LLP RG BRANDS KAZAKHSTAN

Financial Statements
For the year ended 31 December 2022
and Independent Auditor's Report

LLP RG BRANDS KAZAKHSTAN

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LLP RG BRANDS KAZAKHSTAN

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Management is responsible for the preparation of the financial statements that present fairly the financial position of the LLP RG Brands Kazakhstan ("the Company") as at 31 December 2022, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRSs").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements of the Company for the year ended 31 December 2022 were approved by management on 22 June 2023.

On behalf of the Company's management:

Agybaev A. Y.	**Malkovskaya O. V.**
Chief Executive Officer	**Chief Accountant**
22 June 2023	22 June 2023

Deloitte.

Deloitte LLP
36 Al Farabi Avenue
Almaty, 050059
Republic of Kazakhstan

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INDEPENDENT AUDITOR'S REPORT

To the Sole Participant of RG Brands Kazakhstan Limited Liability Partnership:

Opinion

We have audited the financial statements of LLP RG Brands Kazakhstan ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year ended 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, 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 opinion.

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Compliance with loan covenants	
As stated in Note 20 to the financial statements, as at 31 December 2022 the carrying amount of loans received by the Company was 30,141,230 thousand tenge. Herewith all loan agreements contain different covenant clauses covering performance indicators of the parent company JSC RG Brands and its subsidiaries ("the Group"). In case of a covenant breach, the lenders receive the right to demand early repayment of the loan amount. As at the reporting date, loan agreements contained a significant number of different clauses, which makes it difficult to track compliance and increases the risks associated with the correct classification of borrowings in the financial statements. As at 31 December 2022, the Group has not fulfilled certain covenants as required in the loan agreements. The outstanding balances of long-term portion of these loans amounting to 8,596,310 thousand tenge were presented as current liabilities as at 31 December 2022. Due to the materiality of the carrying amount of the loans, as well as the direct impact of compliance with the terms of the agreements on liquidity (Note 27) and financial position of the Company, we have identified this issue as a key audit matter.	We obtained an understanding of the internal processes and control procedures of the Company related to monitoring of compliance with clauses included in the loan agreements. We reviewed the register of loan agreements and carried out procedures to confirm the completeness, including reviewing the minutes of the board of directors. We reviewed all of the Company's long-term loan agreements outstanding as at 31 December 2022 and obtained an understanding of the terms of these agreements. We obtained a list of financial indicators stipulated in the loan agreements, recalculated these financial indicators and compared the results with those prepared by the Company. We ensured that the classification of the loans presented in the financial statements as at 31 December 2022 as current or non-current was correct, also the completeness and correctness of disclosures in the financial statements regarding compliance with the financial terms of long-term loan agreements and non-compliance with covenants under certain loan agreements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Ivan Mudrichenko
Engagement Director
Qualification certificate
№MF – 0000415
dated 13 January 2017

Zhangir Zhilysbayev
General Director
Deloitte, LLP

State license for audit activities
in the Republic of Kazakhstan
No.0000015, type MFU-2,
issued by the Ministry of Finance
of the Republic of Kazakhstan
dated 13 September 2006

22 June 2023
Almaty, Republic of Kazakhstan

LLP RG BRANDS KAZAKHSTAN

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Tenge)

	Note	2022	2021
Revenue	5	146,265,010	96,468,270
Cost of sales	6	(88,168,180)	(55,877,357)
Gross profit		**58,096,830**	**40,590,913**
Selling expenses	7	(33,161,751)	(23,529,114)
General and administrative expenses	8	(7,954,166)	(5,546,886)
OPERATING PROFIT		**16,980,913**	**11,514,913**
Finance costs	9	(4,915,792)	(4,110,718)
Foreign exchange (loss)/gain, net	15	(333,059)	33,307
Investment gain		1,075,519	364,256
Other income		751,394	181,274
Profit before tax		**13,558,975**	**7,983,032**
Income tax expense	10	(3,317,400)	(1,443,958)
TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR		**10,241,575**	**6,539,074**

On behalf of Company's management:

Agybaev A. Y.
Chief Executive Officer

22 June 2023

Malkovskaya O. V.
Chief Accountant

22 June 2023

The notes on pages 13 to 51 form an integral part of these financial statements.

LLP RG BRANDS KAZAKHSTAN

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(in thousands of Tenge)

	Note	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	11	30,486,857	26,922,074
Investment property		53,037	53,037
Advances paid	12	1,550,925	2,006,213
Right-of-use assets		542,927	206,077
Intangible assets		238,379	78,787
Other financial assets	15	6,739,084	-
Total non-current assets		**39,611,209**	**29,266,188**
CURRENT ASSETS:			
Inventory	13	32,204,346	18,006,252
Trade accounts receivable	14	5,340,777	2,120,470
Advances paid	12	5,205,979	3,396,173
Other financial assets	15	9,588,972	32,764,111
Other current assets	16	6,086,354	1,258,192
Bank deposits	18	904,295	1,320,346
Cash and cash equivalents	17	29,136,663	5,952,084
Total current assets		**88,467,386**	**64,817,628**
TOTAL ASSETS		**128,078,595**	**94,083,816**
EQUITY AND LIABILITIES			
EQUITY:			
Issued capital	19	1,132,130	1,132,130
Reserves		3,512,696	4,150,993
Retained earnings		10,796,565	12,578,076
Total equity		**15,441,391**	**17,861,199**
NON-CURRENT LIABILITIES:			
Borrowings	20	30,141,230	31,596,781
Accounts Payable	21	995,272	936,048
Deferred tax liabilities	10	4,628,554	3,814,710
Deferred income	24	1,620,024	963,991
Lease liability		365,167	47,472
Total non-current liabilities		**37,750,247**	**37,359,002**

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022
(in thousands of Tenge)

	Note	31 December 2022	31 December 2021
CURRENT LIABILITIES:			
Accounts payable	21	25,106,890	19,031,258
Borrowings	20	28,257,149	8,525,074
Lease liability		189,292	157,494
Corporate income tax payable		1,020,672	296,881
Taxes payable	22	5,520,628	1,527,295
Deferred income	24	3,066,731	1,609,994
Other accounts payable and accrued liabilities	23	11,725,595	7,715,619
Total current liabilities		**74,886,957**	**38,863,615**
Total liabilities		**112,637,204**	**76,222,617**
TOTAL EQUITY AND LIABILITIES		**128,078,595**	**94,083,816**

On behalf of Company's management:

Agybaev A. Y.
Chief Executive Officer

22 June 2023

Malkovskaya O. V.
Chief Accountant

22 June 2023

The notes on pages 13 to 51 form an integral part of these financial statements.

LLP RG BRANDS KAZAKHSTAN

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Tenge)

	Issued capital	Property, plant and equipment revaluation reserve	Retained earnings	Total equity
As at 1 January 2021	**1,132,130**	**4,804,450**	**16,039,669**	**21,976,249**
Total profit and comprehensive income for the year	-	-	6,539,074	6,539,074
Dividends declared (Note 19)	-	-	(9,900,041)	(9,900,041)
Fair value adjustment of the debt of JSC RG Brands	-	-	(754,083)	(754,083)
Transfer to retained earnings	-	(653,457)	653,457	-
As at 31 December 2021	**1,132,130**	**4,150,993**	**12,578,076**	**17,861,199**
Total profit and comprehensive income for the year	-	-	10,241,575	10,241,575
Dividends declared (Note 19)	-	-	(11,286,977)	(11,286,977)
Fair value adjustment of the debt of JSC RG Brands (Note 15)	-	-	(1,374,406)	(1,374,406)
Transfer to retained earnings	-	(638,297)	638,297	-
As at 31 December 2022	**1,132,130**	**3,512,696**	**10,796,565**	**15,441,391**

On behalf of Company's management:

Agybaev A. Y.
Chief Executive Officer

22 June 2023

Malkovskaya O. V.
Chief Accountant

22 June 2023

The notes on pages 13 to 51 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Tenge)

	Note	2022	2021
OPERATING ACTIVITIES:			
Profit before tax		13,558,975	7,983,032
Adjustments for:			
Depreciation and amortization	6, 7, 8	2,752,472	2,312,860
Finance costs	9	4,915,792	4,110,718
Foreign exchange loss/(gain), net		333,059	(33,307)
(Gain)/loss from disposal of property, plant and equipment		(6,556)	331,700
Reimbursement of selling expenses incurred without cash settlement		(368,640)	(295,570)
Investment income		(1,075,519)	(364,256)
Waste goods write-off and write-off of materials	7, 8	547,367	222,483
Accrual of provision for impairment of inventory	8	12,164	2,252
Accrual of provision for vacation and other estimated expenses		158,728	118,100
Accrual of provision for doubtful debts	8	78,727	76,667
Operating cash flows before movements in working capital		**20,906,569**	**14,464,679**
Change in inventories		(14,788,170)	(9,549,791)
Change in trade accounts receivable		(3,386,663)	(677,199)
Change in advances paid		(1,353,919)	(1,823,372)
Change in other current assets		(4,911,738)	(218,064)
Change in accounts payable		6,721,703	5,640,638
Change in taxes payable		3,993,333	764,169
Change in other accounts payable and accrued liabilities		4,014,709	2,771,703
		11,195,824	**11,372,763**
Change in long-term advances paid		692,586	(713,727)
Cash from operations		**11,888,410**	**10,659,036**
Interest paid		(5,496,876)	(4,840,033)
Income tax paid		(1,488,706)	(1,450,347)
Net cash generated by operating activities		**4,902,828**	**4,368,656**

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Tenge)

