Uzbek Metallurgical Plant JSC

Consolidated financial statements
for the year ended 31 December 2022

UZBEK METALLURGICAL PLANT JSC

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UZBEK METALLURGICAL PLANT JSC

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Uzbek Metallurgical Plant JSC and its subsidiaries (the "Group") as of 31 December 2022, and the results of its operations, cash flows and changes in equity for the year ended 31 December 2022 in accordance with International Financial Reporting Standards (IFRS).

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- compliance with the requirements of IFRS and providing additional disclosures when compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and its financial performance;
- making judgments and estimates that are reasonable and prudent; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the Group's consolidated financial position, and which enable them to ensure that the Group's consolidated financial statements comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and national accounting standards in the jurisdictions in which the Group operates;
- taking such steps as are reasonably available to them to safeguard the Group's assets; and
- preventing and detecting fraud and other irregularities.

The Group's consolidated financial statements for the year ended 31 December 2022 were approved for issue by management on 3 August 2023.

Chairman of the Executive Board:
Pirmatov R. K.

Chief financial officer
Budey T. A.

«O'ZBEKISTON METALLURGIYA KOMBINATI» AKSIYADORLIK JAMIYATI BEKOBOD SH.
АКЦИОНЕРНОЕ ОБЩЕСТВО «УЗБЕКСКИЙ МЕТАЛЛУРГИЧЕСКИЙ КОМБИНАТ» БЕКАБАД

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Independent Auditors’ Report

To Shareholders of Uzbek Metallurgical Plant JSC

Qualified Opinion

We have audited the consolidated financial statements of Uzbek Metallurgical Plant JSC (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Qualified Opinion

We did not observe the counting of scrap metal stated at UZS 190 billion and finished goods at some warehouses stated at UZS 105 billion as at 31 December 2022 due to technical issues over counting of these inventories at the warehouses. We did not observe counting of scrap metal stated at UZS 152 billion as at 31 December 2021, because we were appointed as auditors of the Group only after that date. 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 these inventories as at 31 December 2022 and 31 December 2021, and the related elements making up the consolidated statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows as at and for the years then ended. Our opinions on the consolidated financial statements as at and for the year ended 31 December 2021 and on the current year’s figures have been modified accordingly.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th colspan="2">Revenue recognition</th></tr>
<tr><td colspan="2">Please refer to the Note 6 in the consolidated financial statements.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group's accounting policy for revenue recognition is set out in the Note 6.

Revenue is material for the Group and represents the most significant amount in the consolidated statement of profit or loss and other comprehensive income. An error in this account could significantly affect a user's interpretation of these consolidated financial statements.

As a result, we identified revenue recognition, and in particular cut-off (where revenue may be manipulated close to the year end to record revenue in the incorrect financial period) as a key audit matter.</td><td>Our audit procedures included, but were not limited to, the following:

— Observation of key controls relating to revenue recognition and performing a walkthrough to evaluate their design and implementation;

— Inspecting the contract terms for a selection of customers to assess whether revenue was recognised in line with the agreed terms; and

— Selecting a sample of transactions close to the year-end and verifying that they had been posted to the correct financial period according to agreement terms (i.e. Incoterms) and underlying documents.</td></tr>
</table>

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 Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Sergey Nezdemkovskiy
Audit Partner

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHAR MAS'ULIYATI CHEKLANGAN JAMIYATI SHAKLIDAGI AUDITORLIK TASHKILOTI
KPMG AUDIT

Sanjarbek Kamiljanovich Saidov
General Director of
"KPMG Audit" Audit LLC
Tashkent, Uzbekistan

3 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(in billions of Uzbek Soums)

	Notes	2022	2021
Revenue	6	8,768	8,328
Cost of sales	7	(6,091)	(5,541)
Gross profit		**2,677**	**2,787**
Selling expenses		(37)	(35)
Administrative expenses	8	(636)	(540)
Impairment of trade receivables and advances paid	14, 15	(62)	6
Other income		52	22
Other expenses		(59)	(45)
Corporate social responsibility activities cost	9	(258)	(199)
Operating profit		**1,677**	**1,996**
Finance income		12	6
Finance costs		(3)	(2)
Foreign exchange differences, net		12	(8)
Profit before income tax		**1,698**	**1,992**
Income tax expense	10	(261)	(328)
Profit and total comprehensive income for the year		**1,437**	**1,664**
Profit and total comprehensive income for the year attributable to:			
Shareholders of the Company		1,396	1,664
Non-controlling interest		41	-
		1,437	**1,664**
Weighted average number of shares	17	432,585,948	451,825,585
Earnings per share: basic and diluted in Uzbek Soums		**3,322**	**3,683**

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 11-42.

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(in billions of Uzbek Soums)

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,155	1,627
Investments projects	12	3,775	1,832
Other non-current assets		8	81
Total non-current assets		**5,938**	**3,540**
Current assets			
Inventories	13	2,097	1,440
Trade and other receivables	14	1,585	631
Advances paid	15	228	321
Corporate income tax prepayment		49	17
Prepaid taxes other than income tax		294	264
Other financial assets		37	44
Bank deposit	16	122	-
Cash and cash equivalents	16	118	2,067
Total current assets		**4,530**	**4,784**
Total assets		**10,468**	**8,324**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	2,283	216
Additional paid-in capital	17	34	5
Treasury shares	17	(24)	(2)
Retained earnings		1,800	2,833
Total attributable to shareholders of the Company		**4,093**	**3,052**
Non-controlling interest	4	248	1
Total equity		**4,341**	**3,053**
Non-current liabilities			
Debt finance	18	1,195	1,180
Deferred tax liabilities	10	144	97
Total non-current liabilities		**1,339**	**1,277**
Current liabilities			
Debt finance	18	1,496	920
Trade and other payables	19	1,428	1,297
Advances received		131	47
Other taxes payable		23	14
Other financial liabilities	21	1,710	1,716
Total current liabilities		**4,788**	**3,994**
Total liabilities		**6,127**	**5,271**
Total equity and liabilities		**10,468**	**8,324**

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 11-42.

