United Cement Group Plc

International Financial Reporting Standards Consolidated Financial statements and Independent Auditor's Report for the year ended 31 December 2021

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UNITED CEMENT GROUP PLC

BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

Board of Directors	Michalis Zambartas, Cypriot Effrosini Christou, Cypriot Michael Christakis, Cypriot Denis Trussevich, Kazakhstan Serik Ukanov, Kazakhstan (appointed 20 May 2022) Ulugbek Shadmanov, Uzbekistan (appointed 20 May 2022)
Secretary	Michalis Zambartas
Independent Auditor	PricewaterhouseCoopers Limited
Legal advisors	Michalis Zambartas
Banker	RBK Bank, JSC Hamkorbank, JSCB
Registered Office	39, Themistokli Dervi, 5th Floor, Office 502, 1066 Nicosia, Cyprus
Registration number	195948

BOARD OF DIRECTORS' REPORT

The Board of Directors of United Cement Group Plc (the "Company") presents to the members their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The Group is primarily involved in the production and sale of cement and cement-related products.

CHANGES IN GROUP STRUCTURE

During the year there were no changes in the structure of the Company.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE OF THE GROUP'S BUSINESS

The profit of the Group for the year ended 31 December 2021 was USD 21,105 thousand (2020: USD 214,982 thousand). On 31 December 2021 the total assets of the Group were USD 192,475 thousand (2020: USD 181,876 thousand) and the net assets were USD 171,350 thousand (2020: USD 156,541 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are as expected. The higher amount of profit for the year 2020 is primarily due to gains resulting from return of control over Bekabadcement plant and gain on waiver of a loan.

FINANCIAL RESULTS

The Group's financial results for the year ended 31 December 2021 are set out on page 1 of the consolidated financial statements. The profit for the current year is US Dollars 21,105 thousand (2020: US Dollars 214,982 thousand).

FUTURE DEVELOPMENTS

The Board of Directors is evaluating various options on the future developments of the Group. In December 2021 the Group concluded the agreement on purchase of 86.92% shares in JSC "Qizilqumcement". As of the date of the report the Group obtained 14.96% shares in JSC "Qizilqumcement" (Note 33).

GOING CONCERN

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's actual results for 2021 and budget for 2022, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in Notes 4, 30 and 31 of the consolidated financial statements.

BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2021 and at the date of this report are presented on the previous page. There were no significant changes in the remuneration of the members of the Board of Directors.

EVENTS AFTER THE BALANCE SHEET DATE

Material post balance sheet events, which have a bearing on the understanding of the consolidated financial statements, are presented in detail in Note 33 of the consolidated financial statements.

SHARE CAPITAL

There were no changes in the share capital of the Company.

BRANCHES

The Company did not operate through any branches during the year.

USE OF FINANCIAL INSTRUMENTS BY THE GROUP

The Group's activities exposed it to a variety of financial risks as disclosed in Note 30. The risk management policies employed by the Group are disclosed in Note 30.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers Limited has expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to determine their remuneration was proposed at the Annual General Meeting.

By order of the Board of Directors

Michalis Zambartas
Secretary
Nicosia, 30 June 2022

Independent Auditor's Report

To the Members of United Cement Group Plc

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of United Cement Group Plc (the "Company"), and its subsidiaries (the "Group"), which are presented in pages 1 to 46 and comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Qualified Opinion

Non-attendance at inventory count

We were not invited to attend the stock count and did not observe the counting of the physical inventories with a carrying amount of USD 17.570 thousand as at 31 December 2019. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at this date. Our audit opinion for the year ended 31 December 2020 was qualified in respect of this matter. Accordingly, we were unable to determine whether any adjustments might have been necessary in respect of the inventory balances as at 31 December 2019. In addition, since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the consolidated statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows for the year ended 31 December 2020.

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PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg. No.143594). Its registered office is at 3 Themistocles Dervis Street, CY-1066, Nicosia. A list of the company's directors, including for individuals the present and former (if any) name and surname and nationality, if not Cypriot and for legal entities the corporate name, is kept by the Secretary of the company at its registered office. PwC refers to the Cyprus member firm, PricewaterhouseCoopers Ltd and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's 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 Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor’s 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 auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Board of Directors' report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.

- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated Board of Directors' report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Zena Tsoukka
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 30 June 2022

United Cement Group Plc and Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021

In thousands of US Dollars	Note	2021	2020
Revenue	7	126,477	102,789
Cost of sales	8	(91,013)	(74,289)
Gross profit		**35,464**	**28,500**
Distribution expenses	9	(3,116)	(1,968)
Administrative expenses	10	(12,918)	(9,010)
Gain from business combination	29	-	127,550
Other income	12	1,268	865
Other expenses	13	(498)	(231)
Impairment of other receivable	13	(1,647)	-
Operating profit		**18,553**	**145,706**
Gain on waiver of loan	27	-	78,991
Finance income	14	3,469	3,466
Finance costs	15	(2,100)	(9,403)
Share of result of associates		1,231	1,064
Profit before income tax		**21,153**	**219,824**
Income tax expense	16	(48)	(4,842)
Profit for the year		**21,105**	**214,982**
Other comprehensive loss			
Translation of financial information of foreign operations to presentation currency		(3,978)	(7,182)
Other comprehensive loss for the year		**(3,978)**	**(7,182)**
Total comprehensive income for the year		**17,127**	**207,800**
Profit attributable to:			
Owners of the Group		18,685	211,803
Non-controlling interest	26	2,420	3,179
Profit for the year		**21,105**	**214,982**
Total comprehensive income is attributable to:			
Owners of the Group		15,443	205,680
Non-controlling interest		1,684	2,120
Total comprehensive income for the year		**17,127**	**207,800**

In thousands of US Dollars	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	17	73,281	81,794
Intangible assets		1,394	1,399
Financial assets at FVTPL	18	1,945	1,302
Investments in associates		1,423	1,522
Deferred income tax asset	16	191	412
Prepayments for non-current assets	19	40,771	36,140
Loans issued	20	5,591	5,316
Other non-current assets		1,167	-
Total non-current assets		**125,763**	**127,885**
Current assets			
Inventories	21	34,606	24,505
Trade and other receivables	22	3,256	2,437
Other refundable taxes		264	148
Current income tax prepayments		328	1,426
Prepayments for current assets	23	8,407	9,611
Cash and cash equivalents	24	19,851	15,864
Total current assets		**66,712**	**53,991**
TOTAL ASSETS		**192,475**	**181,876**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	25	400	400
Additional paid-in capital	25	25,778	24,308
Shareholder's contributions	25	3,700	3,700
Foreign currency translation reserve		(100,394)	(97,152)
Retained earnings		222,107	204,682
Equity attributable to the Company's owners		**151,591**	**135,938**
Non-controlling interest	26	19,759	20,603
TOTAL EQUITY		**171,350**	**156,541**
Non-current liabilities			
Loans and borrowings	27	5,028	-
Deferred income tax liability	16	4,938	9,020
Long term employee benefits		1,746	1,805
Other payables		89	19
Total non-current liabilities		**11,801**	**10,844**
Current liabilities			
Loans and borrowings	27	1,341	7,489
Contract liabilities		1,432	817
Trade and other payables	28	6,314	6,033
Current income tax payable		237	152
Total current liabilities		**9,324**	**14,491**
TOTAL LIABILITIES		**21,125**	**25,335**
TOTAL EQUITY AND LIABILITIES		**192,475**	**181,876**

These consolidated financial statements were approved for issue and signed on behalf of the Board of Directors on 30 June 2022:

Denis Trussevich	Michalis Zambartas
Director	Director

The accompanying notes on pages 5 to 46 are an integral part of these consolidated financial statements

In thousands of US Dollars	Note	2021	2020
Cash flows from operating activities			
Profit before tax for the year		21,153	219,824
Adjustments for:			
Depreciation and amortisation		6,794	6,204
(Gain)/losses on disposal of property, plant and equipment		(155)	329
Unwinding of discount on loan	27	-	6,876
Non-cash forex differences		190	80
Interest income		(1,184)	(471)
Interest expenses		329	-
Share of results of associate		(1,231)	(1,064)
Gain on waiver of loan	27	-	(78,991)
Gain from business combination	29	-	(127,550)
Impairment of other receivable	13	1,647	-
Gains less losses from securities at fair value through profit or loss		(643)	(637)
Other		(204)	3
Operating cash flows before working capital changes		**26,696**	**24,603**
(Increase)/decrease in trade and other receivables		(1,282)	211
Decrease/(increase) in prepayments for current assets		428	(3,188)
(Increase)/decrease in inventories		(7,119)	1,313
Decrease in trade and other payables and contract liabilities		(294)	(10,927)
Cash flows from operations before income tax and interest paid		**18,429**	**12,012**
Income tax paid		(4,697)	(5,482)
Interest paid		(340)	-
Net cash from operating activities		**13,392**	**6,530**
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,235)	(2,645)
Proceed from sale of property, plant and equipment		1,656	-
Prepayment for non-current assets		(1,727)	(36,140)
Prepayment for share in Hantau Cement Plant (Kazakhstan)		(2,244)	-
Loans issued to related party		(500)	(5,005)
Repayment of loans issued		219	-
Compensation received and cash acquired in business combination	29	-	85,366
Transfer to restricted cash		(600)	-
Dividends received from associate		1,185	802
Acquisition of equity securities		-	(664)
Net cash (used in)/from investing activities		**(7,246)**	**41,714**
Cash flows from financing activities			
Proceeds from borrowings	27	283	445
Repayment of borrowings	27	(1,160)	(36,937)
Acquisition of NCI in subsidiary		(1,008)	-
Distribution to the Company's shareholder		-	(1,157)
Shareholder's contribution		-	3,700
Distribution to non-controlling interests	26	(274)	(21)
Net cash used in financing activities		**(2,159)**	**(33,970)**
Effect of exchange rates changes on cash and cash equivalents		-	-
Net increase in cash and cash equivalents		**3,987**	**14,274**
Cash and cash equivalents at the beginning of the year	**24**	15,864	1,590
Cash and cash equivalents at the end of the year	**24**	**19,851**	**15,864**