INVESTING ACTIVITIES:	Note	2022	2021
Purchase of property, plant and equipment and intangible assets		(7,106,593)	(2,611,287)
Proceeds on disposal of property, plant and equipment, intangible assets and investment property		240,075	1,008
Proceeds on sale of other financial assets		138,604,211	68,929,378
Purchase of other financial assets		(121,699,782)	(69,444,594)
Interest received		28,383	80,388
Replenishment of bank deposit		(11,631,586)	(632,223)
Withdrawal from a bank deposit		12,172,925	-
Net cash from/(used in) investing activities		**10,607,633**	**(3,677,330)**
FINANCING ACTIVITIES:			
Proceeds from borrowings	20	30,465,621	23,410,358
Repayment of borrowings	20	(11,918,948)	(15,366,537)
Dividends paid	19	(11,286,977)	(9,900,041)
Issuance of bonds	25	-	8,500,000
Repayment of bonds	25	-	(8,500,000)
Repayment of advance by parent company under option agreement		305,621	-
Repayment on lease liability		(32,437)	(7,123)
Net cash from/(used in) financing activities		**7,532,880**	**(1,863,343)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**23,043,341**	**(1,172,017)**
CASH AND CASH EQUIVALENTS, at the beginning of the year	**17**	**5,952,084**	**7,137,503**
Effect of changes in foreign exchange rates in relation to cash		141,238	(13,402)
CASH AND CASH EQUIVALENTS, at the end of the year	**17**	**29,136,663**	**5,952,084**

On behalf of Company's management:

Agybaev A. Y.
Chief Executive Officer

22 June 2023

Malkovskaya O. V.
Chief Accountant

22 June 2023

The notes on pages 13 to 51 form an integral part of these financial statements.

1. GENERAL INFORMATION

The principal activity of LLP RG Brands Kazakhstan ("the Company") is the production, sale and distribution of juices, carbonated soft and energy drinks, milk, bottled drinking water, packed tea. The Company's operations are primarily in the Republic of Kazakhstan.

The Company performs the following types of activity:

- production of juices under trademarks "Gracio", "Da-Da" and "Nektar Solnechnyi";
- production of carbonated soft drinks under trademarks "Pepsi", "Seven -Up", "Mirinda" and "Nektar Solnechnyi Gazirovannyi";
- packing, distribution and sale of tea under brand "Piala" processed from imported raw tea;
- production of ultra-pasteurized milk under the "Moye" trademark;
- production of bottled drinking water under trademark "A'SU";
- production of cold tea under trademarks "Piala Ice Tea" and "Lipton Ice Tea";
- production of energetic drink "Yeti";
- sale and distribution on the territory of the Republic of Kazakhstan and close-bordering countries products of the Company.

Ownership of the Company

LLP RG Brands Kazakhstan was registered on 4 April 2006 in accordance with the legislation of the Republic of Kazakhstan, the state registration certificate No. 76812-1910-TOO.

As at 31 December 2022 and 2021, the single participant of the Company is JSC RG Brands, it is also the highest governing body, and it issues consolidated financial statements for public use. The ultimate controlling party of the Company is Mr. Mazhibayev K.K.

Shareholders and ultimate owners of the Company as at 31 December 2022 and 2021 are disclosed in Note 19.

The legal and actual address of the Company: 212 B, Raimbek ave., Almaty, Republic of Kazakhstan, 050034.

As at 31 December 2022 and 2021, the number of employees was 1,403 and 1,195, respectively.

Bottling agreements with Pepsi and Seven-Up International

The Company operates its carbonated soft drinks production under an exclusive bottling appointment agreement, concluded between the Company and Pepsico Inc. and between the Company and Seven-Up International. Under these agreements, RG Brands Kazakhstan received the rights for bottling, sale and distribution of PepsiCo and Seven-Up products in Kazakhstan until 31 December 2018. In 2018, the agreement was automatically extended till 31 December 2025.

Operating environment

Emerging markets such as the Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Also, the government expenses on major infrastructure projects and various socio-economic development programs have a significant impact on the country's economy.

The military and political conflict between Russia and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and block major financial institutions and many state enterprises.

In 2022, the average price for Brent crude oil was 101.8 USD per barrel (2021: 68.63 USD per barrel). According to preliminary estimates, the Kazakhstan's gross domestic product ("GDP") grew by 3.1% in 2022. The Inflation in Kazakhstan accelerated in 2022 to 20.3% per annum (in 2021, inflation was 8.4% per annum).

In 2022, the National Bank of the Republic of Kazakhstan raised the base rate from 10.25% to 16.75% per annum with a corridor of +/- 1.0 percentage points to reduce the negative impact of the external factors on the Kazakhstan's economy, and also, in the first half of 2022, the interventions were made in the foreign exchange market in order to support the tenge exchange rate against foreign currencies. However, the uncertainty exists related to future development of the geopolitical risks and their impact on the economy of the Republic of Kazakhstan.

Management of the Company is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Company's business in the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Company's operations.

(in thousands of Tenge, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED STANDARDS

Adoption of new and revised standards

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2022. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 3 *References to the Conceptual Framework*;
- Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*;
- Amendments to IAS 37 *Onerous Contracts—Cost of Fulfilling a Contract*;
- Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*.

The application of the new standards and interpretations did not lead to significant changes in the Company's accounting policies affecting the reporting data for the current and prior periods.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Description of the standard and interpretation	Applicable to annual periods beginning on or after
IFRS 17 (including the June 2020 Amendments to IFRS 17) *Insurance Contracts*	1 January 2023
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined by the IASB
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8 *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 1 *Non-current Liabilities with Covenants*	1 January 2024

Management does not expect that the adoption of standards above will have a significant impact on the financial statements of the Company in the future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments and other groups of property, plant and equipment (land, buildings and constructions, machinery and equipment) and investment property, which are measured at fair value or at revalued amounts, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when assessing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs - are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs - are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs - are unobservable inputs for the asset or liability.

Going concern

These financial statements have been prepared on a going concern basis, which assumes the realisation of the Company's assets and discharge of its liabilities in the normal course of business within the foreseeable future.

As at the date of approval of these financial statements, management of the Company reasonably believes that the Company has the necessary resources to continue operating in the foreseeable future. Therefore, the financial statements have been prepared on a going concern basis.

(in thousands of Tenge, unless otherwise stated)

The principal accounting policies are set out below

Segmental reporting

Based on the information contained in the internal reports, which are reviewed by key management responsible for decision making on operational activity for the purpose of allocation of resources to segments and assessment of operational results, the Company identifies the following operating segments, which are: own brands: juices and beverages; own brands: packed tea, packed milk and food products; and wholesale activity. The chief operating decision-maker has been identified as the Company's Chief Executive Officer.

The Company monitors multiple profitability such as: profit before tax, profit for the year and gross profit. Despite this, profit for the year is the measure reported to the operating decision makers for the purposes of resource allocation and assessment of segment performance.

Foreign currency transactions

The financial statements are expressed in Kazakhstani Tenge ("Tenge" or "KZT"), which is the functional currency of the Company.

In preparing the financial statements transactions in currencies other than the entity's functional currency, tenge, are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items measured at historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise, except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings.

The following table presents rates of exchange as at 31 December:

	2022	2021
US Dollars	462.65	431.67
Euro	492.86	489.79
Russian Rubles	6.43	5.77
Kyrgyz Soums	5.40	5.09
Uzbek Sums	4.12	3.99
Chinese Yuans	66.73	67.73

Revenue recognition

Revenue is estimated based on the consideration to which the Company is expected to be entitled in accordance with terms of a contract with a customer. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties (for example, value added taxes).

The Company recognises revenue when the entity satisfies a performance obligation by transferring a control over goods. Revenue is recognized when the goods are shipped to distributors. The asset is transferred when the customer obtains control of that asset. The performance obligation is satisfied at a point in time, at which all the following conditions are satisfied:

- The Company has a present right to payment for the asset;
- The customer has legal title to the asset;
- The entity has transferred physical possession of the asset;
- The customer has the significant risks and rewards of ownership of the asset;
- The customer has accepted the asset.

Income taxes

The income tax expense represents the sum of tax currently payable and deferred income tax.

Current tax

Tax currently payable is based on taxable income for the year. Taxable income differs from net profit as reported in the statement of profit or loss and other comprehensive income as it excludes income or expense items that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates effective at the reporting date.

Deferred tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the related tax bases used in calculating taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if a temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit not accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Land, buildings and constructions, machinery and equipment

Subsequent to initial recognition, land, buildings and construction, machinery and equipment are carried at revalued amounts being their fair value at the date of the revaluation.

Revaluations are made with sufficient regularity such that the carrying amount of property, plant and equipment does not differ materially from that which would be determined using estimated fair values at the reporting date. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is recognized in other comprehensive income, except to the extent it reverses a revaluation decrease of the carrying amount of the same asset previously recognized in profit or loss. In this case a surplus is debited within the amount of expenses previously recognized. A revaluation deficit is recognized in profit or loss, except when a deficit directly decreases a previous surplus on the same asset. In such cases a deficit decreases the reserve amount for the assets recognized in other comprehensive income.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation charged to the revalued assets and depreciation charged to the assets' original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Property, plant and equipment, other than land, buildings and constructions, machinery and equipment

Items of property, plant and equipment other than land, buildings and constructions, machinery and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor costs and an appropriate proportion of construction related overheads. Interest is capitalized in accordance with the accounting policy in respect of borrowings and borrowing costs outlined below. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Construction-in-progress

Capital construction in progress includes costs incurred on specific assets that have not been completed or placed into service. When such assets are completed and are ready for their intended use, they are transferred to the relevant property, plant and equipment category and depreciated on the basis described below.