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(in billions of Uzbek Soums)

		Attributable to shareholders of the Company						
	Notes	**Share capital**	**Additional paid-in capital**	**Treasury shares**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
31 December 2020		**216**	**5**	**(2)**	**1,352**	**1,571**	**1**	**1,572**
Total comprehensive income		-	-	-	1,664	1,664	-	1,664
Dividends declared	17	-	-	-	(164)	(164)	-	(164)
Transactions with shareholder		-	-	-	(19)	(19)	-	(19)
31 December 2021		**216**	**5**	**(2)**	**2,833**	**3,052**	**1**	**3,053**
Total comprehensive income		-	-	-	1,396	1,396	41	1,437
Cancelation of shares		(10)	-	-	10	-	-	-
Dividends declared	17	-	-	-	(241)	(241)	(25)	(266)
Issues of shares		2,077	29	(22)	(2,198)	(114)	-	(114)
Acquisition of subsidiary with non-controlling interest		-	-	-	-	-	231	231
31 December 2022		**2,283**	**34**	**(24)**	**1,800**	**4,093**	**248**	**4,341**

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 11-42.

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in billions of Uzbek Soums)

	Notes	2022	2021
Cash flows from operating activities			
Profit before income tax		**1,698**	**1,992**
Adjustments:			
Depreciation	11	137	107
Finance costs		3	2
Finance income		(12)	(6)
Impairment of trade receivables and advances paid		62	(6)
Write-down of raw materials to net realisable value	7	2	(14)
Foreign exchange differences, net		(12)	8
Other		4	3
		1,882	**2,086**
Change in working capital:			
Inventories	13	(635)	(614)
Trade and other receivables	14	(990)	(386)
Advances paid	15	133	(211)
Trade and other payables	19	66	324
Advances received		69	(238)
Other taxes payables		9	(7)
Prepaid taxes other than income tax		(30)	(156)
Other current assets		7	26
Other financial liabilities		(2)	2
		509	**826**
Corporate tax paid		(262)	(333)
Interest paid	18	(160)	(117)
Cash flows generated from operating activities		**87**	**376**
Cash flows from investment activities			
Purchase of property, plant and equipment		(269)	(366)
Acquisition of subsidiary, net of cash acquired	4	(183)	(81)
Financing of investment projects		(1,581)	(399)
Acquisition of other non-current assets		(8)	-
Interest received		5	-
Dividends received		7	6
Bank deposits placed		(359)	-
Bank deposits withdrawn		244	-
Cash flows used in investing activities		**(2,144)**	**(840)**
Cash flows from financing activities			
Proceeds from bank loans	18	1,973	889
Repayment of bank loans	18	(1,493)	(275)
Tax paid on shares issue		(100)	-
Dividends paid		(225)	(164)
Cash received from shareholder	21	-	1,712
Cash flows used in financing activities		**155**	**2,162**
Change in cash and cash equivalents		**(1,902)**	**1,698**
Cash and cash equivalents at the beginning of the year	16	2,067	379
Effect of exchange rate changes on cash and cash equivalents		(47)	(10)
Cash and cash equivalents at the end of the year	**16**	**118**	**2,067**

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 11-42.

(in billions of Uzbek Soums)

1. GENERAL INFORMATION

1.1. Organization and operation

Uzbek Metallurgical Plant JSC (the "Company") and its subsidiaries (the "Group") is a joint stock company domiciled and incorporated in the Republic of Uzbekistan in 1994.

It is the sole establishment authorised to purchase ferrous metal scrap and waste in the Republic of Uzbekistan as the main raw materials base for producing rolled metal. The consolidation of metal scrap and waste is implemented by the Republic of Uzbekistan-wide "Ikkilamchikorametallar" network (the Company's branches/subsidiaries), which are responsible for purchasing, processing and delivery.

Apart from producing rolled ferrous metal (including balls for milling), the Group also produces copper and copper alloy sheets; basalt sheets, mats and wool; and metal items (wire, electrodes, building nails, steel mesh and household enamel crockery).

The address of the registered office is 1 Syrdarya Street, Bekabad, Tashkent Region, Uzbekistan (www.uzbeksteel.uz).

The Group has extensive corporate social responsibilities focusing on improving social welfare, both in Bekabad and its neighbouring regions.

The Group's shares are allocated as follows:

Ownership, (%)	31 December 2022	31 December 2021
The State Assets Management Agency of the Republic of Uzbekistan	81.09	81.55
Corporate shareholders	9.11	8.86
Individuals	9.80	9.59
Total	**100.00**	**100.00**

Key corporate shareholders are the Tashkentikkilamchiqorametall LLC, NBU Invest Group JSC, Almalyk Mining and Metallurgical Complex JSC, AFC AF Limited and, together holding a 7.97% interest as of 31 December 2022 (31 December 2021: 8.74%).

As of 31 December 2022 and as at 31 December 2021, the Company holds controlling interest in the following entities:

Ownership, (%)	Activities	31 December 2022	31 December 2021
TH Steel Impex Uzmetkombinat LLC (Kazakhstan)	Trading	100%	100%
TH Uzmetkombinat LLC (Kazakhstan)	Trading	100%	100%
TH Uzmetkombinat Tajikistan LLC (Tajikistan)	Trading	51%	51%
Li Da Metal Technology LLC (Uzbekistan)	Producing	51%	-
TH Uzmetkombinat Europe plc (Lithuania)	Trading	51%	-
UKZ LLC (Uzbekistan)	Dual-purpose goods	51%	-
Hududiy ikkilamchi qora metallar LLC (Uzbekistan)	Trading	100%	100%
PFC Metallurg LLC (Uzbekistan)	Other	100%	100%

On 30 August 2022 the Company obtained a control over a company registered and located in Lithuania - TH Uzmetkombinat Europe plc, by acquiring 51% share in it, with the purpose of selling goods on the European market. The amount of consideration was 1,275 euros and paid on 7 November 2022.

On 7 September 2022 Li Da Metal Technology LLC opened a subsidiary – UKZ LLC with 100% ownership. As of the date of sign-off of these consolidated financial statements charter capital of UKZ LLC was fully paid in amount of 1 million sums.

1.2. Business environment

The Group's 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.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

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.

2. BASIS OF PREPARATION

2.1. Compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards) as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in Note 20.

2.2. Key accounting polices

Basis for consolidation

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. 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.

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.

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 acquiree; 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, other 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.

Non-controlling interests

Non-controlling interests are initially recognised at their fair value 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.

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 to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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.

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.

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.

Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment, except for land are measured at cost less accumulated depreciation.

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.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are 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.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are specified in the Note 11 Property, Plant and Equipment.

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 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 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 believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average basis, 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 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.