		Attributable to owners of the Company							
In thousands of US Dollars	**Note**	**Share capital**	**Additional paid-in capital**	**Shareholder's contributions**	**Currency Translation reserve**	**Retained earnings/ (Accumulated deficit)**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2020		400	24,308	-	(91,029)	(5,964)	(72,285)	5,699	(66,586)
Total comprehensive income/(loss) for the year									
Profit for the year		-	-	-	-	211,803	211,803	3,179	214,982
Foreign currency translation differences		-	-	-	(6,123)	-	(6,123)	(1,059)	(7,182)
Total comprehensive (loss)/income for the year		**-**	**-**	**-**	**(6,123)**	**211,803**	**205,680**	**2,120**	**207,800**
Dividends declared	26	-	-	-	-	-	-	(21)	(21)
Contribution from shareholder		-	-	3,700	-	-	3,700	-	3,700
Distributions to owners other than dividends	25	-	-	-	-	(1,157)	(1,157)	7	(1,150)
Non-controlling interest on acquisition of subsidiary	29	-	-	-	-	-	-	12,798	12,798
Total transactions with owners		**-**	**-**	**3,700**	**-**	**(1,157)**	**2,543**	**12,784**	**15,327**
Balance at 31 December 2020		**400**	**24,308**	**3,700**	**(97,152)**	**204,682**	**135,938**	**20,603**	**156,541**

		Attributable to owners of the Company							
In thousands of US Dollars	**Note**	**Share capital**	**Additional paid-in capital**	**Shareholder's contributions**	**Currency Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2021		400	24,308	3,700	(97,152)	204,682	135,938	20,603	156,541
Total comprehensive income/(loss) for the year									
Profit for the year		-	-	-	-	18,685	18,685	2,420	21,105
Foreign currency translation differences		-	-	-	(3,242)	-	(3,242)	(736)	(3,978)
Total comprehensive (loss)/income for the year		**-**	**-**	**-**	**(3,242)**	**18,685**	**15,443**	**1,684**	**17,127**
Dividends declared	26	-	-	-	-	-	-	(274)	(274)
Distributions to owners other than dividends	25	-	-	-	-	(1,260)	(1,260)	-	(1,260)
Other movements		-	-	-	-	-	-	224	224
Non-controlling interest on acquisition of subsidiary	25	-	1,470	-	-	-	1,470	(2,478)	(1,008)
Total transactions with owners		**-**	**1,470**	**-**	**-**	**(1,260)**	**210**	**(2,528)**	**(2,318)**
Balance at 31 December 2021		**400**	**25,778**	**3,700**	**(100,394)**	**222,107**	**151,591**	**19,759**	**171,350**

1 United Cement Group and its Operations

United Cement Group Plc (the "Company") is a public limited liability company domiciled in Cyprus. The Company's registered office is 39 Themistokli Dervi, Office 502, P O Box 288, Nicosia, Cyprus. The consolidated financial statements as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The Group is primarily involved in the production and sale of cement and cement-related products.

Details of the significant entities included in these consolidated financial statements are set out in Note 6.

United Cement Group Plc was incorporated in Cyprus on 3 April 2007 and became the parent company of the Group following completion of the legal restructuring in April 2008.

2 Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113 under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the revaluation of financial assets at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out in Note 3.

As of the date of the authorization of the consolidated financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2021 and are relevant to the Group's operations have been adopted by the EU through the endorsement procedure established by the European Commission.

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

Functional and presentation currency

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. The functional currency for the Company is the US Dollar. These consolidated financial statements are presented in thousands of United States Dollars ("US Dollars") (Note 4).

3 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the consolidated statements are described in this note. These accounting policies have been consistently applied.

Consolidation

(i) Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or applied only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

3 Summary Significant Accounting Policies (Continued)

(ii) Business combinations

The acquisition method of accounting is used to account for acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

(iii) Step acquisitions

In step acquisitions the previously held interest is remeasured to fair value immediately before the business combination. The difference between the fair value and the carrying value of previously held interest is recognised in the consolidated statement of profit or loss and other comprehensive income.

(iv) Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a transaction with owners directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a transaction with owners in the consolidated statement of changes in equity.

(v) Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts.

The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to retained earnings within equity.

3 Summary Significant Accounting Policies (Continued)

(vi) Associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(vii) Disposals of subsidiaries, associates or joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Transactions with owners

The Group enters into transactions with its shareholders. When consistent with the nature of the transaction (i.e. when these transactions are not at arm's length terms and conditions), the Group's accounting policy is to recognise any gains or losses with equity holders, directly through equity and consider these transactions as the receipt of additional capital contribution or as distributions. Similar transactions with non-equity holders, or parties which are not under the control of the parent company, are recognised through profit or loss. The Group believes that this policy provides a fair representation of the Group's activities.

Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Foreign currency translation

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the National/Central Banks of the respective countries («N/CB») at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the N/CB are recognised in profit or loss as finance income or costs. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

3 Summary Significant Accounting Policies (Continued)

The results and financial position of each group entity (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position are translated at the closing rate at the end of the respective reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

When control over a foreign operation is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US Dollars at the exchange rate at the respective reporting date.

Financial instruments – key measurement terms

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

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

3 Summary Significant Accounting Policies (Continued)

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

The Group classifies its financial assets in the following measurement categories: i) those to be measured subsequently at fair value (either through OCI or through profit or loss), and ii) those to be measured at amortised cost (AC).

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group manages the assets in order to generate cash flows.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments: i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, loans issued and trade and other receivables. ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income". Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income..iii) FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

3 Summary Significant Accounting Policies (Continued)

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC, trade and other receivables, loans issued are presented in the consolidated statement of financial position net of the allowance for ECL.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

The Group applies the simplified approach for impairment of trade receivable (Note 30). For other financial assets the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 30 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition

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

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

3 Summary Significant Accounting Policies (Continued)

Financial assets – modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

3 Summary Significant Accounting Policies (Continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Any excess of the fair value of consideration received over the par value of shares issued is recorded as additional paid in capital.

Shareholder's contributions

Shareholder's contributions constitute contributions made by the Company's shareholders other than for the issue of shares by the Company in their capacity as equity owners of the Company for which the Company/Group has no contractual obligation to repay them. Such contributions are recognised directly in equity as they constitute transactions with equity owners in their capacity as equity owners of the Company.

Dividends

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

Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, where required. 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 its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

When major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and depreciated over their useful economic life. Gains and losses on disposal of an item of property, plant and equipment are recognised net in “other income” in profit or loss.

The fair value of property, plant and equipment recognised as a result of a business combination is based on using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Subsequent costs are capitalised only to the extent that they increase the useful life or production capacity of the asset.

(iii) Depreciation

Depreciation is 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. Land is not depreciated.

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

Buildings	40 – 50 years
Plant and equipment	5 – 12 years
Office equipment and vehicles	3 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

3 Summary Significant Accounting Policies (Continued)

Intangible assets

(i) Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and any impairment losses. Exploration rights represent the right to quarry limestone and clay.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software	3 – 5 years
Exploration rights	6 – 18 years

Estimated useful lives for exploration rights represent the periods shorter of the exploration licences or subsurface use agreements or lives of quarries.

Operating leases

Operating lease. Where the Group is a lessor in a lease which does not transfers substantially all the risks and rewards incidental to ownership to the lessee (i.e. operating lease), lease payments from operating leases are recognised as other income on a straight-line basis over the lease term. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard..

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined 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.

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

3 Summary Significant Accounting Policies (Continued)

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

When the carrying amount of an asset does not yet include all the cash outflows to be incurred before it is ready for use or sale, the estimate of future cash outflows includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use or sale. If the total of the discounted future cash flows is less than the carrying amount of the asset or group of assets, the asset is not recoverable and the Group recognises an impairment loss for the difference between the estimated recoverable amount (based on value in use) and the carrying value of the asset or group of assets. The Group assesses long-lived assets for possible impairment upon the occurrence of a triggering event. Estimating discounted future cash flows requires the Group to make judgements about long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are uncertain as they require assumptions about volumes, prices for products and services, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

3 Summary Significant Accounting Policies (Continued)

Prepayments

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

Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including State pension funds of Kazakhstan, Kyrgyzstan and Uzbekistan, are withheld from employee's salary. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Long-term employee benefits

The Group entities provide long-term employee benefits to employees in accordance with the provisions of the collective agreement. The agreements provide for financial aid for employees' retirement, funeral aid and other payments to the Group's employees. The entitlement to some benefits is usually conditional on the employee remaining employed until the retirement age and the completion of a minimum service period. These liabilities are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service.