Assets acquired with deferred payment

Assets acquired with payment deferred beyond normal credit term are recognized as items of property, plant and equipment at the amount of cash or cash equivalents paid or at the fair value of the other consideration given to acquire an asset at the time of its acquisition. The difference between the cost of acquisition and the total payment is recognized as interest over the period of credit unless such interest is capitalized on the basis of the policy on borrowings described below.

Subsequent expenditures

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalized at the present value of the component being depreciated. Other subsequent expenditure is capitalized only when it increases the future economic benefits of the item of property, plant and equipment. All other expenditure is recognized in the statement of profit or loss and other comprehensive income as an expense when incurred.

Depreciation other than depreciation of production assets

Depreciation is charged and recorded in profit or loss on a straight-line basis over the estimated useful lives of the individual assets.

Depreciation starts from the date of acquisition or, in respect of internally-constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The following average useful economic lives are used:

Buildings and constructions	13 to 20 years
Machinery and equipment	5 to 14 years
Vehicles	7 to 14 years
Other	3 to 14 years

The estimated useful life and depreciation methodology are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Depreciation of production assets

Method of units of production method of depreciation is used in production divisions of the Company, and is applied to property, plant and equipment directly involved into production of finished goods of the Company. Depreciation is charged and recorded in profit or loss, assessed based on technical life of the asset and its relative efficiency.

Disposal of property, plant and equipment

An item of property, plant and equipment is derecognized after it is disposed of or when the receipt of future economic benefits from its use or disposal is no longer expected. Any income or expenses arising upon derecognition of an asset (calculated as a difference between the net proceeds from the disposal and carrying value of the asset) are included into the statement of profit or loss and other comprehensive income in the reporting period in which the asset is derecognized.

Impairment of property, plant and equipment

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less selling costs, and value in use. In assessing value in use, 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately as loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventory

Inventory is stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads which have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out ("FIFO") method. Net realizable value represents the estimated selling price less all estimated costs to complete production and costs to be incurred in marketing, selling and distribution. The Company creates provisions for slow moving and obsolete inventory based on inventory turnover ratios and current marketing plans.

Financial instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);

All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

Financial assets at amortized cost or at FVTOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

Financial assets at FVTPL

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell;
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss.

Financial assets measured at amortized cost

Trade receivables, loans, and other receivables that have fixed or determinable payments measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

An allowance for expected credit losses is established based on an expected credit loss model. The Company accounts expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. The primary factors that the Company considers whether a receivable is impaired is its overdue status, collection history and forward looking macro-economic factors.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks and fixed-term deposits with an original maturity of three months or less. Where restricted for use, cash and cash equivalents are disclosed appropriately in the notes to the financial statements.

Other financial assets

Other financial assets include Bank Julius Bär & Co coupon bonds and government bonds of the Ministry of Finance of the Republic of Kazakhstan, which are accounted for at FVTPL, and include debts of Area Plus DMCC and RG Brands JSC, which are carried at amortized cost and FVTPL, depending on terms of an agreement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'financial liabilities', or financial liabilities measured at amortized cost.

Financial liabilities measured at amortized cost

Financial liabilities, measured at amortized cost, including payables and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revaluation of property, plant and equipment

The Company's land, buildings and constructions, machinery and equipment are carried at a revalued amount.

The valuation of the Company's land, buildings and constructions was performed by an independent appraiser as at 1 October 2020. The valuation, which conforms to International Valuation Standards, was determined by reference to (a) the cost approach, (b) revenue approach and (c) comparative approach, adjusted for differences with the asset under valuation. Discounted cash flow (DCF) method to check for the economic depreciation of the Company's assets as a Cash Generating Unit was performed. The description of the methods are disclosed in Note 11.

The Management of the Company believes that fair value of land, buildings and constructions, machinery and equipment does not significantly differ from its carrying value as at 31 December 2022.

(in thousands of Tenge, unless otherwise stated)

5. REVENUE

	2022	2021
Sales of juice, juice containing drinks and carbonated soft drinks	117,202,056	73,460,075
Sales of packed tea, packed milk and food products	28,902,642	22,897,563
Sales of wholesale products	160,312	110,632
	146,265,010	**96,468,270**

6. COST OF SALES

	2022	2021
Raw and other materials	81,988,246	50,847,227
Depreciation and amortization	1,622,292	1,442,585
Payroll and related taxes	1,807,793	1,403,030
Repairs	1,351,264	1,095,387
Utilities	928,515	741,808
Cost of sales of wholesale products	229,110	143,337
Other costs	240,960	203,983
	88,168,180	**55,877,357**

7. SELLING EXPENSES

	2022	2021
Transportation expenses	12,679,937	7,206,752
Sales agents expenses	9,209,681	7,279,714
Advertising campaigns and market research	5,922,693	4,066,345
Payroll and related taxes	2,520,850	1,853,401
Warehouse services	1,415,823	731,180
Amortization of marketing equipment	964,817	727,861
Royalties for the use of trademarks	889,893	499,747
Advertising and promotional materials	496,378	262,566
Business trip expenses	1,452	7,255
Write-off of materials	661	-
Other selling expenses	1,533,755	1,189,863
Reimbursement of selling expenses	(2,474,189)	(295,570)
	33,161,751	**23,529,114**

Reimbursement of selling expenses includes reimbursements for advertising campaign and market research from Pepsi Lipton International Limited and Portfolio Concentrate Solutions UC.

(in thousands of Tenge, unless otherwise stated)

8. GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
Payroll and related taxes	3,206,779	2,415,334
Waste goods write-off	546,706	222,483
Taxes, other than income tax	543,845	412,499
Information services	503,108	458,664
Bank charges	407,735	294,792
Communication services	388,182	91,454
Repairs	297,995	171,073
Travel expenses	198,938	107,601
Depreciation and amortization	165,363	142,414
Transportation expenses	162,665	101,645
Representative expenses	142,053	95,296
Consulting services	137,887	128,229
Utilities	108,318	48,554
Accrual of provision for expected credit losses	78,727	76,667
Insurance	54,089	79,736
Legal services	37,462	81,744
Training	37,453	35,109
Penalties and fines	23,625	7,192
Accrual of provision for slow-moving and obsolete inventory	12,164	2,252
Others	901,072	574,148
	7,954,166	**5,546,886**

9. FINANCE COSTS

	2022	2021
Interest expenses	4,546,248	3,564,326
Others	369,544	546,392
	4,915,792	**4,110,718**

As at 31 December 2022 and 2021, the weighted average interest rates of the Company's bank loans were 7.52% and 7.81% per annum, respectively.

10. TAXATION

	2022	2021
Current income tax expense	2,212,497	1,747,229
Deferred income tax expense/(benefit)	1,104,903	(303,271)
Total income tax expense	**3,317,400**	**1,443,958**

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred income tax assets and liabilities are calculated at the rate expected to apply in the period when assets are realized or liabilities are settled.

In 2022 and 2021 the statutory tax rate effective in the Republic of Kazakhstan, the location of the Company, was 20%.

(in thousands of Tenge, unless otherwise stated)

Below is a reconciliation of theoretical income tax at 20% to the actual tax expense recorded in the Company's statement of profit or loss:

	2022	2021
Profit before tax	13,558,975	7,983,032
Income tax at the statutory tax rate of 20%	2,711,795	1,596,606
Non-taxable income	(10,096)	(214,393)
Non-deductible expenses	615,701	61,745
Income tax expense	**3,317,400**	**1,443,958**

The change in deferred tax was presented as follows:

	1 January 2022	Recognised in profit or loss	Recognised in shareholder equity	31 December 2022
Provision for expected credit losses	44,677	997	-	45,674
Provision for unused vacation and bonuses	79,520	32,475	-	111,995
Provision for impairment of inventory	15,916	2,433	-	18,349
Other assets	13,900	(296,410)	291,059	8,549
Property, plant and equipment and intangible assets	(3,968,723)	(844,398)	-	(4,813,121)
	(3,814,710)	**(1,104,903)**	**291,059**	**(4,628,554)**

	1 January 2021	Recognised in profit or loss	Recognised in shareholder equity	31 December 2021
Provision for expected credit losses	42,821	1,856	-	44,677
Provision for unused vacation and bonuses	55,900	23,620	-	79,520
Provision for impairment of inventory	15,466	450	-	15,916
Other assets	22,539	(8,639)	-	13,900
Property, plant and equipment and intangible assets	(4,254,707)	285,984	-	(3,968,723)
	(4,117,981)	**303,271**	**-**	**(3,814,710)**

(in thousands of Tenge, unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles
Cost or revalued amount				
As at 1 January 2021	**2,012,127**	**6,131,929**	**18,465,260**	**127,210**
Additions	-	-	1,885,946	-
Internal transfers	-	(400,376)	75,392	2,675
Disposals	-	(18,946)	(5,731)	(2,295)
As at 31 December 2021	**2,012,127**	**5,712,607**	**20,420,867**	**127,590**
Additions	-	910	3,144,138	-
Internal transfers	-	28,672	2,274,518	7,217
Disposals	-	-	(10,337)	(3,758)
As at 31 December 2022	**2,012,127**	**5,742,189**	**25,829,186**	**131,049**
Accumulated depreciation				
At 1 January 2021	-	**(132,222)**	**(637,715)**	**(108,341)**
Charge for the year	-	(481,753)	(1,708,320)	(5,117)
Disposals	-	18,946	1,955	2,252
As at 31 December 2021	**-**	**(595,029)**	**(2,344,080)**	**(111,206)**
Charge for the year	-	(467,804)	(2,067,358)	(6,354)
Disposals	-	-	8,567	1,751
As at 31 December 2022	**-**	**(1,062,833)**	**(4,402,871)**	**(115,809)**
Net book value				
As at 31 December 2022	**2,012,127**	**4,679,356**	**21,426,315**	**15,240**
As at 31 December 2021	**2,012,127**	**5,117,578**	**18,076,787**	**16,384**

As at 31 December 2022 and 2021, property, plant and equipment with a carrying value of 16,638,592 thousand tenge and 16,386,916 thousand tenge, respectively, has been pledged to secure borrowings (Note 20). The Company is not allowed to pledge these assets as security for other borrowings or to sell them.

