JSC Uzkimyosanoat

Consolidated Financial Statements
for 2020
and Independent Auditors' Report

Contents

KPMG Audit LLC
International Business Center
Office 11A, 107B Amir Temur Avenue,
Tashkent, Uzbekistan, 100084
Telephone +998 78 147 77 44
Fax +998 78 147 77 45 E-mail
info@kpmg.co.uz

Independent Auditors' Report

To the Shareholder of Joint Stock Company "Uzkimyosanoat"

Qualified Opinion

We have audited the consolidated financial statements of Joint Stock Company "Uzkimyosanoat" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

We did not observe the counting of inventories stated at UZS 942 144 million as at 31 December 2020 and UZS 1 001 899 million as at 31 December 2019 because we were appointed as auditors of the Group only after specified dates. We were unable to satisfy ourselves as to those inventory quantities by alternative means. As a result, we were unable to determine whether adjustments might have been necessary in respect of inventories as at 31 December 2020, and the related elements making up the consolidated statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows as at and for the year then ended.

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

Other Matter

The corresponding figures as at and for the year ended 31 December 2019 and as at 1 January 2019 are unaudited.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

KPMG AUDIT

Saidov S.K.
General Director
AO "KPMG Audit" LLC
Tashkent, Uzbekistan
7 August 2022

Vakhidov N.V.
Engagement partner

UZS mln	Note	2020	2019
Revenue	5	4 634 195	3 562 159
Cost of sales	6	(3 810 334)	(2 894 477)
Gross profit		**823 861**	**667 682**
Other income	6	71 964	88 270
Distribution expenses	6	(93 336)	(94 907)
Administrative expenses	6	(198 239)	(207 696)
Reversal of previously accrued impairment	11	481 971	281 634
Other expenses	6	(348 819)	(227 799)
Profit from operating activities		**737 402**	**507 184**
Finance income	7	10 393	7 366
Finance costs	7	(1 952 673)	(2 096 262)
Net finance costs		**(1 942 280)**	**(2 088 896)**
Share in income of equity accounted investees	12	134 958	46 801
Loss before income tax		**(1 069 920)**	**(1 534 911)**
Income tax benefit	9	94 147	405 356
Loss for the year		**(975 773)**	**(1 129 555)**
Other comprehensive loss			
Items that will never be reclassified to profit or loss:			
Equity investments at FVOCI – net change in fair value		(2 692)	5 327
Changes in pension liabilities		945	(42 520)
Related income tax		391	(1 107)
Other comprehensive loss for the year, net of income tax		**(1 356)**	**(38 300)**
Total comprehensive loss for the year		**(977 129)**	**(1 167 855)**
Loss attributable to:			
Shareholder of the Company		(452 864)	(709 424)
Non-controlling interests		(522 909)	(420 131)
		(975 773)	**(1 129 555)**
Total comprehensive loss attributable to:			
Shareholder of the Company		(453 611)	(730 682)
Non-controlling interests		(523 518)	(437 173)
		(977 129)	**(1 167 855)**

These consolidated financial statements were approved by management on 7 August 2022 and were signed on its behalf by:

Chairman of the Management Board	Chief accountant
Mirzamakhmudov Z.T.	Babayev B.B.

Uzkimyosanoat

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 58.

UZS mln	Note	31 December 2020	31 December 2019	1 January 2019
ASSETS				
Property, plant and equipment	11	11 145 669	10 072 910	8 386 762
Intangible assets		5 060	6 010	513
Equity-accounted investments	12	438 541	365 120	363 605
Other investments		51 419	40 783	35 920
Non-current trade and other receivables	14	2 507	2 658	2 227
Deferred tax assets	9	1 408 334	1 240 601	965 664
Non-current assets		**13 051 530**	**11 728 082**	**9 754 691**
Inventories	13	942 144	1 001 899	570 958
Trade and other receivables	14	533 239	458 610	452 525
Other investments		7 053	9 477	38 569
Current income tax assets		11 634	11 050	-
Cash and cash equivalents	15	146 956	193 964	122 592
Current assets		**1 641 026**	**1 675 000**	**1 184 644**
Total assets		**14 692 556**	**13 403 082**	**10 939 335**
Equity	16			
Share capital		913 074	534 015	534 015
Reserves		(17 430)	(16 683)	4 575
Accumulated loss		(5 667 021)	(5 296 960)	(5 080 570)
Total equity attributable to the shareholder of the Company		**(4 771 377)**	**(4 779 628)**	**(4 541 980)**
Non-controlling interests	22	**(3 258 006)**	**(2 744 208)**	**(2 769 275)**
Total equity		**(8 029 383)**	**(7 523 836)**	**(7 311 255)**
Liabilities				
Loans and borrowings	18	15 288 039	16 274 072	14 972 525
Other long-term liabilities		81 409	61 446	23 854
Deferred tax liabilities	9	13 839	20 971	26 773
Non-current liabilities		**15 383 287**	**16 356 489**	**15 023 152**
Loans and borrowings	18	5 151 751	2 822 144	1 956 425
Trade and other payables	19	1 957 691	1 658 870	1 143 750
Other taxes payable		219 334	26 036	39 490
Current tax liabilities		9 876	2 206	4 750
Share in net assets attributable to non-controlling interests			61 173	83 023
Current liabilities		**7 338 652**	**4 570 429**	**3 227 438**
Total liabilities		**22 721 939**	**20 926 918**	**18 250 590**
Total equity and liabilities		**14 692 556**	**13 403 082**	**10 939 335**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 58.

	Attributable to shareholder of the Company					
UZS mln	**Share capital**	**Reserves**	**Accumulated loss**	**Total**	**Non-controlling interests**	**Total**
Balance at 1 January 2019	**534 015**	**4 575**	**(5 080 570)**	**(4 541 980)**	**(2 769 275)**	**(7 311 255)**
Total comprehensive loss						
Loss for the year	-	-	(709 424)	(709 424)	(420 131)	(1 129 555)
Other comprehensive loss						
Equity investments at FVOCI – net change in fair value	-	2 717	-	2 717	2 610	5 327
Changes in pension liabilities	-	(23 177)	-	(23 177)	(19 343)	(42 520)
Related income tax	-	(798)	-	(798)	(309)	(1 107)
Total other comprehensive loss	-	**(21 258)**	-	**(21 258)**	**(17 042)**	**(38 300)**
Total comprehensive loss for the year	-	**(21 258)**	**(709 424)**	**(730 682)**	**(437 173)**	**(1 167 855)**
Transactions with the shareholder of the Company						
Dividends	-	-	(12 674)	(12 674)	(4 540)	(17 214)
Acquisition of non-controlling interests without change in control	-	-	20 280	20 280	437	20 717
Other transactions with the shareholder of the Company	-	-	485 428	485 428	466 343	951 771
Total transactions with the shareholder of the Company	-	-	**493 034**	**493 034**	**462 240**	**955 274**
Balance at 31 December 2019	**534 015**	**(16 683)**	**(5 296 960)**	**(4 779 628)**	**(2 744 208)**	**(7 523 836)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 58.

UZS mln	Attributable to shareholder of the Company: Share capital	Reserves	Accumulated loss	Total	Non-controlling interests	Total
Balance at 1 January 2020	**534 015**	**(16 683)**	**(5 296 960)**	**(4 779 628)**	**(2 744 208)**	**(7 523 836)**
Total comprehensive loss						
Loss for the year	-	-	(452 864)	(452 864)	(522 909)	(975 773)
Other comprehensive loss						
Equity investments at FVOCI – net change in fair value	-	(1 420)	-	(1 420)	(1 272)	(2 692)
Changes in pension liabilities	-	473	-	473	472	945
Related income tax	-	200	-	200	191	391
Total other comprehensive loss	**-**	**(747)**	**-**	**(747)**	**(609)**	**(1 356)**
Total comprehensive loss for the year	**-**	**(747)**	**(452 864)**	**(453 611)**	**(523 518)**	**(977 129)**
Transactions with the shareholder of the Company						
Dividends	-	-	(30 563)	(30 563)	(38 487)	(69 050)
Issue of ordinary shares	379 059	-	-	379 059	-	379 059
Acquisition of non-controlling interests without change in control	-	-	83 146	83 146	24 343	107 489
Other transactions with the shareholder of the Company	-	-	30 220	30 220	23 864	54 084
Total transactions with the shareholder of the Company	**379 059**	**-**	**82 803**	**461 862**	**9 720**	**471 582**
Balance at 31 December 2020	**913 074**	**(17 430)**	**(5 667 021)**	**(4 771 377)**	**(3 258 006)**	**(8 029 383)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 - 58.