Employee benefits, including financial aid for employees' disability and funeral aid to the Group's employees and other payments, are considered as other long-term employee benefits.

These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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 increase in the provision due to passage of time is recognised as interest expense.

3 Summary Significant Accounting Policies (Continued)

Provisions for asset retirement obligations

In accordance with applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

Estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of the item either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period. Changes in the measurement of an existing asset retirement obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate alter the previously recognised revaluation surplus or deficit for an asset carried at valuation or adjust the cost of the related asset in the current period for assets carried under the cost model.

Loans and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Where a loan is obtained at interest rates different from market rates, the loan is revaluated at origination to its fair value, which is calculated as future interest payments and principal repayments discounted at market interest rates for similar loans. The difference between the fair value of the loan at origination and its cost represents an origination gain or loss. The origination gain or loss is recorded in the statement of comprehensive income within finance income/costs unless it qualifies for recognition as an asset, liability or credit charge to equity in accordance with the substance of the arrangement. Subsequently, the carrying amount of the borrowings is adjusted for amortisation of the origination gain or loss and the amortisation is recorded as finance income/ cost using the effective interest method on the asset/ liability.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss on extinguishment is recognised in profit or loss except to the extent that it arises as a result of transactions with shareholders acting in their capacity as shareholders when it is recognised directly in equity. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Capitalisation of borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

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

3 Summary Significant Accounting Policies (Continued)

Contingent liabilities

The fair value of contingent liabilities recognised as a result of a business combination is determined as the amount that a third party would charge to assume those contingent liabilities.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Revenue

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due. bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

The Group assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

Revenue from sales of goods

Sales are recognised at the point in time when the Group satisfies its performance obligation by transferring control over the promised goods to the customer, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Transfer of control varies depending on the individual terms of the contract of sale. For sales of cement and cement-related products, transfer usually occurs when the product is dispatched from the Group's warehouses; however, for some international shipments transfer occurs when goods are loaded onto the relevant carrier. If the payments exceed the goods provided, a contract liability is recognised.

3 Summary Significant Accounting Policies (Continued)

Social expenditure

The Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees. Such contributions are recognised in profit or loss as incurred.

Finance income and costs

Finance income comprises interest income on funds invested (including loans receivable and bank deposits), unwinding of the discount on interest-free loans granted to related parties and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit - impaired financial assets – Stage 3 the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance), for Stage 1 and Stage 2 – gross amount of financial assets.

Finance costs comprise interest expense on borrowings, fines and penalties on bank loans, unwinding of the discount on provisions, unwinding of the discount on interest-free loans received from related parties, foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method, except that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Foreign currency gains and losses are reported on a net basis.

Current and deferred Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income 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.

Deferred tax is recognised using the balance sheet liability method, providing for 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 the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. 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. 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.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. 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.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

3 Summary Significant Accounting Policies (Continued)

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

4 Critical Accounting Estimates and Judgements In Applying Accounting Policies

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

(i) Impairment of property, plant and equipment

Management considers each plant, Bekabadcement (including the grinding station located in Yangi-Yul district of Tashkent region) and new grinding station purchased by Bekabadcement as a separate cash generating unit (CGU). As the Group obtained control over Bekabadcement during 2020 (Note 29), the Yangi-Yul station operations resumed as well. From the acquisition date, Bekabadcement's operations and cash flows are dependent on the Yangi-Yul station and Yangi-Yul station has no operations other than supporting Bekabadcement.

At each reporting date management assesses for all of its cash generating units whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. Calculation of value in use requires application of estimated data and professional judgment from management.

No indication of impairment of property, plant and equipment was identified by management as at 31 December 2021 and 31 December 2020.

(ii) Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

(iii) Functional currency

When determining the functional currency for each of the Group's entities management considers the requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates" and where the indicators are mixed and the functional currency is not obvious, management exercises its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions events and conditions. The Group operates in various countries and is affected by different economic environments. The functional currencies of the operating entities of the Group have been determined by management to be the local currencies in the country in which they operate. In the absence of a dominant primary economic environment, the management has considered other indicators prescribed in IAS 21 and adopted the US Dollars as the functional currency of the Company.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

(iv) Legal contingencies

In the normal course of business, the Group encounters a range of litigation risks in various jurisdictions across the Group. Management records a provision for litigation when it determines that an unfavourable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigations, the ultimate outcome or actual cost of settlement may materially vary from estimates. Refer to Note 31 for significant legal cases.

(v) Fair value measurement for business combinations in 2020 (estimates)

In accordance with IFRS 3 Business Combinations, the Group measures the identifiable assets acquired and the liabilities and contingent liabilities assumed through a business combination at their acquisition-date fair values. Fair values are determined on the basis of external appraisal report (unless the accounting for the business combination is not complete at the end of the reporting period, in that case provisional values are used).

The determination of fair values involves significant assumptions and judgement over future cash flows and other inputs used in the valuation.

The fair value of the business purchased in a business combination is allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the allocation of the fair value of the business purchased impacts reported assets and liabilities and future net earnings due to the impact on future depreciation and amortisation expense and impairment tests.

Fair value measurements applied in accounting for business combinations had a significant impact on the Group's profit for the year ended 31 December 2020. The net gain from business combinations in 2020 totalled US Dollars 127,550 thousand.

Further information on business combination is presented in Note 29.

(vi) Fair value of property, plant and equipment in business combination in 2020 (estimates)

The Group recognised property, plant and equipment of Bekabadcement arising from a business combination at fair value on the acquisition date (Note 29). The Group engaged an independent professional appraiser to estimate the fair value of the acquired property, plant and equipment on acquisition date. The appraiser had a professional qualification and relevant experience.

Valuation method was based on the valuation of the depreciated replacement cost ("cost approach" or "DRC") for specialised assets. DRC is used if the valuation object is new or is under construction, it relates to objects with a limited market (specialised assets), for which it is not possible to obtain information on sales prices (in the absence of an active market). The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in valuation.

For non-specialised assets the market approach was used. The valuation is considered to be Level 2 in the fair value hierarchy.

The part of the Bekabadcement's property, plant and equipment is specialised, its alternative use for other types of activity is impossible. The transactions with assets similar to evaluated ones are absent (no active market).

In using the DRC, certain key elements were taken into account, such as:

- understanding specifics of the asset, its function and environment;
- review and analysis to determine the remaining useful life (to evaluate physical wear) and economic useful life of the asset;
- knowledge of the requirements of financial and economic activities (to evaluate functional or technical obsolescence);
- knowledge of property, plant and equipment by access to available market data; knowledge of construction technologies and materials (to evaluate the cost of a modern equivalent asset); and
- sufficient knowledge to determine the impact of economic/external obsolescence on the cost.

5 New Accounting Pronouncements

The following amended standards became effective from 1 January 2021, but did not have a material impact on the Group:

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

Unless otherwise described above, the new standards and interpretations did not or are not expected to affect significantly the Group's financial statements.

6 Balances and Transactions with Related Parties

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence or joint control over the other party in making financial and operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

Control relationships

No publicly available financial statements are produced by the Company's parent company, ultimate controlling party or any other intermediate controlling party.

6 Balances and Transactions with Related Parties (Continued)

Management remuneration

Key management includes the Board of Directors and the Group's executive management board (2021: 5 positions and 2020: 4 positions). Key management received the following remuneration during the year, which is included in personnel expenses (Note 11):

In thousands of US Dollars	2021	2020
Salaries and bonuses	269	214
Contributions to the State pension fund	40	3
Total	**309**	**217**

Directors' remuneration during the year (which is included in key management remuneration above) was as follows:

In thousands of US Dollars	2021	2020
Directors' remuneration – fees	120	120

Transactions with other related parties

The Group's other related party transactions are disclosed below.

(i) Transactions with related parties

In thousands of US Dollars	2021	2020
Purchase of goods:		
Associates	5,109	3,656
Management fees:		
Entity under common control	2,259	1,061
Total	**7,368**	**4,717**

All outstanding balances with related parties are to be settled in cash within twelve months of the end of the reporting period. None of the balances are secured.

(ii) Balances with related parties

	Outstanding balance	
In thousands of US Dollars	2021	2020
Account receivable and loans to related parties		
Entity under common control	5,591	5,097
Total	**5,591**	**5,097**
Payables to related parties		
Entity under common control	1,774	-
Total	**1,774**	**-**

Pricing policies

Related party transactions are not necessarily based on market prices.