The valuation of the Company's property, plant and equipment was performed by an independent appraiser as at 1 October 2020. As a result, the Company recognized gain on revaluation of land in the amount of 468,696 thousand tenge, net of the effect of deferred income tax of 93,739 thousand tenge in other comprehensive income, buildings and constructions in the amount of 809,951 thousand tenge, net of the effect of deferred income tax of 161,990 thousand tenge in other comprehensive income, also recognized gain on revaluation of machinery and equipment in the amount of 3,167,008 thousand tenge, net of the effect of deferred income tax of 633,402 thousand tenge in other comprehensive income, and loss from revaluation of machinery and equipment in the amount of 440,813 thousand tenge in profit or loss.

The valuation, which conforms to International Valuation Standards, was determined by reference to (a) the cost approach, (b) revenue approach and (c) comparative approach, adjusted for differences with the asset under valuation that is an estimate of the Level 3 fair value in the fair value hierarchy.

The appraiser attributed some of the Company's property, plant and equipment to specialized assets that cannot be sold separately from business in which they are used. To determine their fair value, the appraiser used cost approach to valuation: determined the replacement cost new (RCN) of the assets and their physical depreciation. The appraiser determined the RCN of assets for which the Company provided information on technical parameters using unit construction costs and based on analysis of offers for sale of new similar objects. The physical depreciation of assets appraised by the cost approach was determined based on a comparison of their age and the normal useful life.

For non-specialized assets, the appraiser used market approach for valuation when analyzing their fair value. When applying the market approach to valuation, the appraiser used direct comparison method: adjusted the offers for sale of similar objects on secondary market for difference in their characteristics and characteristics of the objects being analyzed.

The appraiser estimated remaining useful life for each asset based on comparison of their age and normal useful life.

The discounted cash flow (DCF) method to check for the economic depreciation of the Company's assets as a Cash Generating Unit was used. WACC at 19.08% was used as a discount rate in the model. Revenue, cost of sales, administrative costs, capital investment, depreciation, taxes forecasts were based on Company's average historical results adjusted for Consumer Price Index of Kazakhstan, growth of customer's base and forecasts of foreign exchange rates. The appraiser used the long-term inflation rate in Kazakhstan 1.89% as terminal growth rate.

Had the Company's land and buildings and constructions, machinery and equipment been measured on a historical cost basis, their carrying amount as at 31 December 2022 and 2021 would have been 24,967,702 thousand tenge and 21,461,047 thousand tenge, respectively.

(in thousands of Tenge, unless otherwise stated)

The management of the Company has made an assessment of whether the impairment indicators exist at the reporting date. As a result of the analysis performed, the management has not identified any evidence of impairment indicators.

12. ADVANCES PAID

	31 December 2022	31 December 2021
Non-current:		
Advances paid	1,284,453	1,617,518
Advances paid for property, plant and equipment	237,298	-
Other	29,174	388,695
	1,550,925	**2,006,213**
Current:		
Advances paid for services and inventory	5,411,153	3,593,537
Less: Provision for doubtful debts	(205,174)	(197,364)
	5,205,979	**3,396,173**

Non-current advances paid mainly include advances for advertising placement till 2026.

13. INVENTORIES

	31 December 2022	31 December 2021
Raw materials	14,155,729	7,206,184
Finished goods	9,621,622	6,136,133
Packing materials	5,797,969	3,129,189
Spare parts	1,468,344	918,299
Other	1,252,427	696,027
Less: Provision for slow-moving and obsolete inventory	(91,745)	(79,580)
	32,204,346	**18,006,252**

As at 31 December 2022, inventories with an assessed value of 5,166,750 thousand tenge (31 December 2021: 5,166,207 thousand tenge) have been pledged to secure borrowings (Note 20).

14. TRADE ACCOUNTS RECEIVABLE

	31 December 2022	31 December 2021
Trade accounts receivable	5,347,480	2,129,998
Less: provision for expected credit losses	(6,703)	(9,528)
	5,340,777	**2,120,470**

(in thousands of Tenge, unless otherwise stated)

As at 31 December of 2022 and 2021, trade accounts receivable were denominated in the following currencies:

	2022	2021
Tenge	4,986,843	1,763,334
Russian Roubles	332,032	248,793
US Dollars	10,504	102,958
Kyrgyz Soms	11,398	5,385
	5,340,777	**2,120,470**

In determining the recoverability of trade accounts receivable, the Company considers whether a receivable is impaired, its overdue status, collection history and forward looking macro-economic factors. The concentration of credit risk is limited due to the existence of a large customer base, not related with the Company.

15. OTHER FINANCIAL ASSETS

	31 December 2022		31 December 2021	
	Nominal interest rate	**Book value**	**Nominal interest rate**	**Book value**
Current:				
Debt of Area Plus DMCC	-	9,085,450	-	20,878,091
Debt of JSC RG Brands	-	-	11.8%	7,819,646
Coupon bonds of Bank Julius Bär & Co	-	-	0.08%	2,374,900
Government bonds of the Ministry of Finance of the Republic of Kazakhstan	6.50%	503,522	6.50%	1,691,474
		9,588,972		**32,764,111**
Non-current:				
Debt of JSC RG Brands	18.9%	6,739,084	-	-
		6,739,084		**-**

As at 31 December of 2022 and 2021, other financial assets were denominated in the following currencies:

	2022	2021
US Dollars	9,085,450	23,252,991
Tenge	7,242,606	9,511,120
	16,328,056	**32,764,111**

Debt of Area Plus DMCC

On 19 March 2020, the Company concluded a loan agreement with Area Plus DMCC, related party company, according to which the Company transfers the right for temporary use of securities owned by the Company. The interest rate of the loan is 0.01% per annum and coupon interest of transferred securities, maturity - 12 months. Under the agreement, the Company transferred to Area Plus DMCC the right to temporarily use a portfolio of securities for a total amount of 76,574 thousand USD (equivalent to 33,066,185 thousand tenge), which at the date of transfer included coupon bonds of Bank Julius Bär&Co, coupon bonds of corporate issuers and US Treasuries with annual interest rates of 1.51-6.25% and maturities up to 12 months. The loan was planned to be repaid in the form of repayment of the loan amount and/or securities that will be in the portfolio of Area Plus DMCC at the date of the loan maturity.

The loan given to Area Plus DMCC was accounted for at FVTPL. Changes in the fair value of this loan were recognized as investment income/loss. Changes related to foreign exchange differences were accounted for in foreign exchange gains/losses

On 20 January 2021, Area Plus DMCC and the Company concluded agreement for the supply of raw materials for the production in the amount of 77,225 thousand USD.

On 2 February 2021, Area Plus DMCC and the Company concluded an agreement to offset the loan issued under the agreement dated 19 March 2020 against prepayment under this supply agreement, this was a non-cash transaction. As a result, the Company derecognized this loan and recognized the advance paid to Area Plus DMCC.

In 2021, Area Plus DMCC repaid the advance in the amount of 11,875,799 thousand tenge. In November 2021, the Company and Area Plus DMCC agreed that the remaining amount of the advance has to be repaid in cash till February 2022. As a result, the Company derecognized the advance and recognized the financial asset given to Area Plus DMCC. This financial asset is measured at amortized cost.

On January 28, 2022, Area Plus DMCC fully fulfilled its obligations and repaid the debt to the Company in the amount of 50,199 thousand US Dollars (equivalent to 21,761,162 thousand tenge). During the period from February 1, 2022 to March 1, 2022, the Company provided the financial asset to Area Plus DMCC in three tranches in the amount of 60,640 thousand US Dollars (equivalent to 26,680,020 thousand tenge). During the period March-July 2022, Area Plus DMCC made partial repayment of debt on financial asset in the amount of 40,841 thousand US Dollars (equivalent to 18,967,889 thousand tenge). The Company and Area Plus DMCC have agreed that repayment of the remaining amount of the advance will be repaid in cash by June 2023. This financial asset is carried at amortised cost. As at 31 December 2022, the outstanding debt amounted to 9,085,450 thousand tenge (Note 25).

(in thousands of Tenge, unless otherwise stated)

Debt of JSC RG Brands

In November 2021, the Company and RG Brands JSC entered into an option agreement to purchase a 23.83% share in the Company's authorized capital, which can be realized until 30 September 2022, subject to the Company achieving certain performance indicators. As part of this agreement, the Company provided an advance to RG Brands JSC in the amount of 8,500,000 thousand tenge. In September 2022, the Company and RG Brands JSC entered into an additional agreement to the option agreement under which the option can only be realized up to 31 December 2022 subject to the Company achieving certain performance indicators. In December 2022, the Company and RG Brands JSC entered into an additional agreement to the option agreement under which the option may only be realized up to 31 January 2024 subject to the Company achieving certain performance indicators. As at 31 December 2022, the Company believes that the option agreement is unlikely to be realized, expects the debt to be settled in cash and carries it at amortized cost. In 2022, an adjustment to the fair value of debt of RG Brands JSC in the amount of 1,374,406 thousand tenge net of deferred tax effect in amount of 291,059 thousand tenge was recognized in equity.
As at 31 December 2022, debt of RG Brands JSC amounted to 6,739,084 thousand tenge and was classified as non-current asset.

