843,142)
Disposals	–	–	–	6,945	–	6,945
As of December 31, 2021	(19,117,449)	(12,617,162	(1,393,113)	(1,106,246)	–	(34,233,970)
Charge for the year	**(3,529,167)**	**(911,248)**	**(165,098)**	**110,078**	**–**	**(4,715,591)**
Disposals	**684**	**31,725**	**48,514**	**27,784**	**–**	**108,707**
As of December 31, 2022	**(22,645,932)**	**(13,496,685)**	**(1,509,697)**	**(1,188,540)**	**–**	**(38,840,854)**
Net book value						
As of December 31, 2021	30,120,382	2,025,931	286,723	215,895	4,783,169	37,432,100
As of December 31, 2022	**28,824,293**	**2,500,374**	**200,876**	**170,615**	**3,484,693**	**35,180,851**

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 12,210,471 thousand soums and 12,319,180 thousand soums, respectively.

All of the Company’s buildings and constructions were pledged as collateral for the loans (*Note 13*) as of December 31, 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVENTORIES

In thousands of soums	**December 31, 2022**	December 31, 2021
Salable wastes	**12,581,226**	7,431,472
Work-in-progress	**11,166,684**	23,695,459
Finished goods	**8,721,347**	467,240
Raw materials	**6,117,459**	4,185,797
Spare parts	**576,519**	455,712
Fuel	**94,281**	97,579
Containers and packaging materials	**850**	850
Other	**2,918,803**	4,330,415
	42,177,169	40,664,524

8. TRADE AND OTHER ACCOUNTS RECEIVABLE

In thousands of soums	**December 31, 2022**	December 31, 2021
Trade accounts receivable	**2,831,344**	4,928,281
Other accounts receivables	**2,748,745**	3,045,743
Less: allowance for expected credit losses	**(3,811,506)**	(3,891,597)
	1,768,583	4,082,427

The Company's estimated ECL for the accounts receivable overdue 180 days was 100.00% as of December 31, 2022 and 2021. Movement in allowance was as follows:

In thousands of soums	**2022**	2021
As of January 1	**(3,891,597)**	(2,932,016)
Accrued	**(196,925)**	(959,581)
Recovered	**277,016**	–
As of December 31	**(3,811,506)**	(3,891,597)

9. PREPAYMENT FOR OTHER TAXES AND DEDUCTIONS

In thousands of soums	**December 31, 2022**	December 31, 2021
Value added tax	**2,685,697**	2,835,939
Land tax	**188,730**	69,299
Other	**186,803**	50,517
	3,061,230	2,955,755

10. ADVANCES PAID

In thousands of soums	**December 31, 2022**	December 31, 2021
Prepayments for seeds	**27,644,499**	18,332,139
Prepayments for other materials and services	**524,405**	642,543
Other prepayments	**1,451,524**	1,787,492
Minus: allowance for impairment of advances paid	**(2,182,953)**	(2,182,953)
	27,437,475	18,579,221

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. CASH AND CASH EQUIVALENTS

In thousands of soums	**December 31, 2022**	December 31, 2021
Bank account in soums	**532**	46,873
	532	46,873

As of December 31, 2022 and 2021 the Company 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.

12. CAPITAL

The Company's charter capital comprises 3,643,308 common shares and 23,904 preferred shares issued and fully paid with par value of 4,895 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 20.00% 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 statement of financial position. Dividends accrued on the preferred shares are recorded as financial costs.

In 2022, the declared dividends amounted to 2,646,608 thousand soums (2021: 2,555,525 thousand soums).

13. LOANS

In thousands of soums	**Interest rate**	**Maturity**	**December 31, 2022**	December 31, 2021
Uzpromstroybank JSCB *(General loan agreement No. 42)*	24.00%	2023	**15,743,769**	20,000,000
Ipoteka Bank JSCMB		2022	**–**	8,000,000
Ipoteka Bank JSCMB *(General loan agreement No. 8/12)*	21.00-24.00%	2022-2023	**15,000,000**	11,000,000
Ipoteka Bank JSCMB *(Loan agreement No.733/1257)*	8.00%	2024	**44,901,840**	–
Total			**75,645,609**	39,000,000
Shown in current liabilities			**63,671,781**	39,000,000
Shown in non-current liabilities			**11,973,828**	–

Uzpromstroybank JSCB

Loans from JSCB Uzpromstroybank were obtained to finance working capital for the purchase of raw materials. According to the terms of financing loans are provided by direct transfer of funds to the Company's suppliers. These loans are denominated in soums.