6 Balances and Transactions with Related Parties (Continued)

Significant subsidiaries

Names of the entities	Country of incorporation	Activity	2021	2020
			% of ownership	
Subsidiaries:				
Technolin LLC	Kyrgyzstan	Production and sale of cement and cement-related products	100.00%	100.00%
Kazakhstan Cement Company LLP (KCC)	Kazakhstan	Service company	100.00%	100.00%
DaryBulakAbshir LLP	Kyrgyzstan	Production and sale of limestone and slate	100.00%	100.00%
Kant Cement Plant OJSC (Kant)	Kyrgyzstan	Production and sale of cement and cement-related products	90.96%	90.96%
Kuvasaycement JSC (Kuvasay)	Uzbekistan	Production and sale of cement and cement-related products	77.40%	77.40%
Bekabadcement JSC (Bekabad) (Note 29)	Uzbekistan	Production and sale of cement and cement-related products	82.82%	78.79%

At 31 December 2021 ownership/voting held by the Group in Kant Cement Plant OJSC – are subject to a registered debenture to secure bank loans (Note 27). The loan was settled in 2020, however the process of release from collateral started in 2021 and is still ongoing.

7 Analysis of Revenue by Category

Analysis of revenue by category

In thousands of US Dollars	2021	2020
Revenue from sales of cement and cement-related products recognised at point in time	122,922	98,518
Revenue from sales of gypsum and other related products recognised at point in time	3,555	4,271
Total revenue from contracts with customers	**126,477**	**102,789**

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major geographical regions:

In thousands of US Dollars	2021	2020
Uzbekistan	79,640	68,446
Kyrgystan	46,772	34,343
Other regions	65	-
Total revenue from contracts with customers	**126,477**	**102,789**

US Dollars 817 thousand of revenue was recognized in the current reporting period related to the contract liabilities as at 31 December 2020 (US Dollars 1,005 thousand of revenue was recognized during the year ended 31 December 2020 period related to the contract liabilities as at 31 December 2019).

8 Cost of Sales

In thousands of US Dollars	2021	2020
Energy and fuel	28,253	23,598
Raw materials	22,242	16,409
Electricity	7,628	4,726
Maintenance and repairs	6,607	5,996
Taxes other than income tax	6,328	5,100
Depreciation and amortisation	5,925	5,757
Wages, salaries and related taxes	5,414	3,368
Transportation expense	1,098	140
Compressed air	947	821
Contributions to pension funds	777	488
Other	5,794	7,886
Total cost of sales	**91,013**	**74,289**

9 Distribution Expenses

In thousands of US Dollars	2021	2020
Calibration services	784	569
Depreciation and amortisation	661	202
Wages, salaries and related taxes	543	387
Materials expenses	364	293
Transportation expense	186	55
Railway services	23	7
Marketing and advertising	8	148
Other	547	307
Total distribution expenses	**3,116**	**1,968**

10 Administrative Expenses

In thousands of US Dollars	2021	2020
Wages, salaries and related taxes	4,253	3,288
Management fees	2,259	1,061
Office suppliers	1,117	409
Taxes	979	803
Social sphere expenses	861	492
Professional services	455	393
Depreciation	373	120
Contributions to pension funds	346	237
Charity and sponsorship	275	277
Bank charges	84	610
Auditors' remuneration	76	32
Fines	75	50
Business trip expenses	44	34
Communication services	38	30
Rent	32	37
Other	1,651	1,137
Total administrative expenses	**12,918**	**9,010**

11 Personnel Expenses

In thousands of US Dollars	Note	2021	2020
Wages and salaries	8, 9, 10	9,680	6,592
Taxes related to salaries	8, 9, 10	530	520
Contributions to State pension funds	8, 9, 10	1,123	735
Total personnel expenses		**11,333**	**7,847**

The average number of employees during 2021 is 3.6 thousand (2020: 3.9 thousand).

12 Other Income

In thousands of US Dollars	2021	2020
Income from write-off of accounts payable	75	81
Income from fixed assets disposal	155	386
Income from inventories disposal	84	4
Fines and penalties	74	68
Other income	880	326
Total other income	**1,268**	**865**

13 Other expenses

In thousands of US Dollars	2021	2020
Impairment of other receivable	1,647	-
Other expenses	498	231
Total other expenses	**2,145**	**231**

As of 31 December 2020 Kuvasaycement provided its assets as collateral under the loan agreement between Max Total Energy and Orient Finance Bank JSC ("Bank"). In late 2021, Max Total Energy failed to fulfil its obligations under the loan agreement with the Bank and Kuvasaycement paid US Dollars 1,647 thousand on behalf of Max Total Energy in order for its assets to be released from the pledge. Accordingly, Max Total Energy should repay the amount paid by Kuvasaycement and as a result the Group recognised a receivable from Max Total Energy. During 2021 the Group impaired in full the receivable from Max Total Energy for the amount of US Dollars 1,647 thousand since it does not expect that Max Total Energy will be able to repay this amount. Following the settlement of the bank loan, there is no outstanding obligation due to the Bank and the Group has been released from the collateral.

14 Finance Income

In thousands of US Dollars	2021	2020
Foreign exchange gain	1,432	2,137
Interest income	1,184	471
Other finance income	853	858
Total finance income	**3,469**	**3,466**

15 Finance Costs

In thousands of US Dollars	Note	2021	2020
Foreign exchange loss		1,552	2,217
Finance costs on interest bearing loans		499	164
Unwinding of the discount on loans and borrowings	27	-	6,876
Other		49	146
Total finance costs		**2,100**	**9,403**

16 Income Tax Expense

(a) Components of income tax expense/(benefit)

In thousands of US Dollars	2021	2020
Current tax expense		
Current year	3,514	4,453
Total current income tax expense	**3,514**	**4,453**
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences	(3,466)	389
Total deferred tax (benefit)/expense	**(3,466)**	**389**
Total income tax expense	**48**	**4,842**

The Group's applicable tax rates for 2021 are the income tax rates of 12.5% for the Cyprus companies, 20% – for Kazakhstan companies, 10% – for Kyrgyzstan company and 15% – for Uzbekistan companies (2020: 12,5%, 20%, 10% and 20%, respectively). Uzbekistan tax rate was changed in fourth quarter 2021.

(b) Reconciliation of effective tax rate

In thousands of US Dollars	2021	2020
Profit before income tax	**21,153**	**219,824**
Income tax benefit using the Company's tax rate of 12.5% (2020:12.5%)	2,644	27,478
Non-deductible expenses	1,041	2,122
Effect due to change in tax rates	(2,090)	-
Non-taxable income	(508)	(26,703)
Effect of different tax rates in countries in which the Group operates	(102)	1,359
Effect of change in tax base for property, plant and equipment	(1,399)	586
Other	462	-
Income tax expense	**48**	**4,842**

(c) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of US Dollars	2021	2020	2021	2020	2021	2020
Property, plant and equipment	-	-	(4,790)	(9,337)	(4,790)	(9,337)
Trade and other payables	167	231	185	176	352	407
Provisions	3	4	-	18	3	22
Tax loss carry-forwards	3	3	-	-	3	3
Trade and other receivables	9	-	197	39	206	39
Inventories	23	152	(398)	160	(375)	312
Other items	(14)	22	(132)	(76)	(146)	(54)
Net tax assets	**191**	**412**	**(4,938)**	**(9,020)**	**(4,747)**	**(8,608)**

16 Income Tax Expense (Continued)

(d) Movement in temporary differences during the years 2021 and 2020 are shown below:

In thousands of US Dollars	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income*	31 December 2021
Property, plant and equipment	(9,337)	4,195	352	(4,790)
Inventories	312	(668)	(20)	(376)
Trade and other receivables	39	133	33	205
Provisions	21	(1)	(18)	2
Trade and other payables	407	(98)	43	352
Tax loss carry-forwards	3	-	-	3
Other items	(53)	(95)	5	(143)
Net deferred income tax assets	**(8,608)**	**3,466**	**395**	**(4,747)**

** - These amounts have arisen on currency translation and are included within exchange differences on translation to presentation currency line of consolidated statement of profit or loss and other comprehensive income.*

In thousands of US Dollars	1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income*	Business combinations	31 December 2020
Property, plant and equipment	372	(359)	8	(9,358)	(9,337)
Inventories	147	30	(20)	155	312
Trade and other receivables	43	38	(42)	-	39
Provisions	24	-	(3)	-	21
Trade and other payables	254	31	(24)	146	407
Tax loss carry-forwards	3	-	-	-	3
Other items	13	(129)	63	-	(53)
Net deferred income tax assets	**856**	**(389)**	**(18)**	**(9,057)**	**(8,608)**

** - These amounts have arisen on currency translation and are included within exchange differences on translation to presentation currency line of consolidated statement of profit or loss and other comprehensive income.*

17 Property, Plant and Equipment

In thousands of US Dollars	Land and buildings	Plant and equipment	Office equipment and vehicles	Construction in progress	Total
Cost					
Balance at 1 January 2020	13,937	56,985	612	4,502	76,036
Additions	-	-	2	2,595	2,597
Additions from business combination (Note 29)	20,117	26,677	5,195	11,062	63,051
Disposals	-	(416)	(620)	-	(1,036)
Effect of movements in exchange rates	(2,232)	(8,120)	(459)	(693)	(11,504)
Transfer	351	4,029	558	(4,938)	-
Balance at 31 December 2020	**32,173**	**79,155**	**5,288**	**12,528**	**129,144**
Balance at 1 January 2021	32,173	79,155	5,288	12,528	129,144
Additions	114	561	373	4,187	5,235
Disposals	(275)	(931)	(138)	(555)	(1,899)
Effect of movements in exchange rates	(979)	(2,248)	(237)	(417)	(3,881)
Transfer	150	1,390	295	(1,835)	-
Balance at 31 December 2021	**31,183**	**77,927**	**5,581**	**13,908**	**128,599**

