JSC “UZAUTO MOTORS”

Consolidated Financial Statements for the year ended 31 December 2021 and Independent Auditor’s Report

JSC "UZAUTO MOTORS"

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JSC "UZAUTO MOTORS"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of JSC "UZAUTO MOTORS" (the "Company") and its subsidiaries (the "Group") as of 31 December 2021, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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 Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by management on 29 June 2022.

On behalf of the Management:

Bo Inge Andersson	**K.J. Umurzakov**	**A.I.Yakubov**
General Director	Chief Financial Officer	Chief Accountant
Tashkent, Uzbekistan	Tashkent, Uzbekistan	Tashkent, Uzbekistan

29 June 2022

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Republic of Uzbekistan

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INDEPENDENT AUDITOR'S REPORT

To Shareholders of Joint Stock Company "UzAuto Motors":

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 6 to the consolidated financial statements which describes the restatement of corresponding figures for the year ended 31 December 2020. Our opinion is not modified in respect of this matter.

Erkin Ayupov, Qualified Auditor/Engagement Partner

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Contingent liabilities The Group has disclosed contingent liabilities arising from legal claims to hold the Company liable for the obligations of CJSC PII "UzDaewoo-Voronezh" and LLC "UzavtoRus" (Note 28). The accounting policy related to provision is disclosed in Note 3, key sources of estimation uncertainty are disclosed in Note 4. The assessment of the existence of a present legal obligation, analysis of the probability of the related liability and analysis of a reliable estimate, are dependent to a high degree on discretionary estimates and assumptions by management. Due to the level of judgement related to the recognition, valuation and presentation of contingent liabilities arising from these claims, and their potential material effect on the consolidated financial statements, we determined this to be a key audit matter.	We performed the following procedures with respect to contingent liabilities: • obtained an understanding of management's processes and controls of identifying risks, estimating the outcome, assessing the probability and reliably estimating the amounts of the proceedings and reflecting legal proceedings in the consolidated financial statements; • held discussions with the Group's internal legal department, other departments familiar with the matters related to the legal claims, and the Group's external advisors, in order to obtain explanations, and assess the appropriateness of the factors, that led to the respective estimations; • engaged internal legal experts to review all the available information and assist in the evaluation of the key assumptions used in the assessment of the contingent liability; • obtained written assessments on legal cases from Group's external advisors, representations of management in regards to an assessment of the existence of present obligation, analysis of probability and estimates made; • evaluated the competence, independence and objectivity of Group's external advisors; and • verified the adequacy and completeness of the presentation of the related contingent liabilities in the consolidated financial statements.

Erkin Ayupov, Qualified Auditor/Engagement Partner

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 15 April 2021.

As part of our audit of the 2021 consolidated financial statements, we also audited the adjustments described in Note 6 that were applied to amend the 2020 corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 consolidated financial statements taken as a whole.

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

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

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

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

Erkin Ayupov, Qualified Auditor/Engagement Partner

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves 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 consolidated 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.

"Deloitte & Touche" Audit Organisation LLC is included in the Register of auditing organizations of the Ministry of Finance of the republic of Uzbekistan

Erkin Ayupov
Qualified Auditor/Engagement Partner

Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan

29 June 2022
Tashkent, Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC

JSC "UZAUTO MOTORS"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in thousands of US Dollars, unless otherwise stated)

	Notes	31 December 2021	31 December 2020 (Restated)*	1 January 2020 (Restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	9	523,894	325,757	306,979
Intangible assets		2,311	1,530	847
Bank deposits	10	191,414	86,566	5,154
Restricted deposits	11	3,742	7,742	31,419
Loans issued		4,647	4,162	-
Other non-current assets		7,961	1,556	3,762
Total non-current assets		**733,969**	**427,313**	**348,161**
Current assets				
Cash and cash equivalents	12	136,020	28,965	45,724
Restricted cash	13	70,648	88,244	111,331
Bank deposits	10	124,290	4,136	45,208
Restricted deposits	11	3,514	23,597	-
Loans issued		7,567	4,553	4,593
Trade and other receivables	14	206,776	271,172	196,186
Advances paid to suppliers		179,900	113,020	52,635
Inventories	15	767,036	335,905	489,637
Total current assets		**1,495,751**	**869,592**	**945,314**
TOTAL ASSETS		**2,229,720**	**1,296,905**	**1,293,475**
EQUITY				
Share capital	16	266,667	266,667	266,667
Additional paid in capital	16	131,611	131,611	131,611
Other reserves	16	96,604	88,443	88,443
Retained earnings/(Accumulated deficit)		137,718	(11,695)	(159,215)
Cumulative translation differences		(88,413)	(71,373)	(38,935)
Equity attributable to the Company's owners		**544,187**	**403,653**	**288,571**
Non-controlling interest		538	536	-
TOTAL EQUITY		**544,725**	**404,189**	**288,571**
LIABILITIES				
Non-current liabilities				
Borrowings	17	299,915	5,825	-
Deferred income tax liability	27	22,022	25,926	28,778
Other non-current liabilities		1,764	-	-
Total non-current liabilities		**323,701**	**31,751**	**28,778**
Current liabilities				
Borrowings	17	28,827	238,966	11,681
Trade and other payables	18	441,902	366,245	445,540
Income tax payable		5,079	6,708	-
Other taxes payables		1,704	1,252	17,169
Contract liabilities	19	872,932	234,255	500,411
Dividends payable		8,443	11,820	-
Other liabilities		2,407	1,719	1,325
Total current liabilities		**1,361,294**	**860,965**	**976,126**
TOTAL LIABILITIES		**1,685,995**	**892,716**	**1,004,904**
TOTAL EQUITY AND LIABILITIES		**2,229,720**	**1,296,905**	**1,293,475**

*See Note 6 for details

Approved for issue and signed on 29 June 2022.