UZS mln	2020	2019
Cash flows from operating activities		
Loss for the year	(975 773)	(1 129 555)
Adjustments:		
Depreciation	386 493	458 750
Reversal of previously accrued impairment	(481 971)	(281 634)
Gain on disposal of property, plant and equipment	(14 123)	(19 769)
Reserve for obsolete stock	29 242	26 171
Changes in allowance for impairment and previously written-off financial assets	117 287	62 055
Net finance costs	1 942 280	2 088 896
Share in income of equity accounted investees	(134 958)	(46 801)
Income tax benefit	(94 147)	(405 356)
Accrual of penalties and tax liabilities	363 489	105 826
Other	24 284	(17 215)
	1 162 103	**841 368**
Changes in:		
Inventories	30 513	(457 112)
Trade and other receivables	(214 934)	(61 522)
Trade and other payables	136 901	201 951
Other tax liabilities	(16 205)	(13 454)
Cash flows from operations before income taxes and interest paid	**1 098 378**	**511 231**
Income tax paid	(82 885)	(58 133)
Interest paid	(524 518)	(354 497)
Net cash flows from operating activities	**490 975**	**98 601**
Cash flows from investing activities		
Proceeds from sale of investments	2 424	29 556
Acquisition of property, plant and equipment	(376 478)	(1 119 423)
Proceeds from sale of property, plant and equipment	36 654	46 113
Dividends from equity accounted investees	50 098	41 429
Acquisition of other investments	(13 479)	-
Net cash used in investing activities	**(300 781)**	**(1 002 325)**
Cash flows from financing activities		
Proceeds from loans and borrowings	535 316	1 221 145
Dividends paid	(43 960)	(11 741)
Repayment of loans and borrowings	(728 558)	(234 308)
Net cash (used in)/from financing activities	**(237 202)**	**975 096**
Net (decrease)/increase in cash and cash equivalents	**(47 008)**	**71 372**
Cash and cash equivalents at 1 January	193 964	122 592
Cash and cash equivalents as at 31 December	**146 956**	**193 964**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 58.

1 Reporting entity

(a) Business environment

Uzbekistan business environment

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

Uzbekistan continued reforms initiated by the President under the program *Action on five priority directions of development of the Republic of Uzbekistan in 2017-2020*. In the recent years the major currency conversion restrictions have been repealed, mandatory sale of foreign currency generated by export sales has been abolished, settlement period for export transactions has been increased, one-stop-shop of government services has been introduced and other positive changes have been implemented.

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

(b) Organisation and operations

The Group comprises mainly companies registered in the Republic of Uzbekistan. The Company was established in 2001 as a state-owned enterprise.

The Group's companies the main chemical products: mineral fertilizers, calcinated soda, caustic soda, plant protection chemicals, plastic products, other chemicals, including special chemicals, tyres and rubber products, as well as low-tonnage chemicals.

The Group's products are sold in the Republic of Uzbekistan and abroad.

The Company is registered at 38 Navoi street, Tashkent, Republic of Uzbekistan, 100011.

As at 31 December 2020, 31 December 2019 and 1 January 2019 the Government of the Republic of Uzbekistan, represented by the Agency for Management of State Assets of the Republic of Uzbekistan, is the ultimate controlling party of the Company.

As at 31 December 2020, 31 December 2019 and 1 January 2019, share of the State Asset Management Agency of the Republic of Uzbekistan in the capital of the Company accounted for 100%.

The policy of the Government of the Republic of Uzbekistan in the economic, social and other spheres may have material effect on the operations of the Group. The Group's counterparties (customers, suppliers and contractors, etc.) include significant number of state-related companies. Details of transactions with related parties, including state-controlled companies, are disclosed in Note 25.

2 Basis of accounting

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These consolidated financial statements are the first full set of financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

Since the Group did not prepare consolidated financial statements in accordance with the previous accounting principles, these financial statements do not provide a reconciliation of financial statements prepared in accordance with these principles to financial statements prepared in accordance with IFRS at the date of transition to IFRS.

On transition to IFRS as at 1 January 2019, the Group applied the following optional exemptions:

- to use the fair value of property, plant and equipment as deemed cost, see Note 11;
- business combinations and acquisition of interests in associates and joint ventures completed before transition date were not recalculated, see Note 12.

(b) Going concern

In 2020 and 2019, the Group received net loss of UZS 975 773 million and UZS 1 129 555 million respectively. As at 31 December 2020, current liabilities of the Group exceeded current assets by UZS 5 697 626 million, and in 2020 the Group breached covenants under several loan agreements, the outstanding balance of debt as at 31 December 2020 amounted to UZS 2 774 842 million, the Group's negative net assets as at 31 December 2020 equaled to UZS 8 029 383 million. These financial results are mainly caused by significant amount of financial liabilities nominated in foreign currency that were attracted by subsidiaries JSC Navoiazot and JSC Dehkanabad potash plant for realization of investment projects in 2007-2018. Since then national currency significantly devaluated against USD and JPY. The Group's foreign exchange loss for 2020 and 2019 amounted to UZS 1 553 822 million and UZS 1 972 492 million, respectively.

The COVID-19 pandemic did not cause significant disruption to the Group's production; however, the Group was forced to postpone the commissioning of new production facilities, which was planned for 2020. This resulted in the Group not being able to generate necessary foreign currency revenues to repay related foreign currency loans in 2020.

As at the date of approval of these consolidated financial statements, the following measures have been taken to ensure that the Group's obligations are fulfilled:

1. In accordance with decision of the President of Republic Uzbekistan loans of JSC Dehkanabad potash plant in the amount of UZS 1 550 333 million as at 31 December 2020 will be converted to share capital of the Company through additional share issue. Therefore in 2021 and 2022 the Group did not make payments of respective loans. It is expected that conversion will be completed in 2022.
2. In 2021, as part of supporting measures for JSC Navoiazot a resolution of the Cabinet of Ministers of the Republic of Uzbekistan was issued, according to which:
    a) Loans amounting to UZS 1 007 237 million as at 31 December 2020 will be capitalized into the Group's equity through an additional issue of shares of the Company. Based on this decision the Group did not make repayments of the respective loans in 2021 - 2022. The conversion of these loans is expected to be completed in 2022;
    b) An installment plan was granted for the payment of accounts payable to companies under state control for the supply of energy resources (gas, electricity, heat) in the amount of UZS 771 039 million. The debt in the amount of UZS 358 132 million should be repaid in 2023-2024;

c) JSC Navoiazot was granted interest-free budget loans in the amount of UZS 589 885 million in order to repay other loan obligations. JSC Navoiazot should repay UZS 460 711 million in 2023-2025;

d) JSC Navoiazot was granted a delay in repayment of interest-free budget loans received in 2020 in the amount of UZS 300 000 million, which were originally due in 2021-2022. The amount of repayments carried forward to 2023 - 2025 equaled to UZS 231 433 million;

e) JSC Navoiazot was released from payment of previously accrued property tax liability in the amount of UZS 221 900 million;

f) JSC Navoiazot was granted the right to purchase electricity directly from Navoi TPP at fixed tariffs. The expected effect of this measure is UZS 58 300 million per annum.

3. In 2021, as a result of negotiations or by court decisions JSC Navoiazot was able to reduce the amount of penalties accrued as at 31 December 2020 on overdue accounts payable by UZS 221 823 million.

4. In 2021, JSC Navoiazot entered into additional agreement on one of the loan agreements to postpone payments from 2021. Thus, the amount of principal repayment in the amount of UZS 125 907 million, which as at 31 December 2020 should have been made in 2021, was postponed to 2025 - 2026.

5. In 2021, JSC Navoiazot put into operation investment projects initiated earlier. In 2021, revenue from sales of main products of the Group amounted to more than UZS 4 trillion, of which about half of the revenues come from sales of projects commissioned in 2021. A significant portion of these sales are export. Significant growth in export revenues increases the Group's ability to repay foreign currency nominated loans that the Group has received for the aforementioned investment projects. The growth in export revenues also reduces the Group's exposure to the negative impact of changes in the exchange rate of UZS to USD and JPY.

All of the Group's bank loans are secured by government guarantees.

In 2021 and 2022, there is significant increase in sales prices on the Group's products. The Group companies' budgets for 2022 assume operating cashflows in the amount exceeding UZS 3 trillion.