17 Property, Plant and Equipment (Continued)

In thousands of US Dollars	Land and buildings	Plant and equipment	Office equipment and vehicles	Construction in progress	Total
Depreciation					
Balance at 1 January 2020	(4,430)	(44,727)	(612)	-	(49,769)
Depreciation charge	(730)	(4,513)	(359)	-	(5,602)
Disposals	-	266	441	-	707
Effect of movements in exchange rates	682	6,299	333	-	7,314
Balance at 31 December 2020	**(4,478)**	**(42,675)**	**(197)**	**-**	**(47,350)**
Balance at 1 January 2021	(4,478)	(42,675)	(197)	-	(47,350)
Depreciation charge	(1,188)	(7,541)	(1,047)	-	(9,776)
Disposals	199	142	57	-	398
Effect of movements in exchange rates	132	1,209	69	-	1,410
Balance at 31 December 2021	**(5,335)**	**(48,865)**	**(1,118)**	**-**	**(55,318)**
Net book value					
At 1 January 2020	9,507	12,258	-	4,502	26,267
At 31 December 2020	**27,695**	**36,480**	**5,091**	**12,528**	**81,794**
At 31 December 2021	**25,848**	**29,062**	**4,463**	**13,908**	**73,281**

Uninstalled production equipment is classified under construction in progress and transferred to plant and equipment after installation.

Depreciation expense of US Dollars 5,925 thousand has been charged to cost of sales, US Dollars 661 thousand to distribution expenses and US Dollars 373 thousand to administrative expenses (2020: US Dollars 5,757 thousand, US Dollars 202 thousand and US Dollars 120 thousand, respectively). The remaining amount is capitalised to the finished goods and work in progress in inventory balance (Note 21).

(a) Security

Property, plant and equipment with a carrying amount of US Dollars 2,621 thousand are subject to a registered debenture to secure bank loans (2020: US Dollars 3,278 thousand) (Note 27). The loan was settled in 2020, however the process of release from collateral started in 2021 and still ongoing.

(b) Borrowing costs

No borrowing costs were directly attributable to the acquisition, construction or production of a qualifying asset during the years ended 31 December 2021 and 2020. Consequently, no borrowing costs were capitalised. Group entities with construction in progress have no borrowing and finance construction with their own funds.

18 Financial assets at FVTPL

In thousands of US Dollars	2021	2020
Equity securities at FVTPL	1,945	1,302
Total investments in equity securities	**1,945**	**1,302**

18 Financial assets at FVTPL (Continued)

The table below discloses investments in equity securities at FVTPL at 31 December 2021 and 31 December 2020 by classes:

In thousands of US Dollars	2021	2020
Qizilqumcement JSC	1,720	1,069
Other	225	233
Total investments in equity securities	**1,945**	**1,302**

During 2021 gain from revaluation of investments to fair value is US Dollars 643 thousand (2020: US Dollars 598 thousand) is recognised within finance income line in the consolidated profit or loss and other comprehensive income.

Equity securities at FVTPL represent securities for which FVOCI election was not made on initial recognition.

The valuation is considered to be Level 1 in the fair value hierarchy. Securities prices are formed based on the current bid prices in republican stock exchange «Toshkent».

19 Prepayments for Non-current Assets

In thousands of US Dollars	2021	2020
Laboratory equipment	24,514	24,057
Grinding mill equipment	6,622	6,622
Components for the mil station	3,409	3,409
Prepayment for share in Hantau Cement Plant (Kazakhstan)	2,244	-
Metal silage	2,000	2,000
Controlling system	500	-
Other	1,482	52
Total prepayments for non-current assets	**40,771**	**36,140**

20 Loans Issued

In thousands of US Dollars	2021	2020
Loans issued to related party (Note 6)	5,591	5,243
Loans issued	-	219
Less: Credit loss allowance charge in profit or loss on loan to related party	-	(146)
Total carrying amount of loans at amortised cost	**5,591**	**5,316**

Loan issued to related party movement is presented below:

In thousands of US Dollars	2021	2020
Opening balance as at 1 January	**5, 316**	**-**
Loans issued to related party	500	5,005
Loans issued	-	219
Interest accrued	264	43
Loans paid	(219)	-
Excepted credit losses	146	(146)
Foreign exchange differences	(416)	195
Closing balance as at 31 December	**5,591**	**5,316**

The annual interest rate on loans issued to related party in 2020 and 2021 was 5%. Internal assigned credit rating is B. In 2020 and 2021 the Group provided a loan to AMANAT GROUP DMCC which is maturing in 2025.

21 Inventories

In thousands of US Dollars	31 December 2021	31 December 2020
Raw materials and consumables	19,550	20,382
Work in progress	14,963	4,204
Finished goods	2,460	2,135
Cumulative write-down of inventories	(2,367)	(2,216)
Total inventory	**34,606**	**24,505**

The cost of inventories recognised as an expense during the period representing cost of sales amounted to USD 22,242 thousand (2020: USD 16,409 thousand). All items are stated at cost.

22 Trade and Other Receivables

In thousands of US Dollars	31 December 2021	31 December 2020
Trade receivables	2,239	1,976
Loans receivable	53	54
Receivables from related parties (Note 6)	151	-
Other receivables	1,166	708
Less impairment provision on trade receivables	(353)	(301)
Total trade and other receivables	**3,256**	**2,437**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 30.

23 Prepayments for Current Assets

Advance payments for current assets consist of prepayment for raw materials, spare parts and services.

24 Cash and Cash Equivalents

In thousands of US Dollars	31 December 2021	31 December 2020
Bank balances	17,232	14,314
Cash equivalents	2,593	1,518
Petty cash	26	32
Total cash and cash equivalents	**19,851**	**15,864**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 30.

25 Equity

(a) Share capital

	Ordinary shares	
Number of shares in thousands, unless otherwise stated	2021	2020
Authorised shares	60,000	60,000
Par value	USD 0.01	USD 0.01
In issue at beginning of year	40,010	40,010
In issue at end of year, fully paid	**40,010**	**40,010**

25 Equity (Continued)

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

(b) Additional paid-in capital

During 2016 United Cement Group issued 10,000 ordinary shares with the nominal value of US Dollars 0.01, which were paid by shareholders in the amount of US Dollars 20 million. The difference between nominal value and paid in amount was reflected in additional paid-in capital.

During 2021 United Cement Group through Kuvasaycement JSC acquired additional 4.03% share in Bekabadcement JSC. The difference between amount paid and share in net assets is reflected in additional paid in capital.

(c) Shareholder's contribution

During 2020 the shareholder made a contribution to the Group in the amount of US Dollars 3,700 thousand.

(d) Distribution to owners

In accordance with the statutory legislation of Cyprus, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's separate financial statements prepared in accordance with IFRS as adopted by EU and the Cyprus Companies Law Cap.113. At 31 December 2021 there were no such distributable reserves.

During 2021 the Group made distributions to owners other than dividends in the amount of US Dollars 1,260 thousand (2020: US Dollars 1,157 thousand).

During 2021 subsidiaries of the Group declared dividends of US Dollars 274 thousand to non-controlling parties (2020: US Dollars 21 thousand).

(e) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of foreign operations, including goodwill to the Group's presentation currency.

26 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In thousands of US Dollars	**Place of business**	**Proportion of non-controlling interest**	**Proportion of non-controlling interest's voting rights held**	**Profit attributable to non-controlling interest**	**Cumulative non-controlling interest in the subsidiary**	**Dividends paid to non-controlling interest during the year**
Year ended 31 December 2021						
Kant Cement Plant OJSC	Kyrgyzstan	9.04%	9.04%	933	3,352	274
Kuvasaicement JSC	Uzbekistan	22.58%	22.58%	717	5,843	-
Bekabadcement JSC	Uzbekistan	17.18%	17.18%	770	10,564	-
Total				**2,420**	**19,759**	**274**
Year ended 31 December 2020						
Kant Cement Plant OJSC	Kyrgyzstan	9.04%	9.04%	283	2,762	21
Kuvasaicement JSC	Uzbekistan	22.58%	22.58%	2,985	5,330	-
Bekabadcement JSC	Uzbekistan	21.21%	21.21%	(89)	12,511	-
Total				**3,179**	**20,603**	**21**

26 Non-controlling interest (Continued)

The summarised financial information on these subsidiaries at 31 December 2021 and 31 December 2020 is as follows:

In thousands of US Dollars	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total compre-hensive income	Cash flows
Year ended 31 December 2021								
Kant Cement Plant OJSC	22,647	16,546	2,110	8	46,772	10,325	10,325	7,772
Kuvasaicement JSC	22,727	6,218	3,049	21	30,387	3,407	3,407	2,556
Bekabadcement JSC	22,363	55,845	4,198	12,517	49,701	4,484	4,484	517
Total	**67,737**	**78,609**	**9,357**	**12,546**	**126,860**	**18,216**	**18,216**	**10,845**
Year ended 31 December 2020								
Kant Cement Plant OJSC	15,300	16,810	1,399	162	34,258	3,128	3,128	2,819
Kuvasaicement JSC	11,329	15,275	2,981	19	54,785	13,222	13,222	(481)
Bekabadcement JSC	16,554	61,554	10,326	8,781	15,188	(420)	(420)	(3,200)
Total	**43,183**	**93,639**	**14,706**	**8,962**	**104,231**	**15,930**	**15,930**	**(862)**

27 Loans and Borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk refer to Note 30.

On 25 July 2011, the Group agreed a restructuring of the Secured Term Loan Facilities with Kazkommertsbank (KKB) based on which all payments of principal scheduled for the year 2012 and a significant portion of the interest accrued in prior years were transferred to March 2013. In 2013, the Group agreed another restructuring of these facilities under which the payment of principal and all repayment of the deferred interest was moved to January 2014. At the date of restructuring management analysed the effect of modifications and concluded they did not constitute a substantial modification as defined in IAS 39.