Financial instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in 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.

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.

Financial liabilities – Classification, subsequent measurement and gains and losses.

Financial liabilities are classified as 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.

The Group has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the CBU. The Group has an option to either accept the revised rate or redeem the loan at par without penalty. The Group considers these loans as in essence floating rate loans.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or 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 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 or 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.

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.

Preference shares

The Group's redeemable preference shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

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.

Revenue

Information about the Group's accounting policies relating to contracts with customers is provided in Note 6.

Impairment of account receivables

The Group recognises loss allowances for ECLs on trade receivables.

Loss allowances for trade receivables are always measured at an amount equal to 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 analysis, based on the Group's historical experience and informed credit assessment and 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; 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 this to be Baa3 or higher per Moody's rating agency or BBB- or higher per Fitch or Standard & Poor rating agencies.

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 over 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 entity 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 carried at amortised cost 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.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of 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 expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Going concern

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

In making its going concern assessment the Group's management has considered its financial position, expected commercial results, its borrowings, as well as planned capital expenditures and capital commitments and other risks to which the Group is exposed.

Functional currency

Items included in the financial statements of each of the Group's entities are measured in the currency of the main economic environment in which they operate ("functional currency"). The functional currency of each entity of the Group is Uzbek Soum ("UZS"), including entities operating outside of the Republic of Uzbekistan (trade houses), since their activities are essentially an extension of the activities of the parent company.

The presentation currency of these consolidated financial statements is Uzbek Soum. All financial information presented in UZS has been rounded to the nearest billion, except when otherwise indicated.

(in billions of Uzbek Soums)

The main part of transactions of the Group in foreign currencies represent transactions in US Dollars ("USD") and Euro ("EUR"). The closing exchange rates of UZS to USD and EUR are shown below (as determined by the Central Bank of the Republic of Uzbekistan):

	31 December 2022	31 December 2021
USD 1	11,225.46	10,837.66
EUR 1	11,961.85	12,224.88

2.3. Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS Standards requires management to make judgements, 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 on which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies and estimation uncertainties that have the most significant effect on the amounts recognised in the consolidated financial statements, in addition to this paragraph, is included in the following notes: Note 4 – fair value of the assets acquired and liabilities assumed, Note 14 – measurement of ECL allowance for trade and other receivables, Note 9 – receivable for donation to Uzbekistan charity social fund. Management believes that it has the right of compensation for UZS 247 billion from the Government and believes that in this arrangement the Government acts in its capacity as a shareholder of the ultimate recipient of the originally transferred amounts and on its behalf, therefore the promise to return some of the amounts paid should be reflected in profit or loss.

Property, plant and equipment

Assessment of the useful life of property, plant and equipment is a subject of professional judgment, based on experience with similar assets. In determining useful lives, management considers the following factors: the nature of expected use, assessment of technological obsolescence and physical depreciation. A change in each of these conditions or estimates may result in an adjustment to future depreciation expenses.

(in billions of Uzbek Soums)

3. NEW STANDARDS, INTERPRETATIONS AND AMMENDMENTS

3.1. IFRS Standards first time applied in 2022

The following is a list of new and amended IFRS Standards and interpretations that have been applied by the Group in these consolidated financial statements:

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
Amendment IFRS 3	Updates of references to or from the Conceptual Frameworks to the IFRS standards	1 January 2022	No effect
Amendment IAS 16	Proceeds before Intended Use	1 January 2022	No effect
Amendment IFRS 1	Subsidiary as a first-time adopter	1 January 2022	No effect
Amendment IAS 41	Taxation in fair value measurements	1 January 2022	No effect
Amendment IAS 37	Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022	No effect
Amendment IFRS 9	Fees in the ‘10 per cent’ test for derecognition of financial liabilities	1 January 2022	No effect
Amendment IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2022	No effect

3.2. IFRS Standards to be applied after 2022

The following standards and interpretations, which have not been applied in these consolidated financial statements, were in issue but not yet effective:

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
IFRS 17	Insurance contracts	1 January 2023	No effect
Amendments to IFRS 17	Insurance contracts	1 January 2023	No effect
Amendment IAS 1	Classification of Liabilities as Current or Non-Current Disclosure of Accounting Policies	1 January 2023	Under review
Amendments to IAS 8	New Definition of Accounting Estimates	1 January 2023	Under review

(in billions of Uzbek Soums)

4. ACQUISITION OF SUBSIDIARY

On 17 May 2021, the Group entered into a preliminary agreement with a third party to purchase Li Da Metal Technology LLC, which was evaluated at USD 35 million. Li Da Metal Technology LLC is located in Akhangaran, Tashkent region, and produces rolled metal.

In January 2022, the Group acquired a 51% share in the entity for a consideration of UZS 270 billion, of which UZS 194 billion were paid in cash during the period and UZS 81 billion were paid earlier, as well as an obligation to pay off debts of the acquired company to the previous shareholder in amount of UZS 9 billion. An adjustment to consideration of UZS 14 billion was agreed-upon on 17 May 2021 and depended on the entity's profit or loss performance between 17 May 2021 and 28 January 2022.

In accordance with the purchase agreement, the Company had additional obligation to find an investor for the purchase of the remaining share before 30 June 2022. The remaining share was purchased by Contessera AG in April 2022. The primary purpose of business combination is increase in production scale and market expansion.

Management has completed the estimation of fair values of the acquired assets (mainly property, plant and equipment) and liabilities to disclose the effect of this acquisition on the Group's financial position or results of operations as required by IFRS 3 Business combinations. Purchase price allocation was conduced by external valuation expert.

Non-controlling interest in the identifiable net assets was initially measured at the fair value. Fair value of non-controlling interest was calculated based on fair value of identifiable net assets less adjustment for lack of control (DLOC) which equals to 7.8%.

A summary of assets acquired and liabilities assumed at the date of acquisition is presented below:

	28 January 2022
Cash and cash equivalents	11
Inventories	24
Property, plant and equipment	486
Trade and other receivables	1
Advances paid	42
Deferred tax liabilities	(16)
Trade payables	(21)
Advances received	(15)
Debt finance	(2)
Total identifiable net assets acquired	**510**
Non-controlling interest measured at fair value	**(231)**
Group's share in net assets	**279**
Consideration in cash during 2022	194
Adjustment on consideration paid	(14)
Consideration paid in advance as of 31 December 2021	81
Consideration payable	9
Total consideration	**270**
Gain on bargain purchase on acquisition of subsidiary	9
Net change in cash and cash equivalents	(183)

A summary of sales revenue and profit since the acquisition date included in these consolidated financial statements are presented below:

	For 2022
Sales revenue for the year	363
Profit and total comprehensive income for the year	83

(in billions of Uzbek Soums)

Non-controlling interests as of 31 December 2022

The following table summarises the information relating to the Group's material subsidiaries before any intra-group eliminations.