In 2021, the Company entered into a general loan agreement No. 42 with the bank for 36 months and with a total credit limit of 20,000,000 thousand soums. Funds are provided in separate tranches for up to 12 months. Interest is paid monthly. The collateral is the Company's buildings and constructions.

Ipoteka Bank JSCMB

In 2022, the Company entered into a general loan agreement No. 8/12 with the bank for 24 months and with a total credit limit of 15,000,000 thousand soums. Funds are provided in separate tranches for up to 12 months. Interest is paid monthly. The collateral is the Company's buildings and constructions. These loans are denominated in soums.

In 2022, the Company entered into a loan agreement for a total amount of 4,000 thousand US dollars for a period of up to 18 months. Interest is paid monthly. The collateral is the Company's buildings and constructions. As of December 31, 2022, the balance of the principal is 4,000 thousand US dollars.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of soums	**December 31, 2022**	December 31, 2021
Trade payables for seeds	**1,544,382**	755,029
Trade payables for other materials	**1,323,541**	2,447,082
Trade and other payables for services	**1,239,762**	1,483,455
	4,107,685	4,685,566

Trade and other accounts payables are denominated in soums.

15. PAYABLES TO EMPLOYEES

In thousands of soums	**December 31, 2022**	December 31, 2021
Salaries payable	**964,836**	975,097
Vacation leave reserve	**1,136,780**	763,894
	2,101,616	1,738,991

16. CONTRACT LIABILITIES

In thousands of soums	**December 31, 2022**	December 31, 2021
Prepayments for the supply of cotton-seed oil	**6,826,027**	9,499,507
Prepayments for the supply of other goods and services	**474,645**	947,444
	7,300,672	10,446,951

17. 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	**96,287,681**	126,151,708
Revenue from services	**2,301,117**	8,654,611
	98,588,798	134,806,319

18. COST OF SALES

In thousands of soums	**2022**	2021
Raw materials	**(100,930,164)**	(136,665,115)
Salaries and other payments	**(3,768,588)**	(4,076,409)
Taxes other than income tax	**(2,816,093)**	(2,529,464)
Depreciation and amortization	**(2,225,082)**	(1,403,321)
Change in work-in-progress	**(12,528,775)**	16,238,707
Change in finished products	**13,403,862**	6,176,724
Other expenses	**(451,829)**	(542,989)
	(109,316,669)	(122,801,867)

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. SELLING EXPENSES

In thousands of soums	**2022**	2021
Depreciation and amortization	**(247,370)**	(224,966)
Commodity exchange services	**(892,565)**	(970,399)
Taxes other than income tax	**(51,041)**	(51,767)
Salaries and other payments	**(441,503)**	(427,013)
Other expenses	**(86,051)**	(155,566)
	(1,718,530)	(1,829,711)

20. ADMINISTRATIVE EXPENSES

In thousands of soums	**2022**	2021
Salaries and other payments	**(1,325,959)**	(1,013,763)
Third party services	**(259,322)**	(226,059)
Taxes other than income tax	**(166,486)**	(127,740)
Depreciation and amortization	**(93,427)**	(55,192)
Other	**(101,742)**	(71,499)
	(1,946,936)	(1,494,253)

21. FINANCIAL COSTS

In thousands of soums	**2022**	2021
Interest expense on loans	**(8,457,660)**	(4,295,291)
Dividends on preferred shares	**(8,750)**	(17,989)
	(8,466,410)	(4,313,280)

22. INCOME TAX

In thousands of soums	**2022**	2021
Current income tax expense	**(92,416)**	(1,009,636)
	(92,416)	(1,009,636)

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	**(24,576,572)**	2,128,714
Tax rate	**15%**	15%
Income tax benefit / (expense) on accounting profit before tax	**3,686,486**	(319,307)
Other permanent differences	**(3,778,902)**	(690,329)
Income tax expense	**(92,416)**	(1,009,636)

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. 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.