The Group has been paying interest that fell due in years 2013 and 2012 based on the relevant repayment schedule outstanding at that time. In January 2014, the Group missed the deadline for the repayment of the principal and the associated deferred interest and as a result breached the terms of its current restructured loan agreement. As a result, bank loans were classified as current liabilities.

On 29 August 2016 the Loan Restructuring Deed was signed whereby loan maturity date was set at 1 September 2046. According to the Loan Restructuring Deed all interests to be ceased starting from 16 February 2016 and all penalties accrued from January 2014 till 29 August 2016, are forgiven.

On 28 September 2016, the Addendum No.2 to the Credit Line Agreement (CLA) No.1216 was signed between UCG PLC and BTA Bank with amendments to the loan repayment schedule.

On 29 December 2016, the Addendum No.3 to the Credit Line Agreement (CLA) No.1216 was signed between UCG PLC and BTA Bank specifying the loan repayment schedule for 2017-2046 years. According to this Addendum total nominal amount of loan related to CLA #1216 after the restructuring procedures is US Dollars 378,451 thousand.

After all negotiations, on 8 July 2017 the final repayment schedule was agreed with the Group, the amount of outstanding balance after all transfers/payments for the prior periods for UCG/Tropidia Facility Agreement was equal to US Dollars 367,252 thousand with the softened repayment schedule for the next five years equaling to US Dollars 2 million, US Dollars 1 million, US Dollars 1.5 million, US Dollars 2 million and US Dollars 2.5 million during 2017, 2018, 2019, 2020 and 2021 years respectively. The remaining part of the loan was distributed between years 2022-2046 with higher amounts being allocated to later years.

27 Loans and Borrowings (Continued)

On 1 July 2017 JSC "Fund of Problem Loans" (further: "FPK") acquired all the rights of BTA bank in relation to UCG/Tropidia Facility Agreement. Later, on 17 September 2020, upon further negotiations United Cement Group Plc. and FPK signed an assignment agreement, based on which FPK agreed to assign to UCG all of its rights of claim under the Amended UCG/Tropidia Facility Agreement for consideration equaling to US Dollars 36 million. In fourth quarter 2020 the Group repaid US Dollars 36 million and the remaining amount was waived resulting in US Dollars 78,991 thousand gain which was recognized on the face of the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2021 and 2020 the Group had one loan agreement from Hamkorbank JSC which was obtained by Bekabadcement JSC.

In thousands of US Dollars	**31 December 2021**	**31 December 2020**
Current and non-current liabilities		
Non-current portion of long-term secured bank loans	5,028	-
Current portion of long-term secured bank loans	1,341	7,489
Total loans and borrowings	**6,369**	**7,489**

Terms and conditions of outstanding loans were as follows:

				Carrying amount	
In thousands of US Dollars	**Currency**	**Nominal interest rate**	**Year of maturity**	**31 December 2021**	**31 December 2020**
Secured bank loans	USD	4.7% + 6 months LIBOR	2026	6,369	7,489
Total loans and borrowings				**6,369**	**7,489**

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of US Dollars 2,621 thousand are subject to a registered debenture to secure bank loans (2020: US Dollars 3,278 thousand) (Note 17). The loan was settled in 2020, however the process of release from collateral started in 2021 and still ongoing.
- Ownership/voting held by the Group in the following entities – Kant Cement Plant OJSC (Note 6).

Loan movement is presented below:

In thousands of US Dollars	**2021**	**2020**
Opening balance as at 1 January	**7,489**	**109,052**
Proceeds from borrowing from business combination	-	7,489
Proceeds from borrowing	283	-
Interest accrued	329	139
Principal repayments	(1,160)	(36,937)
Gain on waiver of loan	-	(78,991)
Interest repayments	(340)	(139)
Unwinding of discount	-	6,876
Foreign exchange	(232)	-
Closing balance as at 31 December	**6,369**	**7,489**

28 Trade and Other Payables

In thousands of US Dollars	2021	2020
Trade payables	1,933	2,597
Professional services fees payable	426	388
Distribution to owners payable	338	373
Payables to related parties	852	2
Total financial payables within trade and other payables	**3,549**	**3,360**
Other taxes payable	927	1,057
Due to employees	1,046	1,065
Other payables and accrued expenses	792	551
Total trade and other payables	**6,314**	**6,033**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 30.

29 Business Combination

Bekabadcement JSC

On 23 April 2013 the UCG's ultimate shareholders raised an investment arbitration dispute to the Centre for Settlement of Investment Disputes (further "ICSID") against the Republic of Uzbekistan concerning the expropriation of UCG's 51% share in Bekabadcement JSC (Uzbekistan). Bekabadcement JSC was a subsidiary of the Group up until that date (78,79% holding). Since April 2013 Bekabadcement JSC was deconsolidated and the remaining holding of 27,79% was fully impaired.

In September 2020, as a result of negotiations, the parties reached an agreement to terminate the arbitration on mutually beneficial terms. As part of this settlement, the government of Uzbekistan transferred 51% of the shares of Bekabadcement JSC back to the UCG. By 15 October 2020, the parties have completed all the necessary procedures provided for by the settlement agreement which resulted in gain from business combination of US Dollars 127,550 thousand which was recognised on the face of the consolidated statement of profit or loss and other comprehensive income.

In thousands of US Dollars	2020
Compensation received	80,000
Reversal of impairment of previously held interest in associate	1,904
Gain on deemed disposal of previously held interest in associate	26,050
Bargain purchase gain	19,596
Gain from business combination	**127,550**

Until the moment of settlement agreement the previously held interest of 27.79% in Bekabadcement JSC was fully impaired. As a result of the settlement agreement the Group reversed the previously recognised impairment amounting to US Dollars 1,904 thousand and the previously held interest of 27.79% was remeasured to fair value immediately before the business combination. The fair value on remeasurement of the previously held interest of 27.79% was US Dollars 27,954 thousand. As a result, a gain on deemed disposal of the previously held interest in the associate amounting to US Dollars 26,050 thousand was recognised within "gain from business combination" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. The reversal of impairment and the gain on remeasurement of previously held interest, as well as the fair value of the group's additional 51% share in the net assets of the acquiree for no consideration and the compensation received are included in the gain from business combination.

The Group's interest increased from 27.79% to 78.79% and resulted in gaining of control over the investee. The Group obtained control through its ability to cast a majority of votes in the general meeting of shareholders and the supervisory board when making decisions over the relevant activities of the investee. As a result of this acquisition, there will be an increase in the Group's share of cement production and expected improvement in the profitability of operations through increased production and sales. As no consideration was paid by the group for 51% of the shares of Bekabadcement JSC under the settlement agreement, the business combination resulted in a total gain from business combination amounting US Dollars 127,550 thousands.

29 Business Combination (Continued)

The acquisition-date fair value of the total purchase consideration and its components are as follows:

In thousands of US Dollars	
Cash consideration paid	-
Fair value of previously held interest in associate	27,954
Total purchase consideration	**27,954**
Less: Fair value of purchased identifiable assets and liabilities in the business combination, net of non-controlling interest	(47,550)
Bargain purchase gain	**(19,596)**

The valuation of identifiable assets and liabilities was performed by an independent professional appraiser.

The difference between the purchase consideration and net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is termed 'bargain purchase gain', as presented in the table below, which was recognised immediately in profit or loss for the period less the deferred tax effect within "gain from business combination".

Presented below is the information on the fair value of acquired assets, liabilities assumed (proportionate 78.79% share) at the acquisition date:

In thousands of US Dollars	**Fair value**
Cash and cash equivalents	5,366
Accounts receivable	696
Prepayments for current assets	1,863
Inventories	9,250
Property, plant and equipment	63,051
Other assets	816
Loans and borrowings	(7,044)
Accounts payable	(3,887)
Deferred tax liability	(9,198)
Other liabilities	(565)
Fair value of identifiable assets and liabilities acquired	60,348
Less: non-controlling interest	(12,798)
Less: bargain purchase gain arising on business combination	(19,596)
Fair value of previously held interest in associate	**27,954**

The non-controlling interest represents a share in the net assets of the acquiree attributable to owners of the non-controlling interest. The non-controlling interest was determined based on proportionate share of the acquiree's net identifiable assets.