Based on these factors, management has a reasonable expectation that the Group has sufficient liquidity. Therefore, management concluded that there is no material uncertainty that may cast significant doubt about its ability to continue as a going concern and reasonably applied the going concern basis of accounting in the preparation of the Group's consolidated financial statements for the year 2020.

3 Functional and presentation currency

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

4 Use of estimates and judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the Note 11 – assessment of the property, plant and equipment deemed cost and Note 25 – litigations and claims.

Measurement of fair values

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

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

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

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Further information about the assumptions made in measuring fair values is included in the following notes:

— Note 11– property, plant and equipment;

— Note 20 – financial instruments.

5 Revenue

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

UZS mln	**2020**	**2019**
Ammonium nitrate	1 658 870	1 311 335
Carbamide	626 103	567 283
Potassium chloride	442 715	363 865
Sodium cyanide	414 750	271 670
Polyvinyl chloride	421 184	-
Potash	341 409	237 154
Rubber products	140 907	52 516
Other organic chemistry products	164 443	202 300
Other nitrogen products	143 987	126 627
Other products	279 827	429 409
Total revenue	**4 634 195**	**3 562 159**

Almost all revenues relate to contracts with customers.

In 2020, approximately 26% of revenues related to export (2019: 21%).

The Group's revenue from operations with two customers, whose individual share in total revenue exceeds 15% in 2020 amounted to UZS 1 627 502 million (2019: UZS 1 501 813 million).

As at 31 December 2020, 31 December 2019 and 1 January 2019, information about the remaining performance obligations with the initial expected duration of one year or less is not disclosed as permitted by IFRS 15.

6 Income and expenses

(a) Cost of sales

UZS mln	2020	2019
Purchases of services (including gas, electricity and heat)	1 466 461	1 292 903
Raw materials and supplies	862 854	695 774
Labour and wages	511 876	390 717
Social contributions	58 319	92 408
Depreciation of property, plant and equipment	386 493	458 750
Property tax	209 503	17 384
Changes in inventories of finished goods and work in progress	68 374	(379 454)
Other	246 454	325 995
	3 810 334	**2 894 477**

(b) Distribution expenses

UZS mln	2020	2019
Railway services	30 847	31 039
Wages and salaries	8 496	5 228
Other	53 993	58 640
	93 336	**94 907**

(c) Administrative expenses

UZS mln	2020	2019
Wages and salaries	52 326	45 416
Social expenses	39 719	41 619
Consulting services	12 595	11 504
Bank charges	9 426	15 872
Social security contributions	6 563	12 597
Other	77 610	80 688
	198 239	**207 696**

(d) Other expenses

UZS mln	2020	2019
Penalties	153 986	105 826
Changes in allowance for impairment and previously written-off financial assets	117 287	62 055
Taxes	9 457	4 376
Other	68 089	55 542
	348 819	**227 799**

(e) Other income

UZS mln	2020	2019
Gain on disposal of property, plant and equipment	14 122	19 769
Gain on disposal of inventories	5 876	3 717
Penalties	4 703	3 548
Gain on write-off of accounts payable	7 923	2 060
Other	39 340	59 176
	71 964	**88 270**

7 Net finance costs

UZS mln	2020	2019
Interest income on loans issued	6 497	500
The effect from discounting of non-current receivables	3 053	3 382
Other	843	3 484
Total finance income	**10 393**	**7 366**
Interest expense	(394 558)	(118 607)
Net foreign exchange loss	(1 553 822)	(1 972 492)
The effect from discounting of non-current receivables	-	(143)
Other	(4 293)	(5 020)
Total finance costs	**(1 952 673)**	**(2 096 262)**
Net finance costs recognised in profit or loss	**(1 942 280)**	**(2 088 896)**

8 Employee benefits

UZS mln	2020	2019
Wages and salaries	572 698	441 361
Social security contributions	65 413	105 636
	638 111	**546 997**

9 Income tax benefit

(a) Amounts recognised in profit or loss

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

UZS mln	2020	2019
Current income tax		
Accrued in the reporting period	(85 398)	(44 539)
Under accrued in previous periods	(4 573)	-
	(89 971)	**(44 539)**
Deferred income tax		
Origination and reversal of temporary differences	184 118	449 895
	184 118	**449 895**
Total income tax benefit	**94 147**	**405 356**

(h) Reconciliation of effective tax rate:

	2020		2019	
	UZS mln	**%**	**UZS mln**	**%**
Loss before income tax	(1 069 920)	(100)	(1 534 911)	(100)
Income tax at applicable tax rate	160 488	15	230 237	15
Change in tax rate	-	-	235 297	15
Tax exempt income	48 443	5	685	0
Under accrued in previous periods	(4 573)	0	-	-
Non-deductible expenses	(110 211)	(11)	(60 863)	(4)
	94 147	**9**	**405 356**	**26**

(c) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
UZS mln	**31 December 2020**	**31 December 2019**	**1 January 2019**	**31 December 2020**	**31 December 2019**	**1 January 2019**	**31 December 2020**	**31 December 2019**	**1 January 2019**
Property, plant and equipment	1 633 506	1 433 574	918 603	(202 473)	(136 941)	(50 893)	1 431 033	1 296 633	867 710
Intangible assets	1 097	1 371	1 316	-	-	-	1 097	1 371	1 316
Investments	11 800	9 146	6 143	(1 954)	(2 345)	(1 236)	9 846	6 801	4 907
Inventories	20 384	23 661	6 783	(963)	(1 002)	(1 040)	19 421	22 659	5 743
Trade and other receivables	49 481	33 893	21 911	-	(1 237)	-	49 481	32 656	21 911
Loans and borrowings	39 780	319	-	(186 160)	(175 812)	(5 049)	(146 380)	(175 493)	(5 049)
Trade and other payables	41 710	45 632	50 404	(11 713)	(10 629)	(8 051)	29 997	35 003	42 353
Tax assets/(liabilities)	**1 797 758**	**1 547 596**	**1 005 160**	**(403 263)**	**(327 966)**	**(66 269)**	**1 394 495**	**1 219 630**	**938 891**
Set-off of tax	(389 424)	(306 995)	(39 496)	389 424	306 995	39 496	-	-	-
Net tax assets/(liabilities)	**1 408 334**	**1 240 601**	**965 664**	**(13 839)**	**(20 971)**	**(26 773)**	**1 394 495**	**1 219 630**	**938 891**

Major part of recognized deferred tax assets relate to JSC Navoiazot. Management of the Group expects significant taxable profits of JSC Navoiazot starting from 2021 as a result of new production facilities put in use, decrease of production costs as a result of energy consuming production facilities decommissioning and increase in sales prices for finished goods of this company.

(d) Movement in deferred tax balances

UZS mln	1 January 2020	Recognized in profit or loss	Recognized in other comprehensive income	Recognised directly in equity	Change in tax rate	31 December 2020
Property, plant and equipment	1 296 633	134 400	-	-	-	1 431 033
Intangible assets	1 371	(274)	-	-	-	1 097
Investments	6 801	2 654	391	-	-	9 846
Inventories	22 659	(3 238)	-	-	-	19 421
Trade and other receivables	32 656	16 075	-	750	-	49 481
Loans and borrowings	(175 493)	39 507	-	(10 394)	-	(146 380)
Trade and other payables	35 003	(5 006)	-	-	-	29 997
	1 219 630	**184 118**	**391**	**(9 644)**	**-**	**1 394 495**

UZS mln	1 January 2019	Recognized in profit or loss	Recognized in other comprehensive income	Recognised directly in equity	Change in tax rate	31 December 2019
Property, plant and equipment	867 710	211 991	-	-	216 932	1 296 633
Intangible assets	1 316	(274)	-	-	329	1 371
Investments	4 907	1 465	(1 107)	-	1 536	6 801
Inventories	5 743	15 220	-	-	1 696	22 659
Trade and other receivables	21 911	5 267	-	-	5 478	32 656
Loans and borrowings	(5 049)	(1 133)	-	(168 049)	(1 262)	(175 493)
Trade and other payables	42 353	(17 938)	-	-	10 588	35 003
	938 891	**214 598**	**(1 107)**	**(168 049)**	**235 297**	**1 219 630**

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

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

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

Reconciliation of adjusted EBITDA to loss before income tax

UZS mln	2020	2019
Loss before income tax	(1 069 920)	(1 534 911)
Adjustments:		
Net finance costs	1 942 280	2 088 896
Reversal of previously accrued impairment	(481 971)	(281 634)
Depreciation	386 493	458 750
Adjusted EBITDA	**776 882**	**731 101**