	Li Da Metal Technology LLC
NCI percentage	**49%**
Non-current assets	466
Current assets	497
Non-current liabilities	(17)
Current liabilities	(400)
Net assets	**546**
Share of net assets attributable to NCI	268
Revenue	410
Profit	83
Total comprehensive income	**83**
Profit allocated to NCI	41
Cash flows used in operating activities	(8)
Cash flows used in investment activities	(6)
Cash flows from financing activities	22
Net increase in cash and cash equivalents	**8**

5. SEGMENT INFORMATION

The Group's Chairman and Deputy Chairman of the Management Board, assessed to be the Group's chief operating decision maker ("CODM"), evaluate performance and make investment and strategic decision based on a review of the Group's financial information, which is considered as one operating segment. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Information reviewed by CODM is based on measures that do not materially differ from those used in the consolidated financial statements and includes revenue, operation profit, net profit and additions to non-current assets. There are no other measures reported to CODM.

6. REVENUE

The Group sells products primarily in Uzbekistan, other Central Asian countries, and the Middle East. Sales contracts contain a number of different delivery terms, including Incoterms. The Group sells most of its products on EXW, FCA, CPT and DAP Incoterms.

The Group derives its revenue from the transfer of goods and services at a point in time in the following major product lines based on the contracts with a performance obligation with original expected duration of one year or less.

	2022	2021
Rolled metal	6,168	6,058
Metal balls for mills	2,340	2,049
Other	260	221
Total	**8,768**	**8,328**

(in billions of Uzbek Soums)

Related party transactions	**2022**	**2021**
Rolled metal	424	467
Metal balls for mills	2,323	2,042
Other	8	5
Total related party transactions	**2,755**	**2,514**

External customers	**2022**	**2021**
Rolled metal	5,744	5,591
Metal balls for mills	17	7
Other	252	216
Total External customers	**6,013**	**5,814**
Total	**8,768**	**8,328**

The analysis of the Group's sales by currency and region was as follows:

	2022	**2021**
Domestic sales in local currency	7,819	7,412
Sales in foreign currencies:		
Uzbekistan	450	288
Turkey	281	108
Tajikistan	74	124
Kazakhstan	66	175
Afghanistan	2	66
Other countries	76	155
Total sales in foreign currencies	949	916
Total	**8,768**	**8,328**

7. COST OF SALES

	2022	**2021**
Raw materials	5,367	4,654
Employee costs	609	548
Third party services	430	453
Depreciation and amortisation	126	95
Total production expenses	**6,532**	**5,750**
Change of work in progress and finished goods	(443)	(195)
Write-off of raw materials to net realisable value	2	(14)
Total	**6,091**	**5,541**

8. ADMINISTRATIVE EXPENSES

	2022	**2021**
Employee costs	383	318
Third party services	125	121
Taxes other than income tax	52	41
Materials used	16	15
Depreciation	11	12
Bank fee	24	6
Business travel expenses	4	6
Other	21	21
Total	**636**	**540**

(in billions of Uzbek Soums)

9. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES COSTS

Corporate social responsibility activities cost consist of expenses incurred for various projects associated with infrastructure improvement in Bekabad, sponsoring of sports activities, as well as support of local businesses aimed to maintain employment in the region.

The Group has no long-term commitments in respect of social expenses. All expenses are recognised in the period in which they are incurred. The expenses are driven by management of the Group as well as decisions of local and state authorities and subsequently approved by the Supervisory Board.

The social responsibility activities cost generally relates to charitable donations and community relations activities in the regions of operation and affects life of local communities including the Group's employees. As a result, the Group recognises those expenses in profit or loss rather than directly in equity.

Some recipients may represent government-owned structure and are treated as related parties of the Group. Total social responsibility costs through related parties amounted to UZS 247 billion in 2022 (UZS 174 billion in 2021).

In June 2022 the Supervisory Board of the Company approved and committed to donate USD 50 million (UZS 546 billion) by the end of 2022 to one of Uzbekistan's charity social funds to support the activities of the local communities for the well-being of Uzbekistan citizens. The full amount of donation was recognised as an expense for the nine months ended 30 September 2022 with respective liability recognised within Trade and other payables.

In December 2022 Supervisory Board of the Company approved a decrease of the donation to USD 12 million (UZS 131 billion). The remaining part of donation in the amount of UZS 267 billion that was already transferred to the charity fund (overpayment) was recognised as other receivable from the government based on the letter from the State Assets Management Agency dated 2 December 2022, as well as the letter from the Ministry of Finance dated 7 December 2022 where the government confirmed compensation of this amount. Subsequently this amount was offset with the part of dividends declared to Agency for Strategic Reforms.

	2022	2021
Sponsorship	167	74
Maintenance of sports facilities	70	66
Donation of goods and services	-	6
Maintenance of social facilities	9	33
Material aid	3	12
City infrastructure improvement	1	2
Other	8	6
Total	**258**	**199**

10. INCOME TAX

Tax regulations in the jurisdictions where the Group operates continue to change rapidly. The Group mainly pays corporate income tax in the Republic of Uzbekistan. In 2022, the nominal corporate income tax rate in the Republic of Uzbekistan was 15% (2021: 15%).

Income tax recorded in profit or loss was:

(in billions of Uzbek Soums)

	2022	2021
Current income tax	230	291
Deferred income tax	31	37
Total	**261**	**328**

The effective tax rate and profit reconciliation was as follows:

	2022	2021
Profit before income tax	**1,698**	**1,992**
Nominal tax rate	15%	15%
Tax at the statutory tax rate	**255**	**299**
Non-taxable income	(14)	-
Non-deductible expenses	39	29
Tax incentives	(19)	-
Total	**261**	**328**

The effective tax rate for the year ended 31 December 2022 was 15% (31 December 2021: 15%).