Bo Inge Andersson	**K.J. Umurzakov**	**A.I.Yakubov**
General Director	Chief Financial Officer	Chief Accountant
Tashkent, Uzbekistan	Tashkent, Uzbekistan	Tashkent, Uzbekistan

O'ZBEKISTON RESPUBLIKASI ANDIJON VILOYATI "UZAUTO MOTORS" AKSIYADORLIK JAMIYATI * REPUBLIC OF UZBEKISTAN ANDIJAN REGION "UZAUTO MOTORS" JOINT STOCK COMPANY * UzAuto Motors

The notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

JSC "UZAUTO MOTORS"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(in thousands of US Dollars, unless otherwise stated)

	Notes	2021	2020 (Restated)*
Revenue from contracts with customers	20	2,162,333	2,623,554
Cost of sales	21	(1,836,945)	(2,250,538)
Gross profit		**325,388**	**373,016**
General and administrative expenses	22	(93,053)	(86,116)
Selling expenses	23	(57,323)	(56,612)
Expected credit losses on trade receivables	14	(1,424)	(7,279)
Other operating income, net	24	26,963	7,361
Operating profit		**200,551**	**230,370**
Finance income		20,060	29,039
Finance costs	25	(14,851)	(18,296)
Net foreign exchange loss	26	(6,729)	(41,477)
Profit before income tax		**199,031**	**199,636**
Income tax expense	27	(33,012)	(39,581)
Profit for the year		**166,019**	**160,055**
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		(17,040)	(32,438)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**148,979**	**127,617**
Profit is attributable to:			
Owners of the Company		166,017	159,519
Non-controlling interest		2	536
Total comprehensive income is attributable to:			
Owners of the Company		148,977	127,081
Non-controlling interest		2	536

*See Note 6 for details

Approved for issue and signed on 29 June 2022.

Bo Inge Andersson
General Director
Tashkent, Uzbekistan

K.J. Umurzakov
Chief Financial Officer
Tashkent, Uzbekistan

A.I. Yakubov
Chief Accountant
Tashkent, Uzbekistan

The notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in thousands of US Dollars, unless otherwise stated)

	Attributable to owners of the Company						
	Share capital	Additional paid in capital	Other reserves	Cumulative translation differences	Retained earnings/ (Accumu-lated deficit)	Non-controlling interest	Total
Balance at 1 January 2020 - As previously issued	**266,667**	**131,611**	**88,443**	**(38,689)**	**(92,102)**	**-**	**355,930**
Correction of error	-	-	-	(246)	(67,113)	-	**(67,359)**
Balance at 1 January 2020 - As restated*	**266,667**	**131,611**	**88,443**	**(38,935)**	**(159,215)**	**-**	**288,571**
Profit for the year	-	-	-	-	159,519	536	160,055
Other comprehensive loss for the year	-	-	-	(32,438)	-	-	(32,438)
Total comprehensive income for the year	**-**	**-**	**-**	**(32,438)**	**159,519**	**536**	**127,617**
Dividends declared	-	-	-	-	(11,999)	-	(11,999)
Balance at 31 December 2020 - As restated*	**266,667**	**131,611**	**88,443**	**(71,373)**	**(11,695)**	**536**	**404,189**
Profit for the year	-	-	-	-	166,017	2	166,019
Other comprehensive loss for the year	-	-	-	(17,040)	-	-	(17,040)
Total comprehensive income for the year	**-**	**-**	**-**	**(17,040)**	**167,017**	**2**	**148,979**
Other movements	-	-	8,161	-	(8,161)	-	-
Dividends declared	-	-	-	-	(8,443)	-	(8,443)
Balance at 31 December 2021	**266,667**	**131,611**	**96,604**	**(88,413)**	**137,718**	**538**	**544,725**

*See Note 6 for details

Approved for issue and signed on 29 June 2022.

Bo Inge Andersson
General Director
Tashkent, Uzbekistan

K.J. Umurzakov
Chief Financial Officer
Tashkent, Uzbekistan

A.I. Yakubov
Chief Accountant
Tashkent, Uzbekistan

O'ZBEKISTON RESPUBLIKASI ANDIJON VILOYATI "UZAUTO MOTORS" AKSIYADORLIK JAMIYATI * REPUBLIC OF UZBEKISTAN ANDIJAN REGION "UZAUTO MOTORS" JOINT STOCK COMPANY * UzAuto Motors

JSC "UZAUTO MOTORS"

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands of US Dollars, unless otherwise stated)