11 Property, plant and equipment

UZS mln	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost or deemed cost						
Balance as at 1 January 2019	1 927 776	2 652 458	70 442	204 171	4 540 313	9 395 160
Additions	24 435	46 879	2 564	75 324	970 221	1 119 423
Put in use	551 909	971 466	903	116	(1 524 394)	-
Capitalized interest and foreign exchange differences	-	-	-	-	770 185	770 185
Disposals	(2 414)	(13 324)	(2 186)	(1 447)	(15 806)	(35 177)
Balance as at 31 December 2019	**2 501 706**	**3 657 479**	**71 723**	**278 164**	**4 740 519**	**11 249 591**
Balance as at 1 January 2020	2 501 706	3 657 479	71 723	278 164	4 740 519	11 249 591
Additions	16 000	36 499	1 539	43 455	278 985	376 478
Put in use	4 998 535	346 301	1 247	278	(5 346 361)	-
Capitalized interest and foreign exchange differences	-		-	-	623 334	623 334
Disposals	(1 981)	(4 468)	(708)	(1 797)	(19 528)	(28 482)
Balance as at 31 December 2020	**7 514 260**	**4 035 811**	**73 801**	**320 100**	**276 949**	**12 220 921**

UZS mln	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Depreciation and impairment losses						
Balance as at 1 January 2019	317 646	658 616	5 019	27 117	-	1 008 398
Depreciation for the year	110 926	253 423	28 187	66 214	-	458 750
Reversal of previously accrued impairment	(94 224)	(186 927)	(374)	(109)	-	(281 634)
Disposals	(868)	(5 122)	(2 186)	(657)	-	(8 833)
Balance as at 31 December 2019	**333 480**	**719 990**	**30 646**	**92 565**	**-**	**1 176 681**
Balance as at 1 January 2020	333 480	719 990	30 646	92 565	-	1 176 681
Depreciation for the year	101 184	258 559	6 792	19 958	-	386 493
Reversal of previously accrued impairment	(143 181)	(337 902)	(670)	(218)	-	(481 971)
Disposals	(361)	(3 368)	(657)	(1 565)	-	(5 951)
Balance as at 31 December 2020	**291 122**	**637 279**	**36 111**	**110 740**	**-**	**1 075 252**
Carrying amount						
As at 1 January 2019	**1 610 130**	**1 993 842**	**65 423**	**177 054**	**4 540 313**	**8 386 762**
As at 31 December 2019	**2 168 226**	**2 937 489**	**41 077**	**185 599**	**4 740 519**	**10 072 910**
As at 31 December 2020	**7 223 138**	**3 398 532**	**37 690**	**209 360**	**276 949**	**11 145 669**

(a) Determination of deemed cost of property, plant and equipment

As part of the first-time adoption of IFRS to determine the deemed cost of property, plant and equipment, the Group' s management engaged independent appraiser, to carry out a fair value assessment of property, plant and equipment as at 1 January 2019. This fair value measurement was assigned to Level 3 of the fair value hierarchy based on the input data for the evaluation methods used (Note 4). Valuation of fixed assets was performed for JSC Navoiazot, JSC FARG'ONAAZOT and JSC Dehkanabad potash plant.

The Group's property, plant and equipment are represented mainly by special purpose items that are rarely sold in the open market, except within an ongoing business. In the Republic of Uzbekistan, the market for such items of property, plant and equipment is not active and does not allow using market approaches to determine their fair value, since the number of transactions on sale of comparable items is insufficient.

Consequently, the fair value of property, plant and equipment was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economic depreciation, and obsolescence.

Depreciated replacement cost was estimated based on internal sources and analysis of the Uzbek and international markets for similar property, plant and equipment. Various market data were collected from published information, catalogues, statistical data etc., and industry experts and suppliers of property, plant and equipment were contacted both in the Republic of Uzbekistan and abroad.

In addition to determining the depreciated replacement cost, cash flows were analysed to identify economic obsolescence.

The following key assumptions were used to identify property, plant and equipment economic obsolescence as at 1 January 2019:

(i) Identification of economic obsolescence of property, plant and equipment of JSC Navoiazot:

Two cash generating units were identified as part of JSC Navoiazot property, plant and equipment economic obsolescence identification:

— CGU 1: production of ammonium nitrate, sodium cyanide, carbamide and other ammonia derivatives;

— CGU 2: production of polyvinyl chloride ("PVC"), caustic soda and methanol.

The cash flow analysis has been prepared based on accumulated historical data, actual operating results and the Group's approved eight-year business plan.

The following key assumptions were used in performing the cash flow testing for CGU 1:

	2019	2020	2021	2022	2023 and later
Production volumes (tons):					
Ammonium nitrate	*740 000*	*700 000*	*740 000*	*760 000*	*760 000*
Sodium cyanide	*31 000*	*31 000*	*38 000*	*42 000*	*44 000*
Carbamide	-	*40 000*	*419 645*	*459 644*	*577 143*
Selling prices (UZS thousand / ton)					
Ammonium nitrate	*1 429*	*1 748*	*1 876*	*2 093*	*2 256*
Sodium cyanide	*6 764*	*8 517*	*11 906*	*13 032*	*14 027*
Carbamide	-	*2 301*	*2 446*	*2 607*	*2 793*

— EBITDA margin ranges from 18% in 2019 to 42% in 2021 and 32% in the terminal period;

— for discounting purposes, an after-tax discount rate of 21.3% to 22.1% was used. The discount rate was estimated based on an industry average weighted average cost of capital based on debt to equity ratio of 38.99% and 61.01%, respectively, with a market interest rate of 17.32%;

— terminal value (i.e. the value at the end of the forecast period) was determined at the end of the 8-year interim period. For the calculation of the terminal value of the property, plant and equipment being valued, a terminal rate of 7% was used;

— completion of commenced investment projects and commencement of production at new plants was expected in 2020.

The following key assumptions were used in the cash flow analysis for CGU 2:

	2019	2020	2021	2022	2023 and later
Production volumes (tons):					
PVC	-	*66 600*	*90 000*	*95 000*	*100 000*
Methanol	-	-	*89 731*	*94 731*	*94 731*
Selling prices (UZS thousand /ton)					
PVC	-	*8 989*	*9 595*	*10 272*	*11 049*
Methanol	-	-	*2 758*	*3 125*	*3 446*

— the EBITDA margin ranges from 31% to 45% and 31% in the terminal period;

— an after-tax discount rate of 24% was used for discounting purposes. The discount rate was estimated based on an industry average weighted average cost of capital, based on debt to equity ratio of 14.16% and 85.84%, respectively, with a market interest rate of 17.32%;

— terminal value was determined at the end of the 8-year interim period. For the calculation of the terminal value of the property, plant and equipment being valued, a terminal rate of 7% was used;

— the end of commenced investment project and commencement of production on new fixed assets was expected in 2020.

(ii) Identification of economic obsolescence of property, plant and equipment of JSC FARG'ONAAZOT:

Three cash generating units were identified as part of JSC FARG'ONAAZOT property, plant and equipment economic obsolescence identification:

— CGU 1: production of ammonium nitrate, carbamide and other ammonia derivatives;

— CGU 2: production of sodium chlorate, magnesium chlorate defoliant and other chemical products;

— CGU 3: production of ethyl acetate.

The following key assumptions were used in performing the cash flow testing for CGU 1:

	2019	2020	2021	2022	2023 and further
Production volumes (tons):					
Ammounium nitrate	*405 000*	*405 000*	*392 000*	*405 000*	*392 000 - 405 000*
Carbamide	*364 000*	*364 000*	*344 000*	*364 000*	*344 000 - 364 000*
Domestic sales prices (UZS thousand / ton)					
Ammounium nitrate	*1 314*	*1 549*	*1 916*	*2 082*	*2 419 - 3 673*
Carbamide	*1 566*	*1 808*	*2 188*	*2 368*	*2 719 - 4 037*
Export sales prices (UZS thousand / ton)					
Ammounium nitrate	*1 504*	*1 623*	*1 725*	*1 842*	*1 981 - 2 822*
Carbamide	*1 742*	*1 870*	*1 984*	*2 113*	*2 267 - 3 186*

- EBITDA margin ranges from 38.8% in 2019 to 12.4% in 2028 and 11.3% in the terminal period;
- for discounting purposes, an after-tax discount rate of 20.6% was used. The discount rate was estimated based on an industry average weighted average cost of capital based on debt to equity ratio of 39% and 61%, respectively, with a market interest rate of 17.3%;
- terminal value was determined at the end of the 10-year interim period. For the calculation of the terminal value of the property, plant and equipment being valued, a terminal rate of 7% was used.