The tax effect of the temporary differences was the following:

	Property, plant and equipment	Other	Total
At 1 January 2021	**(86)**	**26**	**(60)**
Charge to profit or loss			
- origination and reversal of temporary differences	(46)	9	(37)
At 31 December 2021	**(132)**	**35**	**(97)**
Charge to profit or loss			
- origination and reversal of temporary differences	(30)	(1)	**(31)**
- acquisition of subsidiary	(16)	-	**(16)**
At 31 December 2022	**(178)**	**34**	**(144)**

As at 31 December 2022, no deferred tax liability was recognised on temporary differences of UZS 37 billion (31 December 2021: UZS 33 billion) relating to investments in the Group’s subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

(in billions of Uzbek Soums)

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment, if any.

Historical cost	**Buildings and structures**	**Machinery and equipment**	**Vehicles**	**Other**	**Construction in progress**	**Total**
1 January 2021	**757**	**1,549**	**132**	**29**	**109**	**2,576**
Additions	-	1	-	-	388	389
Disposals	(7)	(6)	(1)	(1)	-	(15)
Transfers	31	128	6	6	(172)	(1)
Disposals of subsidiaries	-	-	-	-	1	1
31 December 2021	**781**	**1,672**	**137**	**34**	**326**	**2,950**
Acquisition through business combination	125	352	2	2	5	486
Additions	5	2	1	6	278	292
Disposals	(19)	(2)	-	(1)	-	(22)
Transfers	33	49	29	9	(222)	(102)
31 December 2022	**925**	**2,073**	**169**	**50**	**387**	**3,604**
Accumulated Depreciation						
1 January 2021	**(279)**	**(852)**	**(79)**	**(18)**	**-**	**(1,228)**
Depreciation charge	(21)	(66)	(16)	(4)	-	(107)
Disposals	7	4	-	1	-	12
31 December 2021	**(293)**	**(914)**	**(95)**	**(21)**	**-**	**(1,323)**
Depreciation charge	(25)	(88)	(18)	(6)	-	(137)
Disposals	9	2	-	-	-	11
31 December 2022	**(309)**	**(1,000)**	**(113)**	**(27)**	**-**	**(1,449)**
Net book value						
1 January 2021	**478**	**697**	**53**	**11**	**109**	**1,348**
31 December 2021	**488**	**758**	**42**	**13**	**326**	**1,627**
31 December 2022	**616**	**1,073**	**56**	**23**	**387**	**2,155**

The Group capitalized UZS 15 billion in 2022 general borrowing costs including interest costs and forex exchange costs at weighted average interest rate of 8% per annum (2021: UZS 5 billion, at 10%).

Construction in progress contains advances paid amounted to UZS 87 billion as of 31 December 2022 (31 December 2021: 24 billion).

The Group has fully depreciated property, plant and equipment with a historical cost of UZS 625 billion as of 31 December 2022 (31 December 2021: UZS 610 billion).

(in billions of Uzbek Soums)

Assets pledged as collateral

Property, plant and equipment with a carrying amount of UZS 317 billion (31 December 2021: UZS 390 billion) were pledged as collateral to secure loans received by the Group (*Note 18*).

Buildings and structures, machinery and equipment, vehicles and other fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets. Management reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Assumptions that were valid at the time of estimation may change when new information becomes available. Useful lives of property, plant and equipment were follows:

Property, plant and equipment groups	**Useful lives**
Buildings and structures	30 – 40 years
Machinery and equipment	5 – 40 years
Vehicles	5 – 12 years
Others	5 years

12. INVESTMENT PROJECTS

The Group disclosed separately significant groups of construction-in-progress which are subject to specific financing as Investment projects. Investment projects are stated at historical cost less impairment, if any, and comprise costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Investment projects are transferred to property, plant and equipment when the assets are put into operation.

The Group recognises exchange differences arising from foreign currency borrowings that are directly attributable to acquisition or construction of investment projects as a part of borrowing cost and capitalises it as a cost of investment projects to the extent of the interest that would have been incurred on a borrowing with identical terms in Uzbek Soums. The effective weighted average interest rate in 2022 was 6% per annum (2021 – 10% per annum).

Investments projects are represented by the project Metal sheet production which is expected to increase hot-rolled strips production capacity by 1,041 thousand tonnes per year, with first production expected at the 2024. The expected overall project cost is over UZS 6,956 billion (unaudited).

Changes in investment projects were the following:

	2022	**2021**
1 January	**1,832**	**1,265**
Additions	936	129
Transfer from PPE	102	-
Change in advances paid to suppliers	645	270
Capitalised interest (Note 18)	180	112
Exchange differences capitalised (Note 18)	80	56
31 December	**3,775**	**1,832**

(in billions of Uzbek Soums)

Changes in advances paid to suppliers for investment projects were the following:

	2022	2021
1 January	**1,076**	**806**
Paid	1,672	550
Utilised for investment projects	(983)	(280)
Repaid	(44)	-
31 December	**1,721**	**1,076**

13. INVENTORIES

	31 December 2022	31 December 2021
Materials and supplies	1,166	950
Finished goods	529	199
Work in progress	441	328
	2,136	**1,477**
Provision for the write-off of inventories to net realisable value	(39)	(37)
Total	**2,097**	**1,440**

The Group purchases most of raw materials in Russia, China, and the Republic of Uzbekistan. Purchase contracts contain a number of different delivery terms, including Incoterms. The Group purchase most of its products on DAP, CIP and CPT Incoterms.

As at 31 December 2022 the Group recorded UZS 3 billion of raw materials and UZS 48 billion in transit upon transfer of control (31 December 2021: UZS 254 billion).

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost.

	31 December 2022	31 December 2021
Amount due in UZS	807	468
Amount due in foreign currencies	584	190
Other receivable from the government (Note 9)	267	-
Settlements with employees	27	13
	1,685	**671**
Allowance for expected credit losses	(100)	(40)
Total trade and other receivables	**1,585**	**631**

The range of the credit period on sale of goods is 30-180 days (2021: 30-180 days). No interest is charged on the trade receivables.

(in billions of Uzbek Soums)

The table below shows the movement in lifetime expected credit losses ("ECL") that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	2022	2021
1 January	**40**	**63**
Allowance accrued/(released)	60	(6)
Allowance utilised	-	(17)
31 December	**100**	**40**

Most of allowances related to trade and other receivables past due over 180 days which were fully impaired. For other debtors, management assessed the risk profile based on the Group's provision matrix.