Coupon and government bonds

As at 31 December 2022, the carrying value of government bonds of the Ministry of Finance of the Republic of Kazakhstan amounted to 503,522 thousand tenge. These financial assets are utilized within a business model whose objective is generating investment income through their sale in a short-term period. These securities are measured at fair value through profit or loss (FVTPL).

16. OTHER CURRENT ASSETS

	31 December 2022	31 December 2021
Financial assets:		
Other receivables from related parties (Note 25)	3,498,351	89,022
Receivables from employees	105,743	148,397
Other receivables	919,349	271,896
Less: provision for doubtful debts	(13,856)	(13,856)
	4,509,587	**495,459**
Non-financial assets		
Other taxes receivable	1,016,827	632,489
Prepaid expenses	559,940	130,244
	1,576,767	**762,733**
	6,086,354	**1,258,192**

As at 31 December 2022 and 2021, other current assets were denominated in tenge.

(in thousands of Tenge, unless otherwise stated)

17. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on bank accounts	23,240,466	1,812,905
Cash on bank accounts in Tenge	5,776,055	1,222,904
Cash in broker's account	77,281	70,727
Reverse repurchase agreements	20,000	2,804,119
Cash in transit	14,284	33,133
Petty cash	8,577	5,073
Cash in other accounts in Tenge	-	3,223
	29,136,663	**5,952,084**

As at 31 December 2022 and 2021, cash and cash equivalents were denominated in the following currencies:

	2022	2021
Tenge	22,037,663	4,139,179
US Dollars	5,459,473	1,556,399
Euro	1,364,536	942
Russian Roubles	274,988	255,560
Other	3	4
	29,136,663	**5,952,084**

18. BANK DEPOSITS

	31 December 2022	31 December 2021
Eurasian Bank JSC	400,000	-
Bereke Bank JSC	300,000	530,905
Eurasian Development Bank	-	690,893
Other	204,295	98,548
	904,295	**1,320,346**

As at 31 December 2022, deposits mainly constitute savings accounts in Eurasian Bank JSC in the amount of 400,000 thousand tenge, the account is denominated in tenge, the interest rate is 12%, and in Bereke Bank JSC in the amount of 300,000 thousand tenge, the account is denominated in tenge, the interest rate is 15.5%.

19. ISSUED CAPITAL

The Company's authorized capital as at 31 December 2022 and 2021 is 1,132,130 thousand tenge. As at 31 December 2022 and 2021, the Sole Participant of the Partnership is JSC "RG Brands", the ultimate controlling party of the Company is Mr. Mazhibayev K.K.

(in thousands of Tenge, unless otherwise stated)

In 2022 the Company authorized dividends based on the results of 2006-2008, 2010, 2011, 2013-2016, 2018-2020, 2021 in the amount of 11,286,977 thousand tenge. In 2021 the Company authorized dividends based on the results of 2020 in the amount of 9,900,041 thousand tenge.

20. BORROWINGS

Borrowings:	**31 December 2022**	**31 December 2021**
Long-term loans	30,141,230	31,596,781
Short-term bank loans and current portion of long-term loans	27,642,559	8,017,667
	57,783,789	**39,614,448**
Accrued interest payable	614,590	507,407
Total borrowings	**58,398,379**	**40,121,855**

As at 31 December 2022 and 2021, the borrowings are subject to repayment as follows:

	2022	**2021**
On demand or within one year	28,257,149	8,525,074
In the second to fifth year inclusive	30,141,230	29,869,402
Over five years	-	1,727,379
	58,398,379	**40,121,855**

Long-term loans

In 2021, the Company signed a credit line agreement with the German development bank DEG - Deutsche Investitions- und Entwicklungsgesellschaft to open a non-revolving line of credit for the total amount of 1,400,000 thousand Russian rubles. The purpose of the loans is refinancing of short-term debt and replenishment of working capital. The term of the credit line is until March 2028. In 2021, the Company received a tranche in the amount of 600,000 thousand Russian rubles with the interest rate of 9.27% for a period of 7 years. The outstanding balance of principal amount as at 31 December 2022 amounted to 600,000 thousand Russian rubles (equivalent to 3,809,786 thousand tenge). The Property, Plant and Equipment of the Company with a carrying value of 1,962,105 thousand tenge and inventories with an assessed value of 595,680 thousand tenge have been pledged as collateral for these loans.

In 2017, the Company signed a credit line agreement with the Eurasian Development Bank ("EDB") for for opening a revolving credit line for the amount of 1,270,000 thousand Russian rubles with an interest rate of 10.1%. The purpose of the loan is to finance operational activities. The term of the credit line till October 2025, the term of the tranches was extended to 60 months, and the interest rate was is 9.25%. As at 31 December 2022, the outstanding balance of principal amount was 644,609 thousand Russian rubles (equivalent to 4,144,838 thousand tenge). The Property, Plant and Equipment of the Company with a carrying value of 2,409,593 thousand tenge pledged as collateral for this loan.

In 2019, the Company signed a non-revolving credit facility agreement with the Asian Development Bank for a total amount of 20,000 thousand US Dollars with a disbursement in the equivalent of tenge. The intended use of the loan is the replenishment of working capital and capital expenditures. The term of the credit line is December 2028, the loans are repayable twice a year. There were no utilization as of December 31, 2022. The loan is secured by the Company's property, plant and equipment with a carrying amount of 2,719,544 thousand tenge.

As at 31 December 2022, the outstanding principal amount of the loans under the loan agreement with the European Bank for Reconstruction and Development ("EBRD") amounted to 3,613,377 thousand tenge. The purpose of the loan is a refinancing of short-term debt and replenish working capital. The loan facility is repayable semiannually, till June 2025. Weighted average interest rate for 2022 is 16.6% and interest is payable quarterly. The fixed assets of the Company with a carrying value of 4,999,074 thousand tenge and inventories with an assessed value of 4,012,878 thousand tenge have been pledged as collateral for these loans.

In 2022, the Company concluded a loan agreement to open a revolving credit line with Bereke Bank JSC in the amount of 5,380,000 thousand tenge for working capital replenishment with a tranche term of 36 months. The outstanding balance as at 31 December 2022 amounted to 2,000,000 thousand tenge. The loan agreement is secured by inventories with an estimated value of 558,192 thousand tenge.

In 2022, the Company entered into a credit line agreement with Nurbank JSC to open a revolving credit line in the amount of 10,000,000 thousand tenge for working capital replenishment with a tranche term of 36 months. The attracted tranches are subsidized under the Economy of Simple Things program, the final rate is 5% and 7%.

As at 31 December 2022, the outstanding balance of principal amounted to 12,000,000 thousand tenge. In relation to a subsidized rate, the Company recognized deferred income in the amount of 328,115 thousand tenge (Note 24).

In 2022, the Company entered into a loan agreement with Eurasian Bank JSC to open a non-revolving credit line for the total amount of 7,883,000 thousand tenge, of which 6,183,000 thousand tenge to replenish working capital with the tranche term of 36 months. The outstanding balance of principal amount under revolving credit lines amounted to 14,256,300 thousand tenge. 1,361,860 thousand tenge was raised for investments during 2022 with a tranche term of 60 months. The outstanding balance of the tranches for investments as at 31 December 2022 amounted to 2,475,280 thousand tenge. The attracted tranches are subsidized under the Economy of Simple Things program, the final rate is 5% and 7%. In relation to subsidized rate, the Company recognized deferred income in the amount of 2,459,193 thousand tenge (Note 24). The carrying value of property, plant and equipment pledged under number of loan agreements is 1,944,289 thousand tenge.

In 2022, the limits concluded with SB Sberbank JSC were transferred under an assignment agreement to JSC Halyk Bank of Kazakhstan. In 2022 the Company concluded a loan agreements on opening a revolving credit lines in the amount of 3,000,000 thousand tenge, of which 3,000,000 thousand tenge were attracted to replenish working capital with a tranche period of 36 months. As at 31 December 2022, the outstanding balance of principal amount under revolving credit lines amounted to 8,485,708 thousand tenge. Also in 2022, the Company concluded a loan agreement on the opening of a non-revolving credit line in the amount of 2,367,000 thousand tenge. The purpose of the loan is investment. The term of the credit line is 84 months. As at 31 December 2022, the outstanding balance of all tranches under non-revolving credit lines amounted to 3,433,907 thousand tenge. Attracted tranches are subsidized under the Economy of Simple Things program, the final rate is 5% and 7%. In relation to a subsidized rate, the Company recognized deferred income in the amount of 1,533,616 thousand tenge (Note 24). The Property, Plant and Equipment of the Company with a carrying value of 1,227,325 thousand tenge have been pledged as collateral for these credit agreements.

Short-term bank loans

In 2016, the Company signed a credit line agreement with the Development Bank of Kazakhstan ("DBK") for replenishment of working capital that combined in March 2019 with existing credit line agreement signed in 2015. The total amount of the combined limit is 4,906,000 thousand tenge, the period until the end of December 2023, the period of tranches - 36 months, the interest rate is 7.41%. Maturity of principal amount of the debt is December 2023. As at 31 December 2022, the outstanding balance of principal amounted to 4,906,000 thousand tenge. The carrying amount of pledged property, plant and equipment was 1,035,860 thousand tenge.