The following key assumptions were used in performing the cash flow testing for CGU 2:

- production volumes of sodium chlorate equals to 8 thousand tons per annum;
- production volumes of magnesium chlorate defoliant equals to 7 thousand tons per annum;
- prices for sodium chlorate ranged from UZS 3 352 thousand per ton in 2019 to UZS 6 620 thousand per ton in 2028;
- prices for magnesium chlorate defoliant ranged from UZS 9 517 thousand per ton in 2019 to UZS 18 795 thousand per ton in 2028;
- EBITDA margin ranges from 38.9% in 2019 to 23.8% in 2028 and 23.3% in the terminal period;
- for discounting purposes, an after-tax discount rate of 20.6% was used. The discount rate was estimated based on an industry average weighted average cost of capital based on debt to equity ratio of 39% and 61%, respectively, with a market interest rate of 17.3%;
- terminal value was determined at the end of the 10-year interim period. For the calculation of the terminal value of the property, plant and equipment being valued, a terminal rate of 7% was used.

The following key assumptions were used in performing the cash flow testing for CGU 3:

- production volumes of ethyl acetate equals to 0.5 thousand tons per annum;
- prices for ethyl acetate ranged from UZS 11 466 thousand per ton in 2019 to UZS 22 643 thousand per ton in 2028;
- EBITDA margin ranges from 7.9% in 2019 to 3.4% in 2028 and 2.9% in the terminal period;
- for discounting purposes, an after-tax discount rate of 20.6% was used. The discount rate was estimated based on an industry average weighted average cost of capital based on debt to equity ratio of 39% and 61%, respectively, with a market interest rate of 17.3%;
- terminal value was determined at the end of the 10-year interim period. For the calculation of the terminal value of the property, plant and equipment being valued, a terminal rate of 7% was used.

(iii) Identification of economic obsolescence of property, plant and equipment of JSC Dehkanabad potash plant:

One cash generating unit was identified as part of JSC Dehkanabad potash plant property, plant and equipment economic obsolescence identification and related to production of potash.

The following key assumptions were used in performing the cash flow testing for the CGU:

	2019	**2020**	**2021**	**2022**	**2023 and further**
Production volumes (tons):					
Potash	*345 000*	*345 000*	*345 000*	*391 000*	*483 000*
Selling prices for potash (UZS thousand / ton)					
Domestic	*1 396*	*1 514*	*1 672*	*1 579*	*1 320 - 1 831*
Export	*1 264*	*1 349*	*1 465*	*1 590*	*1 725 - 2 597*

— EBITDA margin ranges from 56.0% in 2019 to 58.2% in 2028 and 58.2% in the terminal period;

— for discounting purposes, an after-tax discount rate of 20.5% was used. The discount rate was estimated based on an industry average weighted average cost of capital based on debt to equity ratio of 30% and 70%, respectively, with a market interest rate of 17.3%;

— terminal value was determined at the end of the 10-year interim period. For the calculation of the terminal value of the property, plant and equipment being valued, a terminal rate of 7% was used.

As a result of cash flow testing of property, plant and equipment for economic obsolescence depreciated replacement cost of all specified above CGUs was reduced by UZS 8 408 097 million.

(b) Property, plant and equipment of LLC BIRINCHI REZINOTEXNIKA ZAVODI impairment test

As at 31 December 2020, 31 December 2019 and 1 January 2019, the Group identified indicators of impairment in respect of the property, plant and equipment of LLC BIRINCHI REZINOTEXNIKA ZAVODI related to low utilization of the company's production assets. The assets of the company represent one cash generating unit for the production of automobile and agricultural tyres, as well as conveyor belts.

As at 1 January 2019, the following key assumptions were used in performing impairment test for the property, plant and equipment of the company:

	2019	**2020**	**2021**	**2022**	**2023**	**2024**
Sales volumes:						
Auto tyres (units)	*600 000*	*1 000 000*	*1 700 000*	*2 000 000*	*2 300 000*	*2 600 000*
Agriculture tyres (units)	*2 000*	*2 100*	*4 600*	*5 500*	*7 000*	*10 000*
Conveyor belts (r.m.)	*21 000*	*44 000*	*30 000*	*40 000*	*50 000*	*80 000*
Sales prices (UZS thousand / unit or r.m.):						
Auto tyres (units)	*210*	*234*	*258*	*283*	*309*	*329*
Agriculture tyres (units)	*555*	*619*	*683*	*747*	*816*	*870*
Conveyor belts (r.m.)	*777*	*867*	*956*	*1 046*	*1 143*	*1 220*

— EBITDA margin ranges from 30% to 32% in the terminal period;

- for discounting purposes, an after-tax discount rate of 21.59% was used. The discount rate was estimated based on an industry average weighted average cost of capital based on debt to equity ratio of 11% and 89%, respectively, with a market interest rate of 17.3%;
- terminal value was determined at the end of the 6-year interim period. For the calculation of the terminal value of the property, plant and equipment being valued, a terminal rate of 7% was used.

As a result as at 1 January 2019, impairment of property, plant and equipment was recognized in the amount of UZS 750 713 million.

As at 31 December 2019, the following key assumptions were used in performing impairment test for the property, plant and equipment of the company:

	2020	2021	2022	2023	2024	2025
Sales volumes:						
Auto tyres (units)	*600 000*	*1 000 000*	*1 700 000*	*2 000 000*	*2 300 000*	*2 600 000*
Agriculture tyres units)	*20 000*	*20 000*	*25 000*	*30 000*	*30 000*	*30 000*
Conveyor belts (r.m.)	*50 000*	*50 000*	*50 000*	*60 000*	*70 000*	*80 000*
Sales prices (UZS thousand / unit or r.m.):						
Auto tyres (units)	*243*	*268*	*293*	*320*	*346*	*367*
Agriculture tyres units)	*605*	*663*	*726*	*793*	*857*	*908*
Conveyor belts (r.m.)	*1 570*	*1 730*	*1 893*	*2 069*	*2 235*	*2 369*

- EBITDA margin ranges from 35% to 36% in the terminal period;
- for discounting purposes, an after-tax discount rate of 22.20% was used. The discount rate was estimated based on an industry average weighted average cost of capital based on debt to equity ratio of 7% and 93%, respectively, with a market interest rate of 18.3%;
- terminal value was determined at the end of the 6-year interim period. For the calculation of the terminal value of the property, plant and equipment being valued, a terminal rate of 6% was used.

As a result as at 31 December 2019, previously accrued impairment of property, plant and equipment in the amount of UZS 281 634 million was reversed.

As at 31 December 2020, the following key assumptions were used in performing impairment test for the property, plant and equipment of the company:

	2021	2022	2023	2024	2025	2026
Sales volumes:						
Auto tyres (units)	*500 000*	*1 300 000*	*2 600 000*	*2 600 000*	*2 600 000*	*2 700 000*
Agriculture tyres (units)	*10 000*	*15 000*	*20 000*	*20 000*	*30 000*	*30 000*
Conveyor belts (r.m.)	*30 000*	*50 000*	*80 000*	*80 000*	*80 000*	*80 000*
Sales prices (UZS thousand / unit or r.m.):						
Auto tyres (units)	*256*	*286*	*315*	*348*	*383*	*407*
Agriculture tyres (units)	*656*	*732*	*808*	*893*	*981*	*1 042*
Conveyor belts (r.m.)	*1 963*	*2 191*	*2 419*	*2 672*	*2 937*	*3 125*

- EBITDA margin ranges from 34% to 37% in the terminal period;
- for discounting purposes, an after-tax discount rate of 20.72% was used. The discount rate was estimated based on an industry average weighted average cost of capital based on debt to equity ratio of 12% and 88%, respectively, with a market interest rate of 15.8%;

— terminal value was determined at the end of the 6-year interim period. For the calculation of the terminal value of the property, plant and equipment being valued, a terminal rate of 6% was used.

As a result as at 31 December 2020, previously accrued impairment of property, plant and equipment in the amount of UZS 481 971 million was reversed.

Management identified key assumptions that could result in an increase of the impairment loss:

UZS mln	31 December 2020	31 December 2019	1 January 2019
Increase of discount rate by 2%	140 543	138 501	117 893
Reduction of sales prices by 5%	282 192	198 088	188 375
Reduction of sales volumes by 10%	98 992	71 307	72 616

(c) Security

At 31 December 2020, property, plant and equipment with a carrying amount of UZS 982 357 million (31 December 2019: UZS 1 113 448 million; 1 January 2019: UZS 1 144 488 million) was pledged as collateral for bank loans (see Note 18).