15. ADVANCES PAID

The Group has current advances paid which are mainly represented by the payment to suppliers for materials and services that not related to construction in progress or other long-term assets.

	31 December 2022	31 December 2021
Advances for materials and services	247	338
Loss allowance	(19)	(17)
Total	**228**	**321**

16. CASH, CASH EQUIVALENTS AND BANK DEPOSITS

	31 December 2022	31 December 2021
Cash in UZS	64	247
Cash in foreign currency	54	1,820
Total	**118**	**2,067**

	31 December 2022	31 December 2021
Bank deposits – short-term	**122**	**-**

The Group mainly uses the services of Ipoteka Bank JSCB, Kapitalbank JSCB, Hamkorbank JSCB, Uzpromstroybank JSCB. As of 31 December 2022 most of cash and cash equivalents were held in banks with credit rating of B1-Ba3 (31 December 2021: B1-Ba3).

17. EQUITY

The Company's share capital comprises of only ordinary shares. Each ordinary share paid in full gives one voting right at a general meeting of shareholders and a right to receive dividends.

According to the General Meeting of Shareholders minutes No. 54 dated 15 March 2022, the number of authorised shares increased to 1,000,000,000 of ordinary shares and 20,000,000 of preference shares.

(in billions of Uzbek Soums)

Number of shares unless otherwise stated		Ordinary shares		Treasury shares		Preference shares	
		2022	**2021**	**2022**	**2021**	**2022**	**2021**
In issue on 1 January		**43,322,393**	**43,322,393**	**(437,328)**	**(437,328)**	**906,420**	**906,420**
Cancellation	*a*	(1,991,013)	-	-	-	-	-
Issued	*b,c*	415,246,911	-	(4,373,280)	-	9,064,200	-
In issue on 31 December, fully paid		**456,578,291**	**43,322,393**	**(4,810,608)**	**(437,328)**	**9,970,620**	**906,420**
Par value, UZS		5,000	5,000	5,000	5,000	5,000	5,000
billion UZS							
31 December							
Share capital		**2,283**	**217**	**-**	**-**	**-**	**-**
Treasury shares		**-**	**-**	**(24)**	**(2)**	**-**	**-**
Additional paid in capital	*d*	**-**	**-**	**-**	**-**	**30**	**5**

a) According to the General Meeting of Shareholders minutes No. 53 of 4 February 2022, the State Assets Management Agency of the Republic of Uzbekistan shares were decreased by 1,991,013 shares or UZS 10 billion in exchange of transfer of Company's assets that occurred in 2021 financial year.

b) According to the General Meeting of Shareholders minutes No. 54 of 15 March 2022, the Group decided to perform a capitalisation to attribute retained earnings to an increase in the share capital. According to the decision of the General Meeting of Shareholders, the share capital additionally increased by UZS 2,112 billion by issuing 413,313,800 ordinary shares and 9,064,200 preference shares, net of dividend tax in the amount of UZS 100 billion. Additional treasury shares were distributed to the Group in accordance with the terms of capitalisation in the amount of UZS 22 billion or 4,373,280 ordinary shares.

c) According to the General Meeting of Shareholders minutes No. 14 of 16 September 2022, the Group decided to issue additional shares in exchange for the Football Academy building received from the State Assets Management Agency of the Republic of Uzbekistan. The share capital additionally increased by UZS 10 billion by issuing 1,933,111 ordinary shares. The difference between their nominal value and the fair value of UZS 4 billion was accounted as additional paid-in capital.

The Group recalculated earnings per share based on new number of shares for all periods presented as required by IAS 33 *Earnings per share*.

	31 December 2022	**31 December 2021**
Number of ordinary shares	43,322,393	43,322,393
Number of ordinary shares as a result of cancellation 2022	(1,991,013)	-
Number of ordinary shares as a result of capitalisation of 2022	413,313,800	413,313,800
Number of ordinary shares issued in 2022	1,933,111	-
Number of treasury shares as a result of issue in 2022	(4,810,608)	(4,810,608)
Total weighted average number of ordinary shares to determine earnings per share (basic and diluted)	**432,585,948**	**451,825,585**

d) According to the charter documents for preference shares the annual minimum value of dividends is 6% of par value, or UZS 300 per preference share. In accordance with IAS 32 the Group separated equity and financial liability component of preference shares. The financial liability component amounted UZS 20 billion and is calculated as the present value of the future contractual fixed dividends cash flows, discounted at a market rate of 15%.

(in billions of Uzbek Soums)

e) During 2022 ended 31 December 2022 the Group declared dividends of UZS 528.62 per common share in the total amount of UZS 241 billion and UZS 300 per preference share in the total amount of UZS 2.9 billion (2021: UZS 3,807 per common share in the total amount of UZS 164 billion and UZS 300 per preference shares in the total amount of UZS 0.3 billion).

18. DEBT FINANCE

Bank loans are initially recognised at fair value and are subsequently measured at amortised cost. The Group obtained most of the bank loans for the purpose of financing investment projects.

	Notes	31 December 2022	31 December 2021
Replenishment of working capital		*1,545*	*920*
Investment projects:			
- Metal sheet production	*11, 12*	*1,043*	*1,083*
- Wire rod production	*11, 12*	*39*	*26*
- Ferrosilicon production	*11, 12*	-	*40*
Upgrade of current production capacity		44	31
Debt component of preference shares		20	-
		2,691	**2,100**
Secured loans denominated in UZS		353	103
Secured loans denominated in USD		2,338	1,997
		2,691	**2,100**
Long-term portion of loans		1,195	1,180
Short-term portion of loans		1,496	920

Fixed interest rates on bank loans as at the end of 2022 were within 4,75%-9% range for the foreign currency denominated loans and 14-23% for the UZS denominated loans (31 December 2021: 6.9%-9% and 14%, respectively). As disclosed in Note 11, the Group pledged specific assets as bank loan collateral.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as ‘IBOR reform’). As of 31 December 2022, the Group's borrowings bearing variable interest rate at LIBOR + range 4.25% to 7% amounted to UZS 82 billion. The Groups monitors and manages the Group’s transition to alternative rates and intends to amend the loan agreements accordingly during 2023-2024.

(in billions of Uzbek Soums)

The table below shows the movement in bank loans as a result of financing activities, including cash and non-cash changes.