Cash and cash equivalents of subsidiary acquired in the amount of US Dollars 5,366 thousand are included in investing activities in the "Compensation received and cash acquired in business combination" line in the consolidated statement of cash flows.

The acquired subsidiary contributed revenue of US Dollars 15,188 thousand and loss of US Dollars 420 thousand to the Group for the period from the date of acquisition to 31 December 2020. If the acquisition had occurred on 1 January 2020, Group revenue for 2020 would have been US Dollars 172,044 thousand, and profit for 2020 would have been US Dollars 224,939 thousand.

30 Financial Risk Management

(a) Overview

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

- credit risk
- liquidity risk
- market risk (country risk, interest rate risk and other price risks)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative and qualitative disclosures are included throughout these consolidated financial statements.

The Group's Executive Management Team has overall responsibility for the establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Executive Management Team monitors the compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Credit risk

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

Trade and other receivables, cash and cash equivalents

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The Group does not have concentration on individual customer.

The Group's Executive Management Team has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Group's Executive Management Team; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Goods are largely sold on a prepayment basis. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis with approval of the Group's Executive Management Team.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated are accepted, except for Kyrgyzstan, as there are no rated financial institutions.

30 Financial Risk Management (Continued)

Guarantees

The Group's policy is to provide financial guarantees only in relation to its subsidiaries. At 31 December 2020 and 2021 the Group had no bank guarantees.

Impairment of financial assets

The group has three types of financial instruments that are subject to the expected credit loss model: i) trade receivables, ii) loans receivable, other receivables and receivables from related parties and iii) cash and cash equivalents

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
In thousands of US Dollars	Note	31 December 2021	31 December 2020
Loans issued	20	5,591	5,316
Trade and other receivables	22	3,256	2,437
Cash and cash equivalents	24	19,851	15,864
Total financial assets		**28,698**	**23,617**

Trade and other receivables in the amount of US Dollars 3,256 thousand (2020: US Dollars 2,437 thousand) are from counterparties without external credit rating.

Loans issued in the amount of US Dollars 5,591 thousand (2020: US Dollars 5,316 thousand) are due from related party without external credit rating.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

	Carrying amount	
In thousands of US Dollars	31 December 2021	31 December 2020
Kazakhstan	214	246
Kyrgyzstan	772	791
Cyprus	374	129
Uzbekistan	1,896	1,271
Total trade and other receivables	**3,256**	**2,437**

The maximum exposure to credit risk for trade receivables from third parties at the reporting date by type of customer was:

	Carrying amount	
In thousands of US Dollars	31 December 2021	31 December 2020
End-user customer	689	679
Wholesale customers	1,410	1,201
Retail customers	140	97
Total trade receivable from third parties	**2,239**	**1,977**

30 Financial Risk Management (Continued)

The table below presents the credit ratings of banks (if available) as of the end of the respective reporting period:

In thousands of US Dollars	31 December 2021	31 December 2020
With rating from B+ to B- (Standard & Poor's or Fitch)	17,018	1,063
With rating from BB+ to BB- (Standard & Poor's or Fitch)	2,784	9,795
Unrated	49	3,456
Total cash and cash equivalents	**19,851**	**14,314**

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss on 31 December 2021 and 31 December 2020, was immaterial. All cash and cash equivalents were performing (Stage 1) at 31 December 2021 and 31 December 2020.

Expected credit losses

The Group applies the simplified approach permitted in IFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group defines default as a situation when the debtor is more than 90 days past due on its contractual payments.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors because those factors significantly affect the risk profile.

The credit loss allowance for trade receivables is determined according to provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due.

	31 December 2021			31 December 2020		
In % of gross value	Loss rate	Gross carrying amount	Lifetime ECL	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables						
- current	0.04%	3,609	-	0.04%	2,738	-
- less than 30 days overdue	-	-	-	-	-	-
- 31 to 120 days overdue	-	-	-	-	-	-
- 121 to 365 days overdue	-	-	-	-	-	-
- over 360 days overdue	-	-	-	-	-	-
Total trade receivables (gross carrying amount)		**3,609**			**2,738**	
Credit loss allowance		(353)			(301)	-
Total trade receivables from contracts with customers (carrying amount)		**3,256**			**2,437**	

Under the simplified ECL model the impairment provision for trade receivables at 31 December 2021 and 31 December 2020 was insignificant.

30 Financial Risk Management (Continued)

The aging of financial assets within trade and other receivables at the reporting date was:

In thousands of US Dollars	**Gross** **31 December** **2021**	**Impairment** **31 December** **2021**	**Gross** **31 December** **2020**	**Impairment** **31 December** **2020**
Not past due	3,609	(353)	2,738	(301)
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
Past due 121-365 days	-	-	-	-
More than one year	-	-	-	-
Total trade and other receivables	**3,609**	**(353)**	**2,738**	**(301)**

Expected Credit Loss (ECL) measurement

Measurement of ECLs is a estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Group used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. Final macroeconomic function includes only inflation assumption. Forward-looking information is included in parameters of PD within the next 12 months after the reporting date. The most significant forward looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2021:

	Assumption for:			
Variable – Inflation rate	**2022**	**2023**	**2024**	**2025**
Kazakhstan	4.5	3.8	3.4	3.4
Uzbekistan	9.1	8.8	8.0	8.0
Kyrgystan	3.9	3.8	4.0	4.0
Cyprus	1.6	1.9	1.9	1.9

For the remaining receivables and cash and cash equivalents the group applied the general expected credit loss model. The group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated: internal credit rating

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

30 Financial Risk Management (Continued)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the group. The group categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

By reference to the financial position and performance of the counterparties, the Group did not identify any significant increase in credit risk since initial recognition of the loans receivable amounting to US Dollars 5,644 thousand (2020: US Dollars 5,370 thousand), receivables from related parties amounting to 151 (2020: nil) and other receivables of US Dollars 1,166 thousand (2020: US Dollars 708 thousand) at 31 December 2021 therefore the loss allowance to be recognized must be limited to 12 months expected credit losses. These balances are performing and classified in Stage 1 at 31 December 2021 and 31 December 2020. These amounts represent the group's maximum exposure to credit risk on these assets. Based on the assessment, no material credit losses were identified at 31 December 2021 and 31 December 2020 in relation to the group's financial assets at amortised cost.

(c) Liquidity risk

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

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be predicted, such as natural disasters.

The following are the contractual undiscounted maturities of financial liabilities, including estimated interest payments and the impact of netting agreements:

In thousands of US Dollars	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
31 December 2021								
Financial liabilities								
Secured bank loans	7,554	901	877	1,678	1,579	1,479	1,040	-
Trade and other payables	3,549	3,549	-	-	-	-	-	-
Total	**11,103**	**4,450**	**877**	**1,678**	**1,579**	**1,479**	**1,040**	**-**

In thousands of US Dollars	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
31 December 2020								
Financial liabilities								
Secured bank loans	8,005	-	8,005	-	-	-	-	-
Trade and other payables	3,360	3,360	-	-	-	-	-	-
Total	**11,365**	**3,360**	**8,005**	**-**	**-**	**-**	**-**	**-**

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group is exposed to market price risk in respect of equity instruments it holds (Note 18). The Group's equity investments that are publicly traded are included in «Toshkent» stock exchange. At 31 December 2021, if spot prices at that date had been 100 Uzbekistan Soums higher (2020: 100 Uzbekistan Soums) with all other variables held constant, profit for the year would have been US Dollars 22 thousand (2020: US Dollars 22 thousand) higher.

The Group does not apply hedge accounting in order to manage volatility in profit or loss.

30 Financial Risk Management (Continued)

(e) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, which are primarily the Kazakhstan tenge (“KZT”), Kyrgyzstan som (“KGS”) and Uzbekistan sum (“UZS”). The currency in which these transactions primarily are denominated is USD.

Exposure to currency risk

The Group’s exposure to foreign currency risk is as follows based on the amounts denominated in currencies which are different from functional currencies of the Group entities:

In thousands of US Dollars	31 December 2021 Monetary financial assets	31 December 2021 Monetary financial liabilities	31 December 2021 Net position	31 December 2020 Monetary financial assets	31 December 2020 Monetary financial liabilities	31 December 2020 Net position
US Dollars	17,622	(6,524)	11,098	13,895	(7,210)	6,685
EUR	5,746	(20)	5,726	5,909	-	5,909
Total	**23,368**	**(6,544)**	**16,824**	**19,804**	**(7,210)**	**12,594**

The following significant exchange rates were applied during the year:

USD	Average rate 2021	Average rate 2020	Reporting date spot rate 31 December 2021	Reporting date spot rate 31 December 2020
KZT 1	0.002	0.002	0.002	0.002
KGS 1	0.012	0.013	0.012	0.012
UZS 1	0.000	0.000	0.000	0.000

Sensitivity analysis

A 10% strengthening of the foreign currencies against functional currencies at 31 December 2021 and 31 December 2020 would have affected profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The impact on the Group’s equity is the same except for impact on currency translation reserve due to translation into presentation currency.