12 Equity-accounted investments

UZS mln	Note	31 December 2020	31 December 2019	1 January 2019
Joint ventures	12(a)	400 073	317 570	313 425
Associates		38 468	47 550	50 180
		438 541	**365 120**	**363 605**

(a) Joint ventures

JSC Ammofos-Maxam

JSC Ammofos-Maxam is a joint venture in which the Group has joint control and has 51% ownership interest. In accordance with the shareholder agreement between the shareholders of JSC Ammofos-Maxam, decisions on the key relevant activities of the company are taken jointly. Both shareholders have equal representation on the management board of the company. Accordingly, the Group classified its interest in JSC Ammofos-Maxam as interest in the joint venture.

JSC Ammofos-Maxam produces complex nitrogen-alpha fertilizers based on materials from Kyzylkumskoe deposit. Main types of products of the company are ammophos, ammonium sulfate phosphate, suprefos, sulfate of ammonium and others.

JSC Ammofos-Maxam is not a public company.

The table below summarizes financial information of JSC Ammofos-Maxam as presented in the entity's own financial statements, adjusted for differences in accounting policies. In addition, the table below reconciles the summary financial information of JSC Ammofos-Maxam to the carrying amount of the Group's interest in the entity.

UZS mln	31 December 2020	31 December 2019	1 January 2019
Participation share (%)	**51%**	**51%**	**51%**
Non-current assets	333 159	359 217	352 768
Current assets	266 715	270 053	169 242
	599 874	**629 270**	**522 010**
Non-current liabilities	(74 268)	(88 627)	(105 848)
Current liabilities	(244 136)	(280 527)	(126 369)
	(318 404)	**(369 154)**	**(232 217)**
Net assets (100%)	**281 470**	**260 116**	**289 793**
Book value of the share in the joint venture	**143 550**	**132 659**	**147 794**
Revenue	842 489	649 830	
Profit/(loss) and other comprehensive income/(loss)	**21 354**	**(29 677)**	
Group's share in profit/(loss) and other comprehensive income/(loss)	**10 891**	**(15 135)**	

JSC Maxam-Chirchiq

JSC Maxam-Chirchiq is a joint venture in which the Group has joint control and has 51% ownership interest. In accordance with the shareholder agreement between the shareholders of JSC Maxam-Chirchiq, decisions on the key relevant activities of the company are taken jointly. Both shareholders have equal representation on the management board of the company. Accordingly, the Group classified its interest in JSC Maxam-Chirchiq as interest in the joint venture.

JSC Maksam-Chirchiq is a major producer of mineral fertilizers and other chemical products in the Republic of Uzbekistan. The main products of the enterprise are carbamide, ammonium nitrate, ammonia, nitrous acid and etc.

JSC Maxam-Chirchiq is not a public company.

The table below summarizes financial information of JSC Maxam-Chirchiq as presented in the entity's own financial statements, adjusted for differences in accounting policies. In addition, the table below reconciles the summary financial information of JSC Maxam-Chirchiq to the carrying amount of the Group's interest in the entity.

UZS mln	31 December 2020	31 December 2019	1 January 2019
Participation share (%)	**51%**	**51%**	**51%**
Non-current assets	213 725	353 361	217 627
Current assets	584 914	470 690	301 663
	798 639	**824 051**	**519 290**
Non-current liabilities	(24 178)	(46 375)	(81 312)
Current liabilities	(271 475)	(415 105)	(113 212)
	(295 653)	**(461 480)**	**(194 524)**
Net assets (100%)	**502 986**	**362 571**	**324 766**
Book value of the share in the joint venture	**256 523**	**184 911**	**165 631**
Revenue	1 817 938	1 396 938	
Profit and other comprehensive income	**238 647**	**119 038**	
Group's share in profit and other comprehensive income	**121 710**	**60 709**	
Dividends received by the Group	(50 098)	(41 429)	

13 Inventories

UZS mln	31 December 2020	31 December 2019	1 January 2019
Raw materials and consumables	548 487	510 626	432 968
Work in progress	54 201	49 604	36 761
Finished products and goods for resale	443 831	516 802	150 191
Allowance for obsolete or slow-moving inventories impairment	(104 375)	(75 133)	(48 962)
	942 144	**1 001 899**	**570 958**

14 Trade and other receivables

UZS mln	31 December 2020	31 December 2019	1 January 2019
Trade receivables	117 732	173 854	125 461
Advances to suppliers	148 037	108 705	176 026
Other receivables	189 065	87 527	109 297
Other taxes receivable	84 166	93 890	46 041
Allowance for doubtful debts	(3 254)	(2 708)	(2 073)
	535 746	**461 268**	**454 752**

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

15 Cash and cash equivalents

UZS mln	31 December 2020	31 December 2019	1 January 2019
Bank balances	146 827	193 858	121 674
Cash in hand	48	42	38
Cash in transit	81	64	880
Cash and cash equivalents	**146 956**	**193 964**	**122 592**

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

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

16 Capital and reserves

(a) Share capital

Shares, unless other specified	31 December 2020	31 December 2019	1 January 2019
Issued ordinary shares	797 444 749	466 388 750	466 388 750
Par value (UZS)	1 145	1 145	1 145
Total issued and fully paid shares as at the year end	**797 444 749**	**466 388 750**	**466 388 750**

Ordinary shares

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

On 27 May 2020, the shareholder approved an additional issue of 331 055 999 ordinary shares (2019: no changes). The shares were placed by private subscription to the Agency for Management of State Assets of the Republic of Uzbekistan. The shares were paid in execution of Resolution No. PP-4664 of the President of the Republic of Uzbekistan dated 4 April 2020, using loan funds previously provided by the Reconstruction and Development Fund of the Republic of Uzbekistan to JSC Uzkimyosanoat and LLC BIRINCHI REZINOTEXNIKA ZAVODI.

(b) Dividends

Dividends declared in 2020 amounted to UZS 30 563 million or UZS 38.33 per share (2019: UZS 12 674 million or UZS 27.17 per share). As at 31 December 2020, dividends payable amounted to UZS 30 563 million (31 December 2019: UZS 5 473 million, 1 January 2019: nil)) and was included in other payables (see Note 19).

(c) Other transactions with owners

The most significant operations in 2020 as part of other operations with the shareholder are represented by the effect of the revision of the debt repayment schedule for existing loans received from a bank under state control on:

— JSC FARG'ONAAZOT in the amount of UZS 38 900 million (net of tax);

— JSC Navoiazot in the amount of UZS 20 092 million (net of tax).

The major amount recognized in 2019 as part of other transactions with the shareholder relates to the effect of modification of loan received by JSC Navoiazot from a state-controlled bank at below market rate, at fair value. The revision of the material terms of the existing loan agreement was approved by decision of the Government of the Republic of Uzbekistan The effect amounted to UZS 952 248 million (net of tax).

(d) Reserves

Reserves relate to recognition of pension liabilities and accounting for equity investments measured at fair value through other comprehensive income.

17 Capital management

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

18 Loans and borrowings

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

UZS mln	**31 December 2020**	**31 December 2019**	**1 January 2019**
Non-current liabilities			
Loans	150 112	95 250	81 474
Secured bank loans	15 070 121	16 111 016	14 891 051
Unsecured bank loans	67 806	67 806	-
	15 288 039	**16 274 072**	**14 972 525**
Current liabilities			
Loans	146 454	5 573	2 931
Secured bank loans	5 005 297	2 789 232	1 953 494
Unsecured bank loans		27 339	-
	5 151 751	**2 822 144**	**1 956 425**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

UZS mln	Currency	Nominal interest rate	Year of maturity	31 December 2020 Carrying amount	31 December 2019 Carrying amount	1 January 2019 Carrying amount
Bank loans and borrowings	USD	2.3%-2.5%	2021-2036	9 721 692	9 074 925	10 464 307
	USD	4.5%-5.0%	2020-2021	2 172	14 306	31 173
	USD	10%	2020		6 923	11 343
	USD	USD LIBOR +1.5% / 3%	2019-2028	1 147 697	1 085 183	872 732
	USD	USD LIBOR +4.85% / 6%	2020-2024	46 682	85 922	98 835
	USD	USD LIBOR +2.5%	2022-2028	-	95 250	81 474
	JPY	3%	2020-2030	5 812 016	5 482 295	4 782 525
	JPY	JPY LIBOR 6M +1.45%	2020-2023	167 931	164 718	142 435
	UZS	Refinancing rate	2022-2027	230 091	379 400	401 931
	UZS	20%-26%	2019-2021	2 870	16 280	1 974
	UZS	12%-18%	2019-2027	861 612	789 377	31 899
	UZS	2.3%-8%	2021-2025	2 080 286	1 801 045	3 772
	UZS	0%	2019-2023	298 933	5 448	4 550
	UZS	12%-18%	2019-2027	67 808	95 144	-
				20 439 790	**19 096 216**	**16 928 950**

Bank loans are secured by property, plant and equipment with carrying amount of UZS 982 357 million (31 December 2019: UZS 1 113 448 million; 1 January 2019: UZS 1 144 488 million), see Note 11.