	Note	2022	2021
1 January		**2,100**	**1,430**
Proceeds from bank loans		1,973	889
Issue of preference shares		20	-
Repayment of bank loans		(1,493)	(275)
Interest recognised in profit or loss		3	-
Interest capitalised	11, 12	156	117
Interest paid		(159)	(117)
Foreign exchange differences capitalised	11, 12	86	56
Other		5	-
31 December		**2,691**	**2,100**

As of 31 December 2022, the Group has unused credit lines amounted to UZS 1 billion (31 December 2021: the Group had no unused credit lines).

19. TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost.

	31 December 2022	31 December 2021
Trade payables in UZS	1,076	208
Trade payables in foreign currencies	154	889
Payables for PPE and investment projects	12	18
Other payables	186	182
Total	**1,428**	**1,297**

Average purchase credit terms range between 1 to 1.5 months. Interest is not accrued on trade payables. The Group financial risk management policy stipulates the repayment of payables within contractual credit terms.

20. FINANCIAL INSTRUMENTS

20.1. Categories of financial instruments

All Group's financial assets are current.

Financial assets	**Notes**	**31 December 2022**	**31 December 2021**
Trade and other receivables	14	1,585	631
Cash and cash equivalents	16	118	2,067
Bank deposits	16	122	-
Other financial assets		37	44
Total		**1,862**	**2,742**

Financial liabilities	Notes	31 December 2022	31 December 2021
Debt finance	18	2,691	2,100
Trade and other payables	19	1,428	1,297
Other financial liabilities	21	1,710	1,716
Total		**5,829**	**5,113**
Current financial liabilities		4,634	3,933
Non-current financial liabilities		1,195	1,180
Total		**5,829**	**5,113**

The above financial instruments are measured at fair value through profit or loss, are carried at amortised cost.

20.2. Financial risk management

The Group's financial block coordinates access to borrowings, controls and manages financial risks, analysing the probability and size of current Group risks. These risks include market risks (including currency, interest and pricing risks), credit risks and liquidity risks.

Market risk

Risks related to Group activities are the risks of exchange rate and interest rate fluctuations. The Group does not use derivative financial instruments to manage the risk of fluctuations in interest rates and exchange rates.

Currency risk management

The Group is exposed to currency risk due to its transactions in foreign currencies. Most of foreign currency monetary assets and liabilities are denominated in USD and EUR. Assets and liabilities in other foreign currencies are not significant. Foreign currency denominated monetary assets and liabilities were as follows:

Financial instruments, USD-denominated (in billions of Uzbek Soums)	31 December 2022	31 December 2021
Trade and other receivables	550	189
Cash	38	98
Debt finance	(2,338)	(1,997)
Trade and other payables	(150)	(889)
Total net in USD	**(1,900)**	**(2,599)**
Financial instruments, EUR-denominated		
Trade and other receivables	34	1
Cash	13	1,722
Bank deposits	122	-
Trade and other payables	(2)	
Other financial liability	(1,710)	(1,712)
Total net in EUR	**(1,543)**	**11**

Sensitivity analyses

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 after 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 and purchases.

	31 December 2022	31 December 2021
USD exchange rate increase at 10% (weakening)	(162)	(221)
USD exchange rate decrease at 10% (strengthening)	162	221
EUR exchange rate increase at 10% (strengthening)	(131)	1
EUR exchange rate decrease at 10% (weakening)	131	(1)

Interest rate risk management

The Group borrows funds with fixed interest rates. Bank loans with fixed interest rate were UZS 2,476 billion. Bank loans with floating interest rate were UZS 195 billion (31 December 2021: UZS 278.6 billion). Total amount of interest expenses accrued for bank loans with floating interest rates is UZS 8 billion. Reasonably possible change of the floating interest rate will not affect profit or loss significantly.

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	
in billions of Uzbek Soums	**31 December 2022**	**31 December 2021**
Fixed rate instruments		
Financial liabilities	2,476	1,821
	2,476	**1,821**
Variable rate instruments		
Financial liabilities	195	279
	195	**279**

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 on profit or loss or on equity.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group only uses publicly available financial information and its own trading records to rate its major customers. Its exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

(in billions of Uzbek Soums)

The Group is exposed to significant concentrations of credit risk. As at 31 December 2022, the three largest customers, represent 65% (31 December 2020: 59%) of trade receivables.

While monitoring customer credit risk, customers are grouped according to account receivables turnover rate and their credit characteristics, including relationship to the Group. For major customers controlled by the Government of Uzbekistan credit rating assumed to be close to Moody's B1 rating of the Republic of Uzbekistan, which represents 0-5% loss rate in the Group's internal assessment.

Breakdown of trade receivables by Group's internal credit rating applied for ECL determination as at 31 December 2022:

Group's internal customer rating	Trade receivables	Allowance for ECL	Total
Upper (0-5%)	750	(22)	728
Lower (6-10%)	571	(44)	527
Customers at default (100%)	34	(34)	-
Total	**1,355**	**(100)**	**1,255**

Breakdown of trade receivables by Group's internal credit rating applied for ECL determination as at 31 December 2021:

Group's internal customer rating	Trade receivables	Allowance for ECL	Total
Upper (0-5%)	361	-	361
Lower (6-10%)	240	(2)	238
Customers at default (100%)	38	(38)	-
Total	**639**	**(40)**	**599**

The Group did not recognise ECL on other receivables due to its insignificance. Other receivables are not overdue or credit impaired and are allocated to Stage 1.

The credit risk on cash with bank is disclosed in Note 16.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include interest and principal cash flows. Contractual maturity is based on the earliest date on which the Group may be required to pay. Interest payments were calculated at the weighted average interest rate.

31 December 2022	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Trade payables	1,428	-	-	-	-	-	1,428
Bank loans (principal)	1,496	388	174	183	178	253	2,671
Bank loans (interest charges)	164	64	47	37	35	18	365
Debt finance	3	3	3	3	3	23	38
Other financial liabilities	1,710	-	-	-	-	-	1,710
Total	**4,801**	**455**	**224**	**223**	**216**	**294**	**6,212**

(in billions of Uzbek Soums)

31 December 2021	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Trade payables	1,297	-	-	-	-	-	1,297
Bank loans (principal)	920	251	180	172	172	405	2,100
Bank loans (interest charges)	113	72	58	46	35	39	363
Other financial liabilities	1,716	-	-	-	-	-	1,716
Total	**4,046**	**323**	**238**	**218**	**207**	**444**	**5,476**

20.3. Fair value of financial instruments

Financial instruments that are measured at fair value subsequent to initial recognition, are grouped into Levels 1 to 3 of fair value hierarchy based on the degree to which their fair value is observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly;

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

The Group determined the fair value of floating rate and fixed rate loans and borrowings at 31 December 2022 and 2021 as the present value of future cash flows (principal and interest), discounted at the market interest rates, which are determined as of the reporting date based on the currency of a loan, its expected maturity and credit risks attributable to the Group. Fair values of bank loans (Level 2) and other financial instruments were approximately equal to their fair values.