In 2021, the Company entered into a loan agreement for opening a revolving credit line with Forte Bank JSC in the amount of 3,000,000 thousand tenge. The purpose of the loan is replenishment of working capital. The term of the credit line is 36 months. This tranche is subsidized by DAMU Entrepreneurship Development Fund JSC, the final rate is 5%. The outstanding balance as at 31 December 2022 amounted to 1,916,667 thousand tenge. In relation to subsidized rate, the Company recognized deferred income in the amount of KZT 169,657 thousand (Note 24).

In 2018, the Company entered into a loan agreement with Altyn Bank JSC (SB China Citic Bank Corporation Limited) to open a revolving credit line for the total amount of 5,000,000 thousand tenge (increased to 7,000,000 thousand tenge in 2021) to replenish working capital. In 2022, the Company increased the limit of the loan agreement to 8,000,000 thousand tenge and received a new tranches in the amount of 1,139,000 thousand tenge to replenish working capital for a period 16 months, including tranches in the amount of 739,000 thousand tenge subsidized under the Economy of Simple Things program. The term of the credit line is 36 months. The weighted average interest rate on the issued tranches was 7%. The outstanding balance as at 31 December 2022 amounted to 1,399,539 thousand tenge. In relation to subsidized rate, the Company recognized deferred income in the amount of 195,051 thousand tenge (Note 24).

In 2018, the Company signed a loan agreement with Bank CenterCredit JSC in the amount of 280,000 thousand tenge. The purpose of the loan is to purchase production equipment. The term of the credit line is 60 months (till May 2023). The interest rate is 6%. The outstanding balance as at 31 December 2022 amounted to 29,142 thousand tenge. The carrying amount of pledged Property, Plant and Equipment is 340,802 thousand tenge.

(in thousands of Tenge, unless otherwise stated)

As at 31 December 2022 and 2021, the weighted average interest rates of the Company's bank loans were 7.5% and 7.8% per annum, respectively.

All long-term bank loan agreements of the Company contain covenant clauses covering performance indicators of the parent company JSC RG Brands and its subsidiaries (Group), such as current ratio, net financial debt to equity, net financial debt to EBITDA and others.

As at 31 December 2022, the Company has not fulfilled net financial debt to equity covenant as required in the loan contracts with a carrying amount of 16,561,981 thousand tenge. The main reason for non-compliance with the covenant was related to the change in the ownership structure of the Group. As a result, banks are contractually entitled to request for immediate repayment of the outstanding loans. The outstanding balances of long-term portion of these loans amounting to 8,596,310 thousand tenge were presented as current liabilities as at 31 December 2022.

The banks had not requested early repayment of the loans as of the date of approval of these financial statements. During the reporting period, the Company repaid loans on time in accordance with the approved repayment schedules.

As at 31 December 2022 loans were denominated in the following currencies:

	2022	2021
Tenge	50,443,755	29,092,691
Russian rubles	7,954,624	11,029,164
	58,398,379	**40,121,855**

The table below summarizes the movements in liabilities resulting from financing activities. Liabilities arising from financing activities are those liabilities from which cash flows have been in the statement of cash flows or future cash flows will be classified as cash flows from financing activities.

	1 January 2022	Financing cash flows (i)	Deferred income (Note 24)	Interest accrued	Interest paid	Other changes (ii)	31 December 2022
Borrowings	40,698,424	18,546,673	(2,112,770)	5,561,834	(5,455,220)	1,159,438	58,398,379

(i) The cash flows from borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.
(ii) Other changes include foreign exchange loss.

	1 January 2021	Financing cash flows (i)	Deferred income (Note 24)	Interest accrued	Interest paid	Other changes (ii)	31 December 2021
Borrowings	32,898,444	8,043,821	(1,036,821)	4,696,422	(4,438,991)	(41,020)	40,121,855

(i) The cash flows from borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.
(ii) Other changes include foreign exchange gain.

(in thousands of Tenge, unless otherwise stated)

21. ACCOUNTS PAYABLE

	31 December 2022	31 December 2021
Services	12,297,277	7,107,472
Raw materials	9,819,291	5,823,354
Packing materials	2,758,410	3,764,728
Goods	806,050	2,691,702
Property, plant and equipment	421,134	580,050
	26,102,162	**19,967,306**
Less: long-term accounts payable	(995,272)	(936,048)
	25,106,890	**19,031,258**

As at 31 December, accounts payable were denominated in the following currencies:

	2022	2021
Tenge	11,417,484	11,430,770
US Dollars	10,054,987	6,502,541
Euro	3,572,289	1,193,893
Russian Roubles	527,626	491,802
Chinese yuans	462,167	278,584
Kyrgyz som	67,490	69,601
Uzbek sums	119	115
	26,102,162	**19,967,306**

22. TAXES PAYABLE

	31 December 2022	31 December 2021
Value added tax	5,288,740	1,371,450
Individual income tax	98,155	61,097
Social tax	44,770	30,318
Other taxes	88,963	64,430
	5,520,628	**1,527,295**

23. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	31 December 2022	31 December 2021
Advances received	10,570,911	6,937,664
Other vacation and bonuses	559,974	397,602
Accrued liabilities for employees	481,082	311,868
Other payables	113,628	68,485
	11,725,595	**7,715,619**

(in thousands of Tenge, unless otherwise stated)

24. DEFERRED INCOME

As at 31 December 2022, the Company recognized deferred income under the loans received from JSC Halyk Bank of Kazakhstan, Altyn Bank JSC, Eurasian Bank JSC and Forte Bank JSC in the amount of 4,686,755 thousand tenge (Note 20).

	31 December 2022	**31 December 2021**
Government grant	4,686,755	2,573,985
	4,686,755	**2,573,985**
Non-current deferred income	1,620,024	963,991
Current deferred income	3,066,731	1,609,994
	4,686,755	**2,573,985**

Deferred income is represented by government subsidies provided in the form a subsidized interest rate (Note 20).

25. RELATED PARTIES

As of the reporting date, the amount of receivables from related parties was as follows:

	31 December 2022	**31 December 2021**
Other related parties	3,575,632	89,022
	3,575,632	**89,022**

As of the reporting date the amount of accounts payable, other accounts payable and accrued liabilities to related parties is as follows:

	31 December 2022	**31 December 2021**
Other companies under common control	12,912,168	8,315,010
	12,912,168	**8,315,010**

Outstanding amounts due to/from related parties will be settled by cash transactions. No expense has been recognized in the reporting period for bad debts in respect of amounts owed by related parties.

During the reporting period, the sales to related parties amounted to:

	2022	**2021**
JSC RG Brands	4,100	2,104
Other companies under common control	17,653,877	12,677,873
	17,657,977	**12,679,977**

(in thousands of Tenge, unless otherwise stated)

During periods of procurement, transactions with related parties were as follows:

	2022	2021
JSC RG Brands	895,437	499,747
Other related parties	11,648	20,397
	907,085	**520,144**

In November 2021, the Company and RG Brands JSC entered into an option agreement to purchase a 23.83% interest in the Company's authorized charter capital. Under this agreement the Company provided an advance to RG Brands JSC in the amount of 8,500,000 thousand tenge. As at December 31, 2022 the Company considers the option agreement to be unlikely to be realized and accounts for the debt at amortized cost (Note 15). Interest income on RG Brands JSC debt for 2022 amounted to 890,524 thousand tenge which was recognized in investment income.

In July 2021, the Company issued coupon bonds in the amount of 8,500,000 thousand tenge, which were placed with RG Brands JSC. The interest rate on the bonds was 20%. In October 2021, the Company repurchased these bonds from RG Brands JSC.

Procurement transactions with related parties for the period ended 31 December 2022 included services for using the trademarks of JSC RG Brands in the amount of 895,437 thousand tenge. In 2021, the royalty percentage was 0.8%. On October 1, 2022, the trademark royalty percentage was increased from 0.8% to 1.7% of revenues generated by the sale of goods distributed under these trademarks.

Other transactions:

On 19 March 2020, the Company concluded a loan agreement with a related party Area Plus DMCC, owned by Mr. K.K. Mazhibaev, and transferred the right for temporary use of securities (Note 15).

As at 31 December 2022, the outstanding balance of debt of Area Plus DMCC amounted to 9,085,450 thousand tenge (Note 15).

Financial guarantees

RG Brands JSC acts as a guarantor for RG Brands Kazakhstan LLP under bank loans totaling 45,811,660 thousand tenge with a pledge of 16,800,707 thousand tenge. RG Brands Holding Limited acts as a guarantor for RG Brands Kazakhstan LLP under bank loans totaling 16,731,580 thousand tenge with a pledge of 1,944,289 thousand tenge.

Compensation of key management personnel

Key management compensation is set at shareholders' meetings according to human resource policies, staff schedules, individual labor agreements, shareholders' resolutions and bonus accrual orders.

(in thousands of Tenge, unless otherwise stated)

Total compensation paid to the Company's key management personnel (General Director, Commercial Director, Business Development Manager, Director of the Department of Organizational Development and Human Resources) during the years ended 31 December 2022 and 2021, amounted to 175,451 thousand tenge and 192,129 thousand tenge, respectively. These short-term compensations represent salaries and bonuses paid to key management personnel.