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

As at 31 December 2020, 31 December 2019 and 1 January 2019, the Group breached covenants under several bank loan agreements. Total amount of such loans as at 31 December 2020 amounted to UZS 2 774 842 million (31 December 2019: UZS 1 405 874 million; 1 January 2019: UZS 1 266 395 million). Respective liabilities were classified as short term.

The Group considers interest rates for USD bank loans of 2.3-2.5% as market rates given that loans were received through state banks from foreign banks, including export. The loans were received for realization of investment projects and are secured by state guarantees.

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

UZS mln	
Balance as at 1 January 2019	**16 928 950**
Proceeds from loans and borrowings	1 221 145
Repayment of loans and borrowings	(234 308)
Modifications of loan agreements recognized as other transactions with the shareholder	(1 120 292)
Interest expense	118 607
Interest paid	(354 497)
Capitalized foreign exchange differences and borrowing costs	770 185
Other movements	(14 156)
The effect of changes in foreign exchange rates	1 780 582
Balance as at 31 December 2019	**19 096 216**
Proceeds from loans and borrowings	535 316
Repayment of loans and borrowings	(728 558)
Modifications of loan agreements recognized as other transactions with the shareholder	(69 293)
Conversion of debt under a loan agreement into the share capital	(379 059)
Interest expense	394 558
Interest paid	(524 518)
Capitalized foreign exchange differences and borrowing costs	623 334
Offset of loans and receivables	(33 562)
Other movements	(24 715)
The effect of changes in foreign exchange rates	1 550 071
Balance as at 31 December 2020	**20 439 790**

19 Trade and other payables

UZS mln	31 December 2020	31 December 2019	1 January 2019
Trade payables	1 346 020	1 209 617	913 538
Other payables	544 072	388 230	159 718
Advances received	67 599	61 023	70 494
	1 957 691	**1 658 870**	**1 143 750**

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

20 Fair values and risk management

(a) Accounting classifications and fair value

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

As at 31 December 2020, 31 December 2019 and 1 January 2019, the carrying amounts of the Group's financial assets and liabilities were not materially different from their fair values

As at 31 December 2020, 31 December 2019 and 1 January 2019, the fair values of financial assets (excluding investments referred to above) and liabilities were determined on the basis of discounted cash flows from these instruments using market interest rate, thus the fair values of financial assets and liabilities are classified as Level 3 in the fair value hierarchy.

(b) Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

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

Financial instruments not measured at fair value

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

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

(c) Financial risk management

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

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

(i) Risk management framework

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

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

(ii) Credit risk

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

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

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

	Carrying amount		
UZS mln	**31 December 2020**	**31 December 2019**	**1 January 2019**
Domestic	269 730	246 210	202 406
Export	33 813	12 463	30 279
	303 543	**258 673**	**232 685**

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

As at 31 December 2020, 18% (31 December 2019: 32%; 1 January 2019: 45%) of receivables relate to state-controlled companies. The Group derecognises accounts receivable when the payment is overdue by more than 1 year as the recoverability of the receivable is low. For the remaining receivables, the Group recognises an impairment allowance based on its available credit ratings or calculated by itself.

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

UZS mln	**31 December 2020**	**31 December 2019**	**1 January 2019**
External credit rating Caa	252 681	178 103	128 130
Sovereign credit rating of the Republic of Uzbekistan	54 116	83 278	106 628
Total gross carrying amount	**306 797**	**261 381**	**234 758**
Expected credit losses	(3 254)	(2 708)	(2 073)
Total net carrying amount	**303 543**	**258 673**	**232 685**

(iii) Liquidity risk

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

Exposure to liquidity risk

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

31 December 2020		Contractual cash flows				
UZS mln	**Carrying amount**	**Total**	**Up to 1 year**	**1 - 3 yrs**	**3 - 5 yrs**	**Over 5 years**
Bank loans and borrowings	20 439 790	25 626 535	5 727 557	3 326 687	7 136 995	9 435 296
Trade and other payables	1 890 092	1 890 092	1 890 092	-	-	-
	22 329 882	**27 516 627**	**7 617 649**	**3 326 687**	**7 136 995**	**9 435 296**

31 December 2019		Contractual cash flows				
UZS mln	Carrying amount	Total	Up to 1 year	1 - 3 yrs	3 - 5 yrs	Over 5 years
Bank loans and borrowings	19 096 216	24 403 826	3 025 658	2 925 969	7 454 204	10 834 939
Trade and other payables	1 597 847	1 597 847	1 597 847	-	-	-
	20 694 063	**26 001 673**	**4 623 505**	**3 089 025**	**7 454 204**	**10 834 939**

1 January 2019		Contractual cash flows				
UZS mln	Carrying amount	Total	Up to 1 year	1 - 3 yrs	3 - 5 yrs	Over 5 years
Bank loans and borrowings	16 928 950	21 667 615	2 091 356	1 675 896	6 328 584	11 571 779
Trade and other payables	1 073 256	1 073 256	1 073 256	-	-	-
	18 002 206	**22 740 871**	**3 164 612**	**1 675 896**	**6 328 584**	**11 571 779**

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

(iv) Market risk

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

Currency risk

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

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

Exposure to currency risk

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

UZS mln	USD-denominated			JPY-denominated		
	31 December 2020	31 December 2019	1 January 2019	31 December 2020	31 December 2019	1 January 2019
Loans and borrowings	(10 918 243)	(10 362 509)	(11 559 864)	(5 979 947)	(5 647 013)	(4 924 960)
Trade payables	(463 715)	(502 712)	(602 970)	-	-	-
Net exposure	**(11 381 958)**	**(10 865 221)**	**(12 162 834)**	**(5 979 947)**	**(5 647 013)**	**(4 924 960)**

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

in UZS	Average rate		Reporting date spot rate		
	2020	2019	31 December 2020	31 December 2019	1 January 2019
USD 1	10 065	8 851	10 477	9 508	8 336
JPY 1	94	81	101	87	76

Sensitivity analysis

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

	Strengthening		Weakening	
UZS mln	Equity	Profit or loss	Equity	Profit or loss
31 December 2020				
UZS (10% movement) to USD	1 111 299	1 111 299	(1 111 299)	(1 111 299)
UZS (10% movement) to JPY	597 995	597 995	(597 995)	(597 995)
31 December 2019				
UZS (10% movement) to USD	1 086 522	1 086 522	(1 086 522)	(1 086 522)
UZS (10% movement) to JPY	564 701	564 701	(564 701)	(564 701)
1 January 2019				
UZS (10% movement) to USD	1 216 283	1 216 283	(1 216 283)	(1 216 283)
UZS (10% movement) to JPY	492 496	492 496	(492 496)	(492 496)

Interest rate risk

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

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

The Group does not hedge interest rate risk.

Exposure to interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount		
UZS mln	**31 December 2020**	**31 December 2019**	**1 January 2019**
Fixed rate instruments			
Financial assets	51 419	40 783	35 920
Financial liabilities	(18 847 389)	(17 285 743)	(15 331 543)
	(18 795 970)	**(17 244 960)**	**(15 295 623)**
Variable rate instruments			
Financial assets	7 053	9 477	38 569
Financial liabilities	(1 592 401)	(1 810 473)	(1 597 407)
	(1 585 348)	**(1 800 996)**	**(1 558 838)**

Fair value sensitivity analysis for fixed-rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before taxes by the amounts presented below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss for the period		Equity	
UZS mln	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments as at 31 December 2020	(15 853)	15 853	(15 853)	15 853
Variable rate instruments as at 31 December 2019	(18 010)	18 010	(18 010)	18 010
Variable rate instruments as at 1 January 2019	(15 588)	15 588	(15 588)	15 588

21 Significant subsidiaries

	Share of ownership/voting shares, %		
	31 December 2020	**31 December 2019**	**1 January 2019**
JSC Navoiazot	51%	51%	51%
JSC FARG'ONAAZOT	51%	51%	51%
JSC Dehkanabad potash plant	100%	100%	100%
LLC Kundgrad soda plant	100%	100%	100%

Information on non-controlling interest is provided in Note 22.