Investments in shares classified as Other financial assets measured at fair value through profit or loss (Level 1) amounted to UZS 7 billion (31 December 2021: UZS 29 billion).

21. RELATED PARTY TRANSACTIONS

The Group is a government related entity, as it is ultimately controlled by the Government of Uzbekistan. Therefore, in respect of other related parties' transactions except for those disclose above, the Group chose to apply the exemption in IAS 24 Related Party Disclosures in relation to its government related transactions and outstanding balances, including commitments. Individually significant government related balances and transactions are disclosed below. Other government related balances and transactions that are collectively, but not individually, significant are represented by tax prepayments, where the total balance as at 31 December 2022 and 2021 comprised UZS 343 thousand and UZS 281 thousand accordingly.

As at 31 December 2022 and 2021, UZS 28 billion and UZS 1,802 billion of cash and cash equivalents, respectively, were placed in the banks controlled by the Government of Uzbekistan.

As at 31 December 2022, UZS 122 billion of bank deposits were placed in the banks controlled by the Government of Uzbekistan.

As at 31 December 2022 and 2021, UZS 2,397 billion and UZS 1,985 billion of borrowings, respectively, were received by the Group from the banks controlled by the Government of Uzbekistan.

In 2022 and 2021, UZS 2,755 billion and UZS 2,514 billion of revenue, respectively, was recognized by the Group from the companies controlled by the Government of Uzbekistan.

In 2022 and 2021, the remuneration of the Supervisory Board members and other key managers was UZS 16 billion and UZS 11 billion, respectively.

As at 31 December 2022 and 2021, UZS 561 billion and UZS 361 billion of trade receivables were due from the companies controlled by the Government of Uzbekistan, respectively.

As of 31 December 2022, the Group has accounts receivable from the government in amount of UZS 267 billion (Note 9).

As at 31 December 2022 and 2021, UZS 1,710 billion and UZS 1,716 billion of other financial liability due to the companies controlled by the Government of Uzbekistan. The payment was made for future potential transactions related to increase of share capital for financing of investment projects (Note 12). According to the additional contract that was concluded 19 October 2022, the Group must return the financing by paying 2% per annum from the date of receipt, if planned transaction does not occur by 31 December 2022. As these transactions did not occur until 31 December 2022, the Group accrued interest expense of 2% per annum from the date of receipt of the funds.

22. COMMITMENTS

As at 31 December 2022 and 2021, commitments to purchase property, plant and equipment amounted to UZS 3,349 billion and UZS 2,866 billion, respectively.

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

23.1. Litigation

From time to time, during the course of the Group’s activities, clients and counterparties make claims against the Group. Management believes that as a result of court cases, the Group will not incur any significant losses and, consequently, no provisions have been created in these consolidated financial statements.

23.2. Taxation

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 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 interim condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. During 2018, tax authorities performed tax audit for the period from 2009 to first half of 2017 and claimed additional taxes and related penalties. On 3 December 2018, tax authorities appealed to the court for reimbursement of penalties charged for the Company in the amount of UZS 38 billion and in April 2021, the court decided in favour of tax authorities. The management of the Group recognised liabilities as at 31 December 2021 related to these penalties. In respect of the remaining part of additional taxes in the amount of UZS 138 billion, management estimates the risk of a negative outcome for the Group as possible and no provision has been recognised in these interim condensed consolidated financial statements.

23.3. Operating environment

Emerging markets such as Uzbekistan are subject to different risks, including economic, political, social, legal and legislative risks. During 2022, the government of Uzbekistan remained committed to carry out social-economic reforms started in 2016 and liberalisation of the market with an emphasis predominantly on broadening the export potential and improvement of business climate of Uzbekistan to attract foreign direct investment. As a result, laws and regulations, including tax and regulatory frameworks, affecting businesses in Uzbekistan started to change rapidly. 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 increased, one-stop-shop of government services has been introduced and other positive changes have been implemented. The future economic direction of the Republic of Uzbekistan heavily depends on the new fiscal and monetary policies the government plans to adopt during the on-going reforms, together with developments in the legal, regulatory, and political environment.

24. EVENTS AFTER THE REPORTING PERIOD

Loans received

The Company signed a loan agreement for investment project purposes with the Fund for Reconstruction and Development of the Republic of Uzbekistan amounted to EUR 110 million with interest rate of 4.5% per annum. As at the date of sign-off of these consolidated financial statements the Company has utilised EUR 53,9 million from this loan agreement.

The Company signed a credit line agreement with ATB Sanoat Qurilish Bank amounted to UZS 65 billion with interest rate of 21% per annum. This loan is secured by UZS 81 billion of the Company's accounts receivable.

Issued shares and change of the shareholders//

During second quarter of 2023 there was a change of shareholders structure taken the following actions:

- Based on share purchase agreement with the Fund for Reconstruction and Development of the Republic of Uzbekistan dated 23 May 2023 and the disclosure in the Note 21, the Group has issued and transferred 149,016,774 ordinary and 141,577,773 preferred shares at the value of UZS 8,959 and UZS 2,820 per share respectively. As the result, share capital has been increased by UZS 1,453 billion and share premium has been occurred in the amount of UZS 281 billion. As the result, the ownership of Fund for Reconstruction and Development of the Republic of Uzbekistan has become 38.38%.
- Based on Resolution of the President of the Republic of Uzbekistan “On measures relating to acceleration of the process of reforming enterprises with state participation” dated 1 March 2023 the ownership of the State Assets Management Agency of the Republic of Uzbekistan has been transferred to the Agency for Strategic Reforms Under the President of the Republic of Uzbekistan of 54.25%.

- The remaining part of share capital consists of corporate shareholders and Individuals in proportion of 1.45% and 5.92% respectively.

On 30 June 2023, the Company declared and partially paid dividends in amount of UZS 683.35 per ordinary share, which is equal to UZS 414 billion in total.