26. OPERATING SEGMENTS

- Juices and beverages – production, distribution and sale of beverages under the Company's brand name, including the juices "Gracio", "Da-Da", "Nektar Solnechnyi", water "A'SU" and "Piala Ice Tea", "Nektar Solnechniyi Gazirovannyi" and energetic drink "Yeti"; franchise – production, distribution and sale of products with franchised trademarks, including carbonated soft drinks "Pepsi", "Mirinda", "Seven-Up" and "Lipton Ice Tea";
- Packed tea, packed milk and food products: milk – production, distribution and sale of milk under the Company's brand name "Moye"; as well as production, distribution and sale of weighing and packaged tea under the Company's brand name "Piala".

	Juices and beverages	Packed tea, packed milk and food products	Wholesale activity	Total
2022				
Revenue	117,202,056	28,902,642	160,312	146,265,010
Finance costs	(3,939,021)	(971,383)	(5,388)	(4,915,792)
Depreciation and amortization	2,205,554	543,901	3,017	2,752,472
Profit before tax	10,864,798	2,679,316	14,861	13,558,975
Income tax expense	(2,658,230)	(655,534)	(3,636)	(3,317,400)
Profit for the year	8,206,568	2,023,782	11,225	10,241,575
2021				
Revenue	73,460,077	22,897,562	110,631	96,468,270
Finance costs	(3,130,290)	(975,714)	(4,714)	(4,110,718)
Depreciation and amortization	1,761,231	548,977	2,652	2,312,860
Profit before tax	6,079,037	1,894,840	9,155	7,983,032
Income tax expense	(1,099,567)	(342,735)	(1,656)	(1,443,958)
Profit for the year	4,979,470	1,552,105	7,499	6,539,074

Disclosure of other information:

	Juices and beverages	Packed tea, packed milk and food products	Wholesale activity	Total
31 December 2022				
Additions of property, plant and equipment	5,229,509	1,289,624	7,154	6,526,287
31 December 2021				
Additions of property, plant and equipment	2,464,650	911,583	-	3,376,233

(in thousands of Tenge, unless otherwise stated)

Revenue reported above represents revenue generated from third parties. There were no inter-segment sales during the years ended 31 December 2022 and 2021. The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3. Segment profit represents the profit earned by each segment. This is the measure reported to the operating decision makers for the purposes of resource allocation and assessment of segment performance.

	Juices and beverages	Packed tea, packed milk and food products	Wholesale activity	Total
31 December 2022				
Segment assets	102,625,832	25,312,390	140,373	128,078,595
Segment liabilities	86,544,341	21,345,933	118,376	108,008,650
Deferred tax liabilities	3,708,732	914,749	5,073	4,628,554
Total liabilities	90,253,073	22,260,682	123,449	112,637,204
31 December 2021				
Segment assets	66,637,295	27,365,258	81,263	94,083,816
Segment liabilities	51,284,772	21,060,594	62,541	72,407,907
Deferred tax liabilities	2,701,867	1,109,548	3,295	3,814,710
Total liabilities	53,986,639	22,170,142	65,836	76,222,617

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments. General corporate assets and assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

The assets of the Company are located in the Republic of Kazakhstan.

Revenue of the Company to external customers by country of their origin is presented below:

	Revenue from sales to external customers	
	2022	**2021**
Republic of Kazakhstan	128,327,690	81,445,795
Kyrgyz Republic	11,674,459	11,970,224
Russian Federation	4,067,834	2,915,309
Republic of Uzbekistan	2,134,156	88,853
Tajikistan	32,021	42,788
China	28,850	5,301
	146,265,010	**96,468,270**

For the years ended 31 December 2022 and 2021, there were no single external customer with a revenue that amounted to 10 percent or more of annual revenue of the Company.

(in thousands of Tenge, unless otherwise stated)

27. FINANCIAL INSTRUMENTS

Capital management

Businesses in fast-moving consumer goods and food packaging industries are subject to risks related to rapid changes in markets and customer demands. It is the Company's policy to maintain a strong financial position as this provides the best balance of risk and reward for the participants. The Board of Directors reviews the Company's capital structure regularly taking into account available cash balances and credit lines, trends in markets and investment opportunities generally, but especially in the development of new products to enhance the existing portfolio, and the development of new distribution channels and geographical markets.

Significant accounting policies

Information regarding significant accounting policies and accepted methods, including recognition criteria, estimation basis, and basis for gain and losses recognition related to each class of financial assets, financial liabilities, and securities are disclosed in Note 3.

General risk management principles

The Company's overall risk management concept is based on visibility of the key risks preventing the Company from reaching its business objectives. This covers all risks areas; strategic, operational, financial, and hazard risks. The Company's risk management is a systematic and pro-active process to analyze, review and manage all opportunities, threats and risks related to the Company's objectives. In addition to general principles there are specific risk management policies covering, for example, treasury and customer finance risks.

Categories of financial instruments

As at 31 December 2022 and 2021, financial instruments were as follows:

Financial assets	**31 December 2022**	**31 December 2021**
Financial assets at FVTPL:		
Other financial assets (Note 15)	503,522	4,066,374
Financial assets measured at amortized cost:		
Other financial assets (Note 15)	9,085,450	28,697,737
Liability of parent company (Note 15)	6,739,084	-
Cash and cash equivalents (Note 17)	29,136,663	5,952,084
Trade accounts receivable (Note 14)	5,340,777	2,120,470
Other current assets, excluding prepaid expenses and other taxes receivable (Note 16)	4,509,587	495,459
Bank deposits (Note 18)	904,295	1,320,346
Financial liabilities		
Financial liabilities measured at amortized cost:		
Borrowings (Note 20)	58,398,379	40,121,855
Accounts payable (Note 21)	25,106,890	19,031,258
Long-term accounts payable (Note 21)	995,272	936,048
Other accounts payable and accrued liabilities, excluding advances received (Note 23)	1,154,684	777,955

(in thousands of Tenge, unless otherwise stated)

Market risks

The Company's activities expose it primarily to the market risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk

The Company undertakes transactions denominated in foreign currencies, which lead to exposures to exchange rate fluctuations. The Company reduced this exposure by increasing assets and decreasing liabilities in foreign currency.

The carrying value of monetary assets and liabilities of the Company was as follows:

	Assets		Liabilities	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
US Dollars	14,555,427	25,603,241	10,054,987	6,502,541
Russian Ruble	607,020	504,353	8,482,250	11,520,966
Euro	1,364,536	942	3,572,289	1,193,893
Kyrgyz Soms	11,398	5,385	67,490	69,601
Uzbek Sums	-	-	119	-
Chinese yuans	-	-	462,167	278,584
Other	3	4	-	115

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 20% increase and decrease in tenge against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes loans where the denomination of the loan is in a currency other than functional currency of the companies of the Company. A positive number below indicates an increase in profit and other equity where the tenge strengthens 20% against the relevant currency. For a 20% weakening of the tenge against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Impact of US Dollars (i)		Impact of Rub (ii)		Impact of Euro (iii)	
	2022	2021	2022	2021	2022	2021
Profit/(loss) before tax	900,088	3,820,140	(1,575,046)	(2,203,323)	(441,551)	(238,590)

(i) This is mainly attributable to the exposure on the Company's cash bank accounts, financial assets given to Area Plus DMCC, coupon bonds of Bank Julius Bär & Co and outstanding accounts payable denominated in US Dollars as at year ended 31 December 2022.
(ii) This is mainly attributable to the exposure on Russian rubles denominated loans as at year end.
(iii) This is mainly attributable to the exposure on Euro denominated accounts payable as at year end.
Risks in paragraphs (i), (ii) and (iii) were not summarized

Interest rate risk

The Company is exposed to interest rate risk either through market value fluctuations of balance sheet items (i.e. price risk) or through changes in interest income or expenses (i.e. re-investment risk). Interest rate risk mainly arises through interest-bearing liabilities and assets. Estimated future changes in cash flows and balance sheet structure also expose the Company to interest rate risk.

Treasury is responsible for monitoring and managing the interest rate exposure of the Company. Due to the current balance sheet structure of the Company, emphasis is placed on managing the interest rate risk in relation to borrowings. In 2022, all the loans of the Company have fixed interest rates.

Credit risks

Customer Finance Credit Risk

The Company has maintained a financing policy aimed at close cooperation with banks, financial institutions and other agencies to support distributors and selected customers in their financing of working capital investments, mainly for purchase of the Company's products. The Company monitors closely the extent of the borrowings in relation to the turnover of the key customers.

Credit risks related to the customer financing are systematically analyzed, monitored and managed by the Company's Credit Manager, reporting to the Head of Financial Control. Significant changes to credit risks are approved by the Company's Credit Committee along principles defined in the Company's credit policy and according to the credit approval process. The Credit Committee consists of the Head of Financial Control, Head of Company Treasury and Credit Manager.

As at 31 December 2022, customer credit risk exposure of the Company related to trade accounts receivable totaled 5,347,480 thousand tenge (31 December 2021: 2,129,998 thousand tenge).

Financial credit risk

Financial instruments contain an element of risk that its counterparties would be unable to meet their obligations. This risk is measured and monitored by the treasury function. The Company minimizes financial credit risk by diversifying of financial instruments and monitoring the rating of large banks and financial institutions.

As of 31 December 2022, the outstanding balance of debt of Area Plus DMCC amounted to 9,085,450 thousand tenge (Note 15), which represent significant concentration of credit risk and constitute 10% from total current assets of the Company. The Company believes that the debt is recoverable because the Company analyzed assets and liabilities of Area Plus DMCC presented in the statement of financial position of this company as at 31 December 2022 and believes that Area Plus DMCC can fulfill its obligations to the Company on time.