There were no significant business combinations and disposals during the reporting period.

22 Non-controlling interests

The following tables summarise the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

1 January 2019 **UZS mln**	**JSC Navoiazot**	**JSC FARG'ONAAZOT**	**Other**	**Total**
Non-controlling interest	**48,6%**	**49,0%**		
Non-current assets	6 225 341	573 592		
Current assets	395 705	349 116		
Non-current liabilities	(11 745 922)	(226 131)		
Current liabilities	(873 665)	(351 962)		
Net assets/(liabilities)	**(5 998 541)**	**344 615**		
Non-controlling interests book value	**(2 915 291)**	**168 883**	**(22 867)**	**(2 769 275)**

31 December 2019 **UZS mln**	**JSC Navoiazot**	**JSC FARG'ONAAZOT**	**Other**	**Total**
Non-controlling interest	**48,6%**	**49,0%**		
Non-current assets	7 924 636	604 596		
Current assets	607 761	393 128		
Non-current liabilities	(12 918 834)	(12 076)		
Current liabilities	(1 730 002)	(473 223)		
Net assets/(liabilities)	**(6 116 439)**	**512 425**		
Non-controlling interests book value	**(2 972 589)**	**251 088**	**(22 707)**	**(2 744 208)**
Revenue	1 478 004	1 182 885		
Profit/(loss)	(1 038 804)	181 511		
Other comprehensive income/(loss)	(29 982)	(5 724)		
Total comprehensive income/(loss)	**(1 068 786)**	**175 787**		
Profit/(loss) attributable to non-controlling interests	(504 859)	88 941	(4 213)	**(420 131)**
Other comprehensive income/(loss) attributable to non-controlling interests	(14 571)	(2 805)	334	**(17 042)**
Other transactions with shareholders attributable to non-controlling interests	462 132	(3 931)	4 039	**462 240**

UZS mln **31 December 2020**	**JSC Navoiazot**	**JSC FARG'ONAAZOT**	**Other**	**Total**
Non-controlling interest	**48,6%**	**49,0%**		
Non-current assets	8 871 238	574 597		
Current assets	455 414	538 232		
Non-current liabilities	(12 064 686)	(12 970)		
Current liabilities	(4 757 066)	(318 723)		
Net assets/(liabilities)	**(7 495 100)**	**781 136**		
Non-controlling interests book value	**(3 642 619)**	**382 757**	**1 856**	**(3 258 006)**
Revenue	2 160 355	1 504 012		
Profit/(loss)	(1 395 829)	312 804		
Other comprehensive income/(loss)	1 317	(2 549)		
Total comprehensive income/(loss)	**(1 394 512)**	**310 255**		
Profit/(loss) attributable to non-controlling interests	(678 373)	153 274	2 190	**(522 909)**
Other comprehensive income/(loss) attributable to non-controlling interests	640	(1 249)	-	**(609)**
Other transactions with shareholders attributable to non-controlling interests	7 703	(20 356)	22 373	**9 720**

23 Commitments

As at 31 December 2020, the Group has entered contracts for the acquisition of machinery and equipment for the amount of UZS 277 479 million (31 December 2019: UZS 299 399 million; 1 January 2019: UZS 1 105 935 million).

24 Contingencies

(a) Insurance

The insurance industry in the Republic of Uzbekistan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for all its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigations

As at 31 December 2020, the Group participates in a number of litigations. The amount of claims under pending litigations, where based on the Group's estimate negative result is probable, amounts to UZS 187 844 million (31 December 2019: UZS 170 464 million; 1 January 2019: UZS 149 643 million). Respective liabilities were recognized within trade payables (see Note 19).

(c) Taxation contingencies

Taxation contingencies in Uzbekistan

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

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

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

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

25 Related parties

(a) Parent company and ultimate controlling party

The Agency for Management of State Assets of the Republic of Uzbekistan is 100% shareholder of the Company. The Group's ultimate controlling party is the Republic of Uzbekistan.

(b) Transactions with key management personnel

(i) Key management remuneration

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

UZS mln	2020	2019
Salaries and bonuses, and Contributions to State pension fund	16 021	16 522
	16 021	**16 522**

(c) Other related party transactions

	Transaction value for the year ended 31 December	
UZS mln	**2020**	**2019**
Sales of goods and services:		
Companies under state control	1 898 382	1 627 676
Other related parties	15 633	17 081
Purchases of goods and services:		
Companies under state control	2 246 821	1 824 909
Other related parties	52 917	40 238
Loans received:		
Companies under state control	355 213	98 214

	Outstanding balance as at		
UZS mln	**31 December 2020**	**31 December 2019**	**1 January 2019**
Sales of goods and services:			
Companies under state control	49 950	76 509	86 945
Other related parties	52 345	43 188	30 058
Purchases of goods and services:			
Companies under state control	1 044 131	620 976	123 139
Other related parties	95 166	15 351	(66 638)
Loans issued:			
Companies under state control	40 597	31 278	56 205
Other related parties	2 002	816	337
Loans received:			
Companies under state control	19 704 978	18 264 053	16 243 833
Other related parties	3 837	95 250	81 474

All outstanding balances except for loans and borrowings (see Note 2(b) and Note 18) with related parties are to be settled in cash within 12 months of the reporting date. None of the balances are secured except for loans and borrowings.

26 Subsequent events

There are no subsequent events other than disclosed in Note 2(b).

27 Significant accounting policies

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

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

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see Note 27(a)(ii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

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

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (see Note 27(a)(iii)).

The Group measures goodwill at the acquisition date as:

— The fair value of the consideration transferred; plus

— The recognised amount of any non-controlling interests in the acquiree; plus

— If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less

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

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

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

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

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

(ii) Non-controlling interests

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

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

(iii) Subsidiaries

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

(iv) Acquisitions from entities under common control

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

(v) Loss of control

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

(vi) Interests in equity-accounted investees

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

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

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

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

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

(vii) Transactions eliminated on consolidation

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

(b) Revenue

(i) Sale of goods

The Group generates revenue mainly from the sale of mineral fertilisers, chemicals and low-tonnage chemical products. Other revenue includes provision of services and sales of other finished goods (see Note 5).

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

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

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

(ii) Services

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

(c) Finance income and finance costs

The Group's finance income and costs include:

— interest income;

— interest expense;

— dividend income;

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

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

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

— the gross carrying amount of the financial asset; or

— the amortised cost of the financial liability.

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

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

Foreign currency differences are generally recognised in profit or loss.

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

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

(e) Employee benefits

(i) Short-term employee benefits

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

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

(ii) Defined contribution plans

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

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

(iii) Defined benefit plans

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

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(f) Income tax

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

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

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

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

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

(g) Inventories

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

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

(h) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

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

(iii) Depreciation and amortisation

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

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

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

— buildings	7-50 years;
— plant and equipment	7-30 years;
— vehicles	7-20 years;
— others	7-20 years.

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

(i) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

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

Financial assets – business model assessment

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

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

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

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

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

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

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

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

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

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

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

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

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

— prepayment and extension features; and

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

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

Financial assets – subsequent measurement and gains and losses

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

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

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

— change in the currency of the financial asset;

— change in collateral or other credit enhancement;

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

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

Financial liabilities

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

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

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

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

— change in the currency of the financial liability;

— change in collateral or other credit enhancement;

— inclusion of conversion option;

— change in the subordination of the financial liability.

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

(iv) ***Derecognition***

Financial assets

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

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

Financial liabilities

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

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

(v) ***Offsetting***

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

(j) Share capital

Ordinary shares

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

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

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

(k) Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

— financial assets measured at amortised cost;

— debt investments measured at FVOCI; and

— contract assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

— significant financial difficulty of the borrower or issuer;

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

Equity-accounted investees

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

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each reporting date.

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

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

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

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

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

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

(l) Provisions

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

28 New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all existing contracts as at 31 December 2020 will be performed prior to the effective date of the amendments.

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

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

(c) *Other standards*

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

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

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

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

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

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

— IFRS 17 *Insurance contracts.*

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

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