	Notes	2021	2020
Cash flows from operating activities			
Profit before income tax		199,031	199,636
Adjustments for:			
Depreciation of property, plant and equipment	9	32,229	37,363
Amortisation of intangible assets		505	602
Loss/(Gain) on disposal of property, plant and equipment	24	4,271	(1,501)
Expected credit losses on trade receivables	14	1,424	7,279
Net foreign exchange loss	26	6,729	41,477
Finance income		(20,060)	(29,039)
Finance costs	25	14,851	18,296
Operating cash flows before working capital and other changes		**238,980**	**274,113**
Net change in:			
Trade and other receivables		56,279	(77,127)
Advances paid to suppliers		(72,744)	(60,385)
Inventories		(455,473)	154,367
Restricted deposits		23,321	126
Restricted cash		19,873	30,373
Other non-current assets		(6,405)	2,206
Trade and other payables		82,145	(132,519)
Contract liabilities		660,347	(266,156)
Taxes and related charges payable		484	(15,917)
Other liabilities		2,452	(302)
Operating cash flows before interest and income tax		**549,259**	**(91,221)**
Interest paid on borrowings	17	(4,801)	(5,539)
Interest paid on trade payables		(7,036)	(9,398)
Interest received		17,966	14,037
Income tax paid		(37,780)	(33,071)
Net cash generated by/(used in) operating activities		**517,608**	**(125,192)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(241,805)	(88,189)
Proceeds from sale of property, plant and equipment		1,375	3,416
Capitalised interest paid	17	(7,024)	(247)
Purchase of intangible assets		(1,380)	(1,394)
Loans issued		(5,194)	(4,489)
Repayment of loans issued		1,345	-
Bank deposits placements		(287,259)	(90,034)
Proceeds from bank deposits matures		67,371	65,895
Net cash used in investing activities		**(472,571)**	**(115,042)**
Cash flows from financing activities			
Proceeds from borrowings	17	323,861	345,057
Repayment of borrowings	17	(239,899)	(112,405)
Dividends paid to the Company's shareholders		(11,820)	-
Net cash generated by financing activities		**72,142**	**232,652**
Net increase/(decrease) in cash and cash equivalents		**117,179**	**(7,582)**
Cash and cash equivalents at the beginning of the year	12	**28,965**	**45,724**
Effect of exchange rate changes on cash and cash equivalents		(739)	5,537
The effect of translation to presentation currency		(9,385)	(14,714)
Cash and cash equivalents at the end of the year	12	**136,020**	**28,965**

Approved for issue and signed on 29 June 2022.

Bo Inge Andersson
General Director
Tashkent, Uzbekistan

K.J. Umurzakov
Chief Financial Officer
Tashkent, Uzbekistan

A.I. Yakubov
Chief Accountant
Tashkent, Uzbekistan

UzAuto Motors

The notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

(in thousands of US Dollars, unless otherwise stated)

1. GENERAL INFORMATION

Organisation and operations

JSC "UzAuto Motors" (the "Company") and its subsidiaries (together referred to as the "Group") is a manufacturer of vehicles and sells vehicles and spare parts under the brand of Chevrolet to dealers and distributors mainly in Uzbekistan and Kazakhstan.

The Company was established as a joint venture company with Daewoo Motor Company in March 1993. In October 2005, the Company became wholly-owned by JSC "Uzavtosanoat" (the "Parent Company"). Based on Decree of President of the Republic of Uzbekistan № PP-800, the Company was recognized as a joint stock company "General Motors Uzbekistan" and is domiciled in Uzbekistan. The Company changed its name from JSC "General Motors Uzbekistan" to JSC "UzAuto Motors" effective from 1 July 2019.

In October 2017, the Parent Company and General Motors Company, USA ("GM") agreed to create the GM Alliance, which is a new cooperation platform that meets the needs of the Uzbekistan growing automotive industry. GM Alliance also provides an access to GM's automotive technologies and know-how. Within the GM Alliance, the Parent Company assumes full control over operating activity in the production of cars and car engines, including the promotion of automobiles under Ravon brand, which are also sold in export markets. On 25 August 2020, the Parent Company which is the sole shareholder of the Company agreed to establish "UzAuto Passenger Vehicles Management" LLC which is an immediate Parent Company of the Group (the "Immediate Parent Company"). The Immediate Parent Company is the sole shareholder of the Company.

The Parent Company is the state-owned company, which is the dominant controlling body (equivalent of a government Ministry) of the automotive industry within the Republic of Uzbekistan. As at 31 December 2021, the ultimate controlling party of the Company was the Government of the Republic of Uzbekistan.

The Company's registered address is 81 Xumo Street, Asaka, Andijan region, Republic of Uzbekistan. The Group's manufacturing facilities are primarily based in Asaka (Andijan Region), Pitnak city (Khorezm Region) and Tashkent, Uzbekistan. Ten automobile models under the Chevrolet and Ravon brands were produced in these facilities during 2021 and 2020. The maximum production capacity of the Company is approximately 415 thousand vehicles annually.

As at the end of the reporting year, the Company owns the following subsidiaries:

	Proportion of ownership interest/ voting rights, %			
	31 December 2021	31 December 2020	Country	Nature of business
"Kurgontepa Tibbiyot Diagnostika Markazi" LLC	100.00%	100.00%	Uzbekistan	Service
"Khonobod Sihatgohi" LLC	100.00%	100.00%	Uzbekistan	Service
"Grand Auto Palace" LLC	100.00%	100.00%	Uzbekistan	Service
"UzLogistic" LLC	99.66%	99.66%	Uzbekistan	Service
"Research and Development Center" LLC	100.00%	100.00%	Uzbekistan	Service
"Avtosanoat-Injiniring" LLC	97.73%	97.25%	Uzbekistan	Service

In February 2020, a decision was made to incorporate "Research and Development Center" LLC. The interest of the Group is 100%. In April 2020, the Company purchased 99.66% of interest in the share capital of "UzLogistic" LLC which specialises in the transportation of goods and logistic services for the cash consideration of US Dollars 6,280 thousand (at the official exchange rate as at date of the decision of Supervisory Board). In March 2020, the Company acquired a 95.46% share in "Avtosanoat-Injiniring" LLC by transferring the Company’s share in “Avtosan Universal Servis” LLC in the amount of US Dollars 5,960 thousand (at the official exchange rate as at date of the decision of Supervisory Board) as consideration. In August 2020, and June 2021, the Company acquired an additional 1.80%, and 0.41%, share of "Avtosanoat-Injiniring" LLC for the cash consideration of US Dollars 18,609 thousand, and US Dollars 3,323 thousand, respectively (at the official exchange rate as at date of the decision of Supervisory Board). In September 2020, “Asaka Automotive Plant” LLC was liquidated. All these entities were under common control of the Parent Company.