In thousands of US Dollars	**Profit/(loss)**
2021	
US Dollars	1,100
EUR	573
Total	**1,673**
2020	
US Dollars	534
EUR	73
Total	**607**

A 10% weakening of these currencies against the functional currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

30 Financial Risk Management (Continued)

(f) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgement to decide whether it believes that a fixed rate would be more favourable to the Group over the expected period until maturity.

Profile

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

	Carrying amount	
In thousands of US Dollars	**2021**	**2020**
Fixed rate instruments		
Financial assets	5,591	5,316
Financial liabilities	(6,369)	(7,489)
Total	**(778)**	**(2,173)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

In thousands of US Dollars	**Note**	**Carrying amount 2021**	**Fair value 2021**	**Carrying amount 2020**	**Fair value 2020**
Financial assets at FVTPL	18	1,945	1,945	1,302	1,302
Loans issued	20	5,591	5,591	5,316	5,316
Trade and other receivables	22	3,256	3,256	2,437	2,437
Cash and cash equivalents	24	19,851	19,851	15,864	15,864
Loans and borrowings	27	(6,369)	(6,369)	(7,489)	(7,489)
Trade and other payables	28	(3,549)	(3,549)	(3,360)	(3,360)
Long-term employee benefits		(1,746)	(1,746)	(1,805)	(1,805)
Total net assets		**18,979**	**18,979**	**12,265**	**12,265**

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade and other financial receivables approximate fair values.

The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of trade and other payables approximate fair values.

The interest rates used to discount estimated cash flows, where applicable, are based on the market interest rates at the reporting date was 4.78% for loans and borrowings (2020: 5.59%).

Other market price risk

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

30 Financial Risk Management (Continued)

(g) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Group managed as of 31 December 2021 was positive USD 171,350 thousand (2020: positive USD 156,541 thousand).

There were no changes in the Group's approach to capital management during the year.

31 Contingencies

Business environment

The Group operates in countries which display certain characteristics of emerging markets; accordingly it is subject to the economic, political and social risks inherent in doing business in Kazakhstan, Kyrgyzstan, Russia and Uzbekistan. These risks include matters arising from the policies of the governments, economic conditions, the imposition of or changes to taxes and regulations, foreign exchange fluctuations and controls, including some national currencies that are not freely convertible outside of the country, and the enforceability of contract rights. Some of the local currency is not convertible outside of a country. In Uzbekistan prior to September 2017 the official exchange rate was different than the rate applied when converting Soums into foreign currency. The Group was incurring additional costs when converting Soums into foreign currencies.

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan, Kyrgyzstan, Russia and Uzbekistan business environments on the operations and the financial position of the Group. The future business environments may differ from management's assessment to the extent that information is available. Management have properly reflected revised estimates of expected future cash flows in their impairment assessments, however management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business in the current circumstances. Also see Note 30 for financial risk management policies and procedures.

The year 2021 was marked by the continuous effects of the COVID-19 pandemic, the emergence of new variants and the associated measures implemented by various governments globally with a view to delay the spread of the disease, safeguard public health and ensure the economic survival of working people, businesses, vulnerable groups and the economy at large.

These measures have further restricted the economic activity globally and have severely impacted and could continue to negatively impact businesses, market participants as well as the global economies as they persist for an unknown period of time.

As of the date of the issuance of these consolidated financial statements, the situation is still developing and to date there has not been any significant effect on the Group's revenues and deliveries; however, the future effect is difficult to predict. Management will continue to monitor the potential effect of the above events and will take all necessary actions to prevent negative consequences for the business, however the consequences of downtime/quarantine due to the COVID-19 pandemic will lead to a slowdown in business activity in general, which may affect the Group's financial performance in the future.

Taxation contingencies

The taxation systems in Kazakhstan, Kyrgyzstan and Uzbekistan are in a state of continuous development and are characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, 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 for five subsequent calendar years in Kazakhstan and Uzbekistan and for three subsequent calendar years in Kyrgyzstan under newly amended tax law but under certain circumstances tax years may remain open longer.

31 Contingencies (Continued)

On 5 July 2008, the new law on transfer pricing was introduced in Kazakhstan, which became effective from 1 January 2009. This new law replaced previous law on transfer pricing. Under this law international transactions and transactions related to international ones and meeting specific criteria are subject to state control. This law prescribes Kazakhstan companies to maintain and, if required, to provide economic rationale and method of the determination of prices used in international transactions, including existence of the documentation supporting the prices applied. In case of deviation of transaction price from market price the tax authorities have the right to adjust taxable base and to impose additional taxes, fines and interest penalties. The transfer pricing law in some areas lacks detailed clear-cut guidance as to how its rules should be applied in practice (for example the form and content of documentation supporting the discounts), and determination of the Company's tax liabilities within the context of the transfer pricing regulations requires an interpretation of transfer pricing law.

These circumstances may create tax risks in Kazakhstan, Kyrgyzstan and 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 tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Litigation

The Group is subject to various legal proceedings related to business operations. Except as noted below, the Group does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's consolidated financial position or results of operations.

Environmental matters

The enforcement of environmental regulation in Kazakhstan, Kyrgyzstan, and Uzbekistan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be predicted but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Nationalisation of 13.21% of Kant

On 12 August 2010 the interim government of Kyrgyzstan issued a decree #121 to nationalise 13.21% of Kant cement plant. The decree of the interim government contradicts the ruling of the Supreme Court of Kyrgyzstan which previously approved the legitimacy of the Group's ownership rights. The decree has not yet been registered by the company share register and management will take whatever actions required to sustain its position against the claim made by the interim government. Management considers this claim to be unjustified taking into account previous supreme court decision and the fact that UCG's share of Kant cement plant is pledged as security for the loan from a Kazakh bank (Note 6).

The new government elected on 30 October 2011 has not yet pursued the interim government's claim. Thus, at the date of issue of these consolidated financial statements it remains unclear as to whether, how and when this claim will be pursued. Therefore, management presented 91% ownership in these consolidated financial statements.

Insurance

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

32 Fair Value of Financial Instruments

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Kazakhstan, Kyrgyzstan and Uzbekistan continue to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. The carrying amounts of cash and cash equivalents, term deposits, restricted cash, bonds and financial receivables approximate to their fair values.

Financial assets carried fair value through profit or loss

The valuation is considered to be Level 2 in the fair value hierarchy. Securities prices are formed based on the actual ration of supply and demand in republican stock exchange «Toshkent».

Financial liabilities carried at amortised cost

Fair value of level 1 fixed interest rate instruments is based on quoted price prices.

The estimated fair value of level 3 fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due to the short-term nature of trade payables, their carrying amount approximates their fair value.

The table below analyses fair values of financial liabilities not measured at fair value but for which fair value disclosure is required by the level in the fair value hierarchy:

		31 December 2021		31 December 2020	
In thousands of US Dollars	**Note**	**Hierarchy level**	**Fair value**	**Hierarchy level**	**Fair value**
Financial liabilities					
Loans and borrowings	27	Level 3	6,369	Level 3	7,489

The estimated fair value of borrowings with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Carrying amounts of trade payables and other current financial liabilities approximate fair values due to their short-term maturities.

During the year no financial instruments were transferred from or to Hierarchy Levels 1 and 2.

32 Fair Value of Financial Instruments (Continued)

Financial instruments by category

Financial assets are carried at amortised cost.

In thousands of US Dollars	**31 December 2021**	**31 December 2020**
Financial assets carried at amortized cost as per consolidated statement of financial position		
Trade and other receivables	3,256	2,437
Loans issued	5,591	5,316
Cash and bank balances	19,851	15,864
Financial assets carried at fair value through PL		
Equity investments	1,945	1,302
Total	**30,643**	**24,919**

Trade and other payables and borrowings carried at amortised cost.

33 Events after the reporting period

Acquisition of JSC "Qizilqumcement"

On 30 December 2021 the Group concluded an agreement with JSC "Investment Company UzAssets" on purchase of 86.92% shares in JSC "Qizilqumcement" for US Dollars 176 million (Uzbekistan Soums 1,080,000 million). Ownership of the shares will be transferred to UCG in proportion to the portion paid. UCG plans to make payment in 2022.. As of the date of the report the Group obtained 14.96% shares in JSC "Qizilqumcement".

Russia/Ukraine conflict

In 2021 ongoing political tension in the region escalated as a result of further developments of the situation with Ukraine which have negatively impacted commodity and financial markets, and increased volatility, particularly with regard to foreign exchange rates. Since December 2021, the circumstances have been deteriorating and the situation remains highly unstable. There is increased volatility in the financial and commodity markets. There is an expectation of further sanctions and limitations on business activity of companies operating in the region, as well as consequences on the economy in general, but the full nature and possible effects of these are unknown.

From the end of 2021, there is increased volatility in the financial and commodity markets. Due to the geopolitical situation around Ukraine and Russia, on 24 February 2022 the price of oil exceeded 100 dollar per barrel. New sanctions were imposed in respect to several Russian banks.

The Group was not significantly affected by this event, as the operations of the Group are not dependent on Russia/Ukraine economies.