Compensation to key management employees of the Company

Key management personnel consist of 4 people as of December 31, 2022 (2021: 3 people). In 2022, the total amount of remuneration to key management personnel amounted to 254,024 thousand soums (2021: 150,253 thousand soums) consisted of salaries and other short-term benefits and was included in administrative expenses.

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company'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 Company 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 Company'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 Company's exposure to the currency risk is related to the loans in US dollars in 2022. The following tables demonstrate the sensitivity to a reasonably possible change in US dollar exchange rates, with all other variables held constant.

		Effect on (loss) / profit before taxation	
In thousands of soums	Change in exchange rate	**2022**	2021
US dollars			
Increase	+ 15%	**(6,735,276)**	–
Decrease	- 3%	**1,347,055**	–

Credit risk

Credit risk is the risk of non-performance by counterparties of contractual obligations and the Company's incurring losses associated with these. The Company'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 had receivables from two customers the carrying amount of which amounted to 70% of the total balance of trade and other accounts receivables (31 December 2021: two customers – 70%).

The Company'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 8 and 11)*.

The Company'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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Liquidity risk

The Company 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 Company'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 to 2 years**	**Total**
December 31, 2022			
Loans	**68,447,165**	**12,931,734**	**81,378,899**
Lease liabilities	**15,353**	**–**	**15,353**
Trade and other accounts payable	**4,107,685**	**–**	**4,107,685**
Dividend payable	**816,368**	**–**	**816,368**
	73,386,571	**12,931,734**	**86,318,305**
December 31, 2021			
Loans	41,925,000	–	41,925,000
Lease liabilities	45,462	19,728	65,190
Trade and other accounts payable	4,685,566		4,685,566
Dividend payable	528,112	–	528,112
	47,184,140	–	47,203,868

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

Changes in financial liabilities arising from financing activities

In thousands of soums	**2022**	2021
As of January 1,	**39,000,000**	17,105,684
Received – direct payments to the suppliers	**94,390,760**	49,998,550
Principal repaid	**(58,456,231)**	(28,391,913)
Interest accrued	**8,457,660**	4,295,291
Interest paid	**(8,457,660)**	(4,295,291)
Foreign exchange loss	**711,080**	287,679
As of December 31,	**75,645,609**	39,000,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. 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	**532**	532	**46,873**	46,873
Restricted cash	**1,746**	1,746	**1,746**	1,746
Trade and other accounts receivable	**1,768,583**	1,768,583	**4,082,427**	4,082,427
Other current financial assets	**162,388**	135,323	**86,908**	72,423
Other non-current financial assets	**55,109**	55,109	**55,109**	55,109
	1,988,358	1,961,293	**4,273,063**	4,258,578
Financial liabilities:				
Loans	**75,645,609**	75,645,609	**39,000,000**	39,000,000
Lease liabilities	**15,353**	15,353	**52,065**	52,065
Other current financial liabilities	**5,976**	5,976	**5,976**	5,976
Trade and other accounts payable	**4,107,685**	4,107,685	**4,685,566**	4,685,566
Dividend payable	**816,368**	816,368	**528,112**	528,112
	80,590,991	80,590,991	**44,271,719**	44,271,719

There were no changes in the hierarchy of the instruments. The Company'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 Company manages capital in order to maintain business continuity while maximizing returns for stakeholders by optimizing the balance of debt and equity.

25. 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 Company believes that it is taking all necessary measures to maintain the economic stability of the Company in these conditions.

Legal matters

The Company 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 Company's financial position or results of operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. 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 Company’s position on these matters will be confirmed.

Other matters

The Company 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 Company and concluded that these factors did not have a material impact on the Company’s operations.

26. EVENTS AFTER THE REPORTING PERIOD

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