As at 31 December 2021 and 2020, the Company had in total 11,196 and 11,225 employees, respectively.

Business environment

The Uzbekistan economy continues to display characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets.

Economic stability in Uzbekistan is largely dependent upon the effectiveness of economic measures undertaken by the Government of Uzbekistan, together with other legal, regulatory and political developments, all of which are beyond the Group’s control.

The Group’s financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations, which greatly impact Uzbek automotive markets and the economy overall.

Management is taking necessary measures to ensure sustainability of the Group’s operations, however the management is unable to predict the effectiveness and continuity of such political and economic developments and their impact, if any, on the Group’s financial performance.

In June 2021, S&P Global Ratings affirmed its long and short-term foreign and local currency ratings on Uzbekistan at ‘BB-/B’. However, the outlook was raised to stable. The decision was made due to the slowdown in the growth of country’s external debt, improved fiscal policy and reforms.

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Uzbek authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Uzbekistan and have negatively impact businesses, market participants, clients of the Group, as well as the Uzbek and global economy. During 2021, the business environment has gradually recovered from the coronavirus pandemic, and began actively restoring its activities as it was before pandemic.

At the time of issuing these consolidated financial statements, the pandemic had a significant impact on the Group’s sales as follows. In 2020, there was an increase in demand for computer and medical equipment as a result of the pandemic. Accordingly, manufacturers of semiconductor chips used in the production of passenger cars have reoriented their supply chains to the consumer electronics and medical sectors. As a result, a shortage of semiconductor chips is affecting the Group and decreasing the volume of cars it is able to produce and sell, and has driven increase in work in progress and contract liabilities. The Group continues to work closely with GM in order to resolve this issue and believes that components containing microchips can be transported quickly via air shipments if required. Management expect the semiconductor supply shortage to have a temporary impact on Group’s business. There has been no significant impact on liquidity, solvency and other financial performance indicators, however future effects cannot be predicted.

The future effects of the current economic situation and the above measures are difficult to predict, and management’s current expectations and estimates could differ from actual results. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

2. BASIS OF PREPARATION

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

These consolidated financial statements were authorised for issue by the management on 29 June 2022.

Going concern

Management prepared these consolidated financial statements on a going concern basis. In assessing its going concern status, management of the Group has taken account of its financial position, expected future trading performance, its borrowings and other available credit facilities, its forecast compliance with covenants on those borrowings, its capital expenditure commitments and future expansion plans, and analysed the impact of macro-economic developments on the operations of the Group.

Thus, the Group sees its activities as going concern and continuing to be in the foreseeable future. The Group has neither the intention nor the need to liquidate or significantly reduce the scale of its operations. The directors believe that there are no material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern, and, as a result, these consolidated financial statements have been prepared under the going concern basis of accounting.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

The consolidated financial statement of the Group incorporate the financial statements of the Company and all its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company has the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control defined above. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of loss of control.

For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as non-controlling interests in the equity section of the consolidated statement of financial position. The non-controlling interest may initially be measured either at fair value or at the non-controlling interest’s proportionate share of the fair value of the subsidiary’s identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated on consolidation.

Functional currency

The functional currency of the Company and all its subsidiaries of the Group is the Uzbek Sum (“UZS”).

Presentation currency

These consolidated financial statements are presented in US Dollars (“USD”), as management believes it is a more convenient presentation currency for its users and a common presentation currency in the automotive industry.

The translation from functional currency into presentation currency is performed as follows:

- *assets and liabilities* are expressed in the presentation currency using exchange rates prevailing at each reporting date;
- *profit or loss* items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used;
- *exchange differences* are presented in the *Cumulative translation differences* within the statement of changes in equity; and

(in thousands of US Dollars, unless otherwise stated)

- *cash flows*: cash balances at beginning and end of each reporting period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the period presented, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Resulting exchange differences are presented as *The effect of translation to presentation currency*.

Exchange rates used in the preparation of these consolidated financial statements are as follows:

	31 December 2021	31 December 2020
1 USD exchange rates, UZS		
Closing exchange rates at the end of the year	10,837.66	10,476.92
Average exchange rates for the year ended	10,609.98	10,055.78

Foreign currency

In preparing the Group's consolidated financial statements, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Property, plant and equipment

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

Depreciation is calculated on a straight-line method over their estimated useful lives of the assets, as follows:

	Useful lives in years
Buildings and improvements	7-30
Machinery and equipment	5-25
Motor vehicles	5
Computer and office equipment	5-7

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of non-financial assets

At each reporting date, the Group 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

Financial instruments

Financial assets

Financial assets are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets primarily include Cash and cash equivalents, restricted cash, bank deposits, restricted deposits, trade and other receivables, loans issued and are measured at amortised cost.

The Group neither applies hedge accounting nor has any financial instruments measured at fair value through other comprehensive income.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowance.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Impairment of financial assets

In accordance with IFRS 9 Financial instruments, the Group evaluates at each reporting period whether there is any objective evidence that financial assets measured at amortised cost are impaired under an expected credit loss model. The amount of expected credit losses (“ECL”) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and other receivables (the “simplified approach” under IFRS 9 Financial instruments). ECL on these financial assets are estimated using a provision matrix based on the Group historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and the forecast direction of conditions at the reporting date.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The expected loss rates are based on the payment profiles of foreign dealers over a period of 36 months before each balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Derecognition of financial assets

The management of the Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transferred nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities primarily consist of trade and other payables, borrowings and dividends payable. They are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Borrowings. Borrowings (consisting of debt securities issued, borrowings from bank, other borrowings and lease liabilities) are initially recognised at fair value adjusted for directly attributable transaction costs and are subsequently accounted at amortised cost using the effective interest method.