As at 31 December 2022, the Company holds a portfolio of securities, which includes government bonds of the Ministry of Finance of the Republic of Kazakhstan (Note 15). Cash and cash equivalents include coupon bonds of Bank Julius Bär & Co amounting to 13,305,814 thousand tenge. Rating of bank Julius Bar & Co. is Aa3, according to the rating agency Moody's. The ratings of other banks in which cash and cash equivalents are placed (Note 17) are within B1-Aa3.

(in thousands of Tenge, unless otherwise stated)

Cash and cash equivalents and other financial assets are Stage 1 assets of the impairment stages.

Direct credit risk represents the risk of loss resulting from counterparties' default in relation to the items of the statement of financial position. Decision on investments to the fixed income instruments and short-term debt securities are based on strict creditworthiness criteria. The outstanding investments are also constantly monitored by the treasury function. The Company does not expect the counterparties to default given their credit quality. The carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

Liquidity risk

The Company guarantees sufficient liquidity at all times by efficient cash management and by investing in liquid interest bearing securities. Due to the dynamic nature of the underlying business, Treasury also aims at maintaining flexibility in funding by keeping credit lines available. The credit facilities are intended to be used for working capital and capital investment funding purposes.

Table on liquidity risk

The following table presents contractual maturity of non-derivative financial assets and liabilities of the Company based on the undiscounted cash flows of financial assets and liabilities (both interest and principal cash flows) based on the earliest date on which (a) the Company expects to receive payments; and (b) the Company can be required to pay.

31 December 2022	Weighted average interest rate	Within 1 year	1-5 years	Over 5 years	Total
Financial assets:					
Trade accounts receivable	-	5,340,777	-	-	5,340,777
Other financial assets measured at amortized cost	-	9,085,450	-	-	9,085,450
Liability of parent company	18.9%	-	8,194,379	-	8,194,379
Other financial assets measured at fair value through profit or loss	6.05%	503,522	-	-	503,522
Other current assets	-	4,509,587	-	-	4,509,587
Bank deposits	13.75%	963,099	-	-	963,099
Cash and cash equivalents	3.17%	29,136,663	-	-	29,136,663
		49,539,098	**8,194,379**	**-**	**57,733,477**
Financial liabilities:					
Accounts payable	-	25,106,890	-	-	25,106,890
Long-term Accounts payable	5.30%	-	1,098,620	-	1,098,620
Borrowings	7.52%	35,144,099	37,146,265	-	72,290,364
Other accounts payable and accrued liabilities	-	1,154,684	-	-	1,154,684
		61,405,673	**38,244,885**	**-**	**99,650,558**

(in thousands of Tenge, unless otherwise stated)

31 December 2021	Weighted average interest rate	Within 1 year	1-5 years	Over 5 years	Total
Financial assets:					
Trade accounts receivable	-	2,120,470	-	-	2,120,470
Other financial assets measured at amortised cost	3.2%	28,697,737	-	-	28,697,737
Other financial assets measured at fair value through profit or loss	0.4%	4,066,374	-	-	4,066,374
Other current assets	-	8,995,459	-	-	8,995,459
Bank deposits	4.2%	1,359,951	-	-	1,359,951
Cash and cash equivalents	-	5,952,084	-	-	5,952,084
		51,192,075	**-**	**-**	**51,192,075**
Financial liabilities:					
Accounts payable	-	19,031,258	-	-	19,031,258
Long-term Accounts payable	4.1%	-	1,028,814	-	1,028,814
Borrowings	7.81%	13,290,943	35,100,395	530,029	48,921,367
Other accounts payable and accrued liabilities	-	777,955	-	-	777,955
		33,100,156	**36,129,209**	**530,029**	**69,759,394**

The Company has access to funds, as described below, amounting to 27,003,616 thousand tenge as at 31 December 2022 (31 December 2021: 16,594,432 thousand tenge).

Unsecured short-term borrowings with different maturities till 2022	**2022**
Amount used	9,973,147
Amount unused	1,113,272
	11,086,419
Secured short-term borrowings with different maturities till 2022	
Amount used	12,120,180
Amount unused	-
	12,120,180
Unsecured long-term borrowings with different maturities till 2028	
Amount used	15,828,767
Amount unused	2,707,562
	18,536,329
Secured long-term borrowings with different maturities till 2028	
Amount used	24,607,288
Amount unused	23,182,782
	47,790,070

Fair value of financial instruments carried at amortized cost

The estimated fair value of fixed interest rate instruments is based on future cash flows expected to be received discounted at market rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of cash and cash equivalents, bank deposits, receivables, other current assets, borrowings, accounts payable, long-term accounts payable and other accounts payable and accrued liabilities approximate fair values due to their short-term maturities and market conditions.

(in thousands of Tenge, unless otherwise stated)

Fair value of the Company's financial assets that are measured at fair value on a recurring basis

Hierarchy of fair value as at 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets at				
Other financial assets at FVTPL	503,522	-	-	503,522
Totals	**503,522**	**-**	**-**	**503,522**

	Level 1	Level 2	Level 3	Total
Other assets				
Investment property	-	-	53,037	53,037
Land, buildings and constructions, machinery and equipment	-	-	28,117,798	28,117,798
Totals	**-**	**-**	**28,170,835**	**28,170,835**

Hierarchy of fair value as at 31 December 2021

	Level 1	Level 2	Level 3	Total
Financial assets at				
Other financial assets at FVTPL	1,691,474	2,374,900	-	4,066,374
Totals	**1,691,474**	**2,374,900**	**-**	**4,066,374**

	Level 1	Level 2	Level 3	Total
Other assets				
Investment property	-	-	53,037	53,037
Land, buildings and constructions, machinery and equipment	-	-	25,206,492	25,206,492
Totals	**-**	**-**	**25,259,529**	**25,259,529**

	Valuation technique(s) and key input(s)
Financial assets	
Other financial assets	Level 1: Government bonds of the Ministry of Finance of the Republic of Kazakhstan: Quoted bid prices in an active market
Other assets	
Investment property	Level 3: Cost approach and market for similar or comparable assets, adjusted for differences with the assets under valuation. Adjustment of the prices of similar or comparable assets requires analysis of such factors as location, size, functional use and condition of the asset.
Land and buildings, machinery and equipment	Level 3: The valuation, which conforms to International Valuation Standards, was determined by reference to (a) the cost approach and (b) the market for similar or comparable assets, adjusted for differences with the asset under valuation. Discounted cash flow (DCF) method to check for the economic depreciation of the Company's assets as a Cash Generating Unit was performed.

Hazard risk

The Company strives to ensure that all financial, reputation, and other losses of the Company and its customers are minimized through preventive risk management measures or purchase of insurance. Insurance is purchased for risks, which cannot be internally managed. The Company's Economic Security function's objective is to ensure that Company's hazard risks, whether related to physical assets (e.g. buildings) or intellectual assets (e.g. "RG Brands" brand) or potential liabilities (e.g. product liability) are properly insured.

28. COMMITMENTS AND CONTINGENCIES

Tax and regulatory environment

The government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting businesses continue to change rapidly. These changes are characterized by poor drafting, different interpretations and arbitrary application by the authorities.

The tax period remains open for audit by tax authorities within five calendar years; however, in certain conditions, the tax period may be extended. Consequently, the Company may be subject to additional tax liabilities, which may arise as a result of tax audits. The Company believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation.

In February 2022, the tax authorities of the Republic of Kazakhstan completed a comprehensive tax audit for 2016-2020, as a result of which additional corporate income tax in the amount of 849,118 thousand tenge and a penalty in the amount of 679,296 thousand tenge were accrued. This additional accrual of corporate income tax was recognized in the Company's financial statements for 2021, but was not reflected in the final tax return due to technical problems in the system of the tax authorities and the lack of proper software for filling out the corporate income tax return. The Company has made sufficient advance for this corporate income tax on time. As a result, the Company is disputing the decision of the tax audit on this issue in court. The management of the Company believes that the payment of this penalty is possible; therefore, the Company did not accrue a provision for the penalty.

Legal issues

The Company has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which have had, individually or in the aggregate, a material adverse impact on the Company. Management believes that the resolution of all such matters will not have a material impact on the Company's statement of financial position or operating results.

Environmental protection

Legislation on environmental protection in Kazakhstan is in the process of development and therefore is subject to constant changes. From 1 July 2021, amendments to the Environmental Code of Kazakhstan ("the Code") has become effective. This Code includes set of principles aimed at minimising the consequences of environmental damage to the activities of entities and/or the full restoration of the environment to its original state. Depending on the level and risk of negative impact on the environment, assets are classified into four categories, where the asset that have a significant negative impact on the environment are classified to the first category. The Company's facilities, according to the classification, are fruit and vegetable juice and non-alcoholic beverage plants. In accordance with the Code, the Company's facilities are classified as third category and have insignificant negative impact on the environment. The Company's management believes that its interpretation of the relevant legislation of the Republic of Kazakhstan is appropriate.

These financial statements have not included related provisions as the Company's management assesses that there are no potential liabilities related to the disposal of assets and land reclamation that could have any material effect on the financial position, results of operations or cash flows of the Company.

The Company also has an action plan for environmental protection for 2020-2029, which includes activities such as:

- compliance with technological processes;
- ensuring the organization of special allocated sites for solid waste;
- regular removal and disposal of industrial waste.

29. EVENTS AFTER THE REPORTING DATE

Management of the Company is monitoring developments in the economic and political situation and taking measures it considers necessary in order to support the sustainability and development of the Company's business for the foreseeable future.

30. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's management on 22 June 2023.