Derecognition of financial liabilities

The management of the Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group liabilities for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in these consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised 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 utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates that have been enacted or substantially enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the management of the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the management of the Group intends to settle its current tax assets and liabilities on a net basis.
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or loss or directly in equity, in which case, the current and deferred tax are also recognised in the statement of comprehensive income or in the statement of changes in equity, respectively.

Inventories

Inventories are recorded at the lower of cost and net realisable value. On 1 January 2021, the Group elected to change the cost formula used for inventories for the purposes of consistency with the industry practice. The Group has previously used the first-in, first-out cost formula. Starting from 1 January 2021 the cost of inventories is determined using the weighted average cost formula. The Group have assessed that the effect of change was not material to prior period consolidated financial statements. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

The Group provides an assurance-type warranty within 3 years or 100,000 km after the sale (whichever comes first). The Group estimates the costs that may be incurred under its assurance warranty obligations and records a liability in the amount of such costs when a product is sold and revenue is recognised. Factors that affect the Group's warranty liability include the number of sold units, historical and anticipated rates of warranty claims of each model. The Group periodically reassesses its warranty liabilities and adjusts the amounts as necessary.

Revenue recognition

Revenue is income arising from sales of products in the ordinary course of the Group's business.

The Group realised car sales on the domestic market through commissioners acting as agents. The Group recognises revenue at a point in time when control is transferred to a final customer. In some cases, customers have a right to return faulty products, and in other cases – they have a right to have the faulty product repaired. Accumulated experience and market data are used to estimate and provide for such obligations.

In general, the sales are made with full prepayment terms. The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less. Certain domestic sales are carried out on instalment terms. On these sales, revenue is recognised at fair value of sales proceeds which is the net present value of future consideration.

4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of accounting policies, management is required to make judgements that have a significant impact on the amounts recognised, and to make 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 to be reviewed on an ongoing basis. Revisions to accounting estimates will be recognised 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.

Critical judgements in applying accounting policies

No critical judgements have been applied when selecting the appropriate accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Liability and litigation risks

During the course of bankruptcy proceedings in respect of CJSC PII “UzDaewoo-Voronezh”, LLC “UzDaewoo Avto-Ufa” and LLC “UzavtoRus”, which are all located in Russia, bankruptcy trustees filed a lawsuit against the Company and the Parent Company, claiming that the Company was liable under subsidiary liability for the obligations of CJSC PII “UzDaewoo-Voronezh”, LLC “UzDaewoo Avto-Ufa” and LLC “UzavtoRus”. If the outcome of these legal proceedings is detrimental to the Group, the Group may be required to pay substantial compensatory and punitive damages, to pay fines or to carry out other costly actions. Litigations often involve complex legal issues and are connected with a high degree of uncertainty. Accordingly, the assessment of whether an obligation exists on the balance sheet date as a result of an event in the past, and whether a future cash outflow is likely and the obligation can be reliably estimated, largely depends on estimations by the management. The Group regularly evaluates the current stage of legal proceedings, also with the involvement of external legal counsel. It is therefore possible that the amounts of provisions for pending or potential litigation will have to be adjusted due to future developments. Changes in estimates and premises can have a material effect on the Group’s future profitability. It is also possible that provisions recognised for some legal proceedings may turn out to be insufficient once such proceedings have ended. The Group may also become liable for payments in legal proceedings for which no provisions were established. The final resolution of any such proceedings could have a material effect on the Group’s operating results and cash flows for a particular reporting period. Further information on liability and litigation risks and regulatory proceedings is provided in note 28.

Taxation

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

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

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

(in thousands of US Dollars, unless otherwise stated)

5. ADOPTION OF NEW AND REVISED STANDARDS

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

IFRS 17 (including the June 2020 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference 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
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Management does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

6. RESTATEMENT

Subsequent to the issuance of the Group's financial statements for the year ended 31 December 2020, the Group's management identified that the useful life of the group of intangible assets representing rights and know-how was initially inaccurately overstated, therefore this group of intangible assets were amortised inappropriately. This error resulted in a material understatement of accumulated amortisation recognised prior to 2020 and a corresponding overstatement of the carrying value of intangible assets. As a result, intangible assets, related deferred tax, and equity of the Group as at 1 January 2020 and 31 December 2020, and corresponding amounts in consolidated statement of profit or loss and other comprehensive income relating to amortisation of intangible assets, classified within cost of sales, and the related income tax expense for the year ended 31 December 2020 have been restated from the amounts previously reported. The cumulative translation differences and exchange differences on translation to presentation currency recognised in other comprehensive income were also restated.

The effect of restatement on the Statement of Financial Position as at 31 December 2020 is as follows:

	As previously reported	**Adjustment**	**As restated**
Intangible assets	60,774	(59,244)	1,530
(Retained earnings)/Accumulated deficit	(50,040)	61,735	11,695
Cumulative translation differences	77,143	(5,770)	71,373
Deferred income tax liability	(29,205)	3,279	(25,926)
Total assets	1,356,149	(59,244)	1,296,905
Total liabilities	(895,995)	3,279	(892,716)
Total equity	(460,154)	55,965	(404,189)

(in thousands of US Dollars, unless otherwise stated)

The effect of restatement on the Statement of Financial Position as at 1 January 2020 is as follows:

	As previously reported	Adjustment	As restated
Intangible assets	71,462	(70,615)	847
Accumulated deficit	92,102	67,113	159,215
Cumulative translation differences	38,689	246	38,935
Deferred income tax liability	(32,034)	3,256	(28,778)
Total assets	1,364,090	(70,615)	1,293,475
Total liabilities	(1,008,160)	3,256	(1,004,904)
Total equity	(355,930)	67,359	(288,571)

The effect of restatement on the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020 is as follows:

	As previously reported	Adjustment	As restated
Cost of sales	(2,255,577)	5,039	(2,250,538)
Income tax expense	(39,920)	339	(39,581)
Exchange differences on translation to presentation currency	(38,454)	6,016	(32,438)
Total comprehensive income for the year	**116,223**	**11,394**	**127,617**

7. SEGMENT INFORMATION

The Group's Executive Board (the Chief Operating Decision Maker (CODM)) examines the Group's performance from a product perspective and has identified two reportable segments of its business:

- Local production – manufacturing of automobiles and selling them in Uzbekistan and certain CIS countries; and
- Single Unit Pack (SUP basis) – selling imported automobiles on a local market. This includes the following Chevrolet models: Tahoe, Traverse, Equinox, Trailblazer, Malibu, and Tracker which are imported from Thailand, China, Republic of Korea, and USA.

Semi-Knocked Down (SKD basis) – import of sets of partly put together parts with a final assembling on the Group's production facilities for sale to customers. The Group has mostly ceased this business activity in 2021 and therefore it doesn't longer constitute a separate operating segment and thus was included for the CODM reporting purposes into the SUP segment.

All other segments – manufacturing and sale of spare parts, selling imported automobiles in Uzbekistan and certain CIS countries, and other activities, which are not reportable operating segments, as they are not separately reviewed by the Executive Board in order to make decisions about resources to be allocated and assess performance.

The CODM review the Group's internal reporting in order to assess performance and allocate resources. Internal reporting is based on measures that are different from measures used in these consolidated financial statements.

(in thousands of US Dollars, unless otherwise stated)

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

At 31 December 2021, the outstanding balances with related parties specified below were as follows:

	Parent Company	Companies under common control and significant influence of the Parent Company	Total
Restricted deposits	-	181	**181**
Loans issued	-	2,986	**2,986**
Trade and other receivables	77	56,800	**56,877**
Advances paid to suppliers	202	42,466	**42,668**
Borrowings	2,366	-	**2,366**
Trade and other payables	349	13,423	**13,772**
Dividends payable	8,442	-	**8,442**

The transactions with related parties for the year ended 31 December 2021 were as follows:

	Parent Company	Companies under common control and significant influence of the Parent Company	Total
Sales of goods	6	8,817	**8,823**
Other income	-	219	**219**
Purchases of raw materials and consumables	7,021	515,162	**522,183**
Dealer's commission	-	19,592	**19,592**

At 31 December 2020, the outstanding balances with related parties were as follows:

	Parent Company	Companies under common control and significant influence of the Parent Company	Total
Restricted deposits	-	1,500	**1,500**
Loans issued	-	3,372	**3,372**
Trade and other receivables	28	51,859	**51,887**
Advances paid to suppliers	-	35,453	**35,453**
Borrowings	6,118	71	**6,189**
Trade and other payables	5,261	48,079	**53,340**
Dividends payable	11,820	-	**11,820**

(in thousands of US Dollars, unless otherwise stated)

The transactions with related parties for the year ended 31 December 2020 were as follows:

	Parent Company	Companies under common control and significant influence of the Parent Company	Total
Sales of goods	-	1,014	**1,014**
Other income	-	3,602	**3,602**
Purchases of raw materials and consumables	8,070	759,671	**767,741**
Dealer's commission	-	25,164	**25,164**

The Group is a government related entity, as it is ultimately controlled by the Government of the Republic of Uzbekistan. Therefore in respect of other related parties transactions except for those disclose above, the Group chose to apply the exemption in IAS 24 Related Party Disclosures in relation to its government related transactions and outstanding balances, including commitments.

The table below summarizes individually significant government related balances:

	31 December 2021	31 December 2020
Cash and cash equivalents	117,439	13,974
Restricted cash	66,292	87,963
Restricted deposits	5,414	4,281
Bank deposits	84,262	88,628
Total individually significant government related balances	**273,407**	**194,846**

During 2020 US Dollars 116,945 thousand of borrowings were received be the Group from the banks controlled by the Government of the Republic of Uzbekistan and fully repaid during 2021.

Other government related balances and transactions that are collectively, but not individually, significant are represented by tax, customs, utility and similar charges.

Key management compensation

Key management includes General Director, twenty one other members of the Executive Board, the Chief Accountant, and the Head and Deputy Head of Internal Audit.

Key management compensation is presented below:

	2021	2020
Short-term benefits:		
Salaries	753	751
Short-term bonuses	249	321
State pension and social security costs	118	267
Total key management compensation	**1,120**	**1,339**

(in thousands of US Dollars, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment were as follows:

	Buildings and improve-ments	Machinery and equipment	Motor vehicles	Computer and office equipment	Advances, construction in progress and equipment for installation	Total
Cost at 1 January 2020	147,855	840,131	40,809	16,611	26,700	1,072,106
Accumulated depreciation	(73,182)	(642,327)	(34,963)	(14,655)	-	(765,127)
Carrying amount at 1 January 2020	**74,673**	**197,804**	**5,846**	**1,956**	**26,700**	**306,979**
Additions	-	-	-	-	88,436	88,436
Disposals	(30)	(322)	(16)	-	(1,547)	(1,915)
Transfers	1,292	2,377	573	300	(4,542)	-
Depreciation charge	(5,050)	(29,699)	(1,692)	(922)	-	(37,363)
The effect of translation to presentation currency	(6,784)	(17,163)	(494)	(157)	(5,782)	(30,380)
Carrying amount at 31 December 2020	**64,101**	**152,997**	**4,217**	**1,177**	**103,265**	**325,757**
Cost at 31 December 2020	135,322	730,369	37,525	15,106	103,265	1,021,587
Accumulated depreciation	(71,221)	(577,372)	(33,308)	(13,929)	-	(695,830)
Carrying amount at 31 December 2020	**64,101**	**152,997**	**4,217**	**1,177**	**103,265**	**325,757**
Additions	-	-	-	-	251,315	251,315
Disposals	(10)	(5,394)	(180)	(38)	-	(5,622)
Transfers	7,217	38,610	3,583	801	(50,211)	-
Depreciation charge	(4,876)	(25,383)	(1,433)	(537)	-	(32,229)
The effect of translation to presentation currency	(2,182)	(5,256)	(182)	(44)	(7,663)	(15,327)
Carrying amount at 31 December 2021	**64,250**	**155,574**	**6,005**	**1,359**	**296,706**	**523,894**
Cost at 31 December 2021	137,865	694,450	36,435	13,758	296,706	1,179,214
Accumulated depreciation	(73,615)	(538,876)	(30,430)	(12,399)	-	(655,320)
Carrying amount at 31 December 2021	**64,250**	**155,574**	**6,005**	**1,359**	**296,706**	**523,894**

As at 31 December 2021, machinery and equipment includes assets, such as production accessories tools leased out (under operating leases) in the amount of US Dollars 13,419 thousand (31 December 2020: US Dollars 19,890 thousand).

As at 31 December 2021, part of the advances, construction in progress and equipment for installation additions during the year represents advances paid in respect of development of new SUV-B and B-segment models under the GEM platform totaling US Dollars 58,923 thousand (31 December 2020: none).

As at 31 December 2021, no property, plant and equipment was pledged. As at 31 December 2020, machinery and equipment carried at US Dollars 97,733 thousand was pledged to third parties as collateral for the credit line from JSCB "Asaka" (Note 17).

As at 31 December 2021, the gross carrying amount of fully depreciated property, plant and equipment still in use is US Dollars 403,015 thousand (31 December 2020: US Dollars 449,366 thousand).

(in thousands of US Dollars, unless otherwise stated)

10. BANK DEPOSITS

	31 December 2021	31 December 2020
B- rating (Fitch)	197,109	-
B1 rating (Moody's)	74,754	-
BB- rating (Fitch)	39,227	-
B rating (Fitch)	4,614	-
B2 rating (Moody's)	-	90,702
Total bank deposits	**315,704**	**90,702**
Less short-term portion	124,290	4,136
Total long-term bank deposits	**191,414**	**86,566**

As at 31 December 2021, interest rate on deposits were 1.5% to 17.0% per annum (31 December 2020: 1.5% to 18.0% per annum) depending on maturity and nominal currency.

11. RESTRICTED DEPOSITS

Restricted deposits consist mainly of a deposit with JSCB “Asaka” (B1 - Moody's) at 7.5% per annum, which is held as collateral in Uzbek Sums for the issuance of car loans by the bank to customers at a rate of no more than 5%. The deposits mature in 2022 and 2023.

12. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash and cash equivalents in foreign currencies	94,627	23,238
Cash and cash equivalents in UZS	41,393	5,727
Total cash and cash equivalents	**136,020**	**28,965**

The credit quality of cash and cash equivalents balances at year end is summarised based on Moody’s and S&P’s ratings as follows:

	31 December 2021	31 December 2020
B1 rating (Moody's)	124,884	-
B- rating (S&P’s)	11,074	-
BB- rating (S&P's)	62	2,352
B2 rating (Moody's)	-	26,613
Total cash and cash equivalents	**136,020**	**28,965**

13. RESTRICTED CASH

Restricted cash mainly includes cash resources in the amount of US Dollars 65,044 thousand (2020: US Dollars 87,239 thousand) in JSCB “Asaka” (B1 rate by Moody's), which are subject to restrictions stipulated by the regulations of the letter of credit transaction with JSCB “Asaka”. Therefore, they are not available for immediate or general business use by the Group until the full execution of contracts with suppliers of raw materials.

(in thousands of US Dollars, unless otherwise stated)

14. TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
Trade receivables from legal entities	73,425	98,795
Trade receivables from individuals	26,882	128,585
Other financial receivables	75,335	24,888
Less expected credit loss allowance	(14,326)	(13,377)
Total financial assets within trade and other receivables	**161,316**	**238,891**
Prepayments	45,460	32,281
Total trade and other receivables	**206,776**	**271,172**

Sales to domestic customers are mainly carried out under the terms of full and partial payment in advance that reduces exposure to credit risk. Regarding domestic sales made on instalment basis to individuals, these sales contracts are secured by the insurance company which bears the risk of customer default for the total amount of outstanding payments under the instalment agreement. The Group does not expect credit losses in relation to these sales, therefore no expected credit loss allowance was recognised in respect to receivables from domestic individuals. Other financial receivables consist of receivables derived from activities other than the core business of the Group.

Movements in the allowance for expected credit losses on trade and other accounts receivable are as follows:

	2021	2020
At 1 January	**13,377**	**7,184**
(Reversal)/Accrual of allowance	1,424	7,279
Effect of translation to presentation currency	(475)	(1,086)
At 31 December	**14,326**	**13,377**

The analysis of trade and other financial receivables is as follows:

	31 December 2021	31 December 2020
Trade receivables secured by insurance against financial risks	26,882	128,585
Trade and other financial receivables not past due	134,075	91,601
Trade and other receivables past due and collectively assessed		
- less than 180 days overdue	363	22,243
- over 180 days overdue	2,973	6,258
Total trade and other financial receivables past due and collectively assessed, gross	3,336	28,501
Trade and other financial receivables individually determined to be impaired, gross	11,349	3,581
Expected credit loss allowance		
Allowance for expected credit losses assessed on portfolio basis	(2,977)	(9,796)
Allowance for expected credit losses assessed on an individual basis	(11,349)	(3,581)
Total expected credit loss allowance	(14,326)	(13,377)
Total financial assets within trade and other receivables	**161,316**	**238,891**

(in thousands of US Dollars, unless otherwise stated)

15. INVENTORIES

	31 December 2021	31 December 2020
Goods in transit	247,207	141,836
Raw materials and spare parts	232,010	99,204
Finished goods	167,952	93,113
Work in progress	119,867	1,752
Total inventories	**767,036**	**335,905**

Increases in goods in transit and raw materials and spare parts are mainly attributable to increases in the volume of materials needed to meet the excess demand of vehicles and increase in delivery time of goods driven by the effect of the COVID-19 pandemic on global supply chains.

In response to the ongoing global microchip shortage, the Group has implemented a strategy, wherein certain vehicles are produced without semiconductors, which resulted in an increase in finished goods.

Work in progress as at 31 December 2021 includes cars completed but awaiting installation of components affected by the semiconductor supply shortage, after which, they will proceed through an additional quality review process prior to being shipped to customers.

16. SHARE CAPITAL AND OTHER RESERVES

The nominal registered amount of the Company's issued share capital as at 31 December 2021 was US Dollars 266,667 thousand (2020: US Dollars 266,667 thousand). The Immediate Parent Company is the sole shareholder of the Company. The total authorised number of ordinary shares as at 31 December 2021 is 344,000,017 thousand shares (2020: 344,000,017 thousand shares) with a par value of Uzbek Sum 1 per share (2020: Uzbek Sum 1 per share). All authorised ordinary shares have been issued and fully paid and each ordinary share carries one vote. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

Additional paid in capital mainly comprises Trademark License Agreement contributed by General Motors, gains on low-yield borrowings from Parent Company and other financing obtained from shareholders in the total amount of US Dollars 131,611 thousand (2020: US Dollars 131,611 thousand).

Other reserves include additional reserve funds formed on net profit of prior years in accordance with local legislation for US Dollars 96,604 thousand (2020: US Dollars 88,443 thousand).

During 2021 dividends in the amount of US Dollars 8,443 thousand were declared and were paid in January 2022. During 2020 dividends in the amount of US Dollars 11,999 thousand were declared and were paid in January 2021.

(in thousands of US Dollars, unless otherwise stated)

17. BORROWINGS

	Carrying amounts	
	31 December 2021	31 December 2020
Eurobonds due in 2026	301,272	-
Borrowings from banks	26,286	238,615
Other borrowings	1,184	5,825
Lease liabilities	-	351
Total borrowings	**328,742**	**244,791**
Less short-term portion	28,827	238,966
Total long-term borrowings	**299,915**	**5,825**

The Group’s borrowings received from the Parent Company are denominated in UZS, debt securities issued are denominated in US Dollars and borrowings from banks are denominated in US Dollars (JSCB “Asaka”) and Euro (Credit Suisse AG).

Eurobonds due in 2026

In April 2021, the Group issued on the London Stock Exchange US Dollars 300,000 thousand notes with a coupon rate 4.85% and a maturity date in May 2026.

In accordance with the bond issuance agreement, there are a number of financial covenants, principally to have a consolidated net leverage ratio of less than 3.75, and non-financial covenants. As at 31 December 2021 and for the year then ended, the Group was in compliance with the covenants.

Euro-denominated term loan facility made by Credit Suisse AG

The Group’s term loan facility is a euro-denominated facility provided by Credit Suisse AG with an interest rate Euribor+3.25% for the purchase of property, plant and equipment and replenishment of working capital.

In accordance with the agreement, there are a number of financial covenants, principally to have a its leverage ratio of less than 3, interest coverage ratio of less than 5, and non-financial parameters. As at 31 December 2021 and 31 December 2020 and for the years then ended, the Group was in compliance with the covenants.

Credit line from JSCB “Asaka”

This domestic bank entered into a collateralised agreement with the Group under the terms of a letter of credit, whereby, the bank assumes the credit risk of the Group paying foreign suppliers for goods and spare parts. Interest rate on the credit line was 8.5% per annum until June 2020 and 7.5% per annum thereafter. As at 31 December 2021, the outstanding balance under credit line agreement was repaid in full.

(in thousands of US Dollars, unless otherwise stated)

Interest free loans made by the Parent Company

Other borrowings are interest free borrowings received from Parent Company in 2014 to 2016. These borrowings were initially recognised at fair value using effective interest method (11% to 14% per annum) and subsequently carried at amortised cost. The gain at initial recognition was recognised as additional paid in capital. The borrowings were fully repaid in March 2022.

Reconciliation of liabilities arising from financing activities was as follows:

	Total borrowings
1 January 2020	**11,681**
Proceeds from borrowings	345,057
Repayment of borrowings	(112,405)
Interest paid	(5,786)
Total cash flow	**226,866**
Interest expense	7,957
Interest capitalised	247
Foreign exchange loss	7,884
The effect of translation to presentation currency	(9,844)
31 December 2020	**244,791**
Proceeds from borrowings	323,861
Repayment of borrowings	(239,899)
Interest paid	(11,825)
Total cash flow	**72,137**
Interest expense	6,507
Interest capitalised	9,521
Foreign exchange loss	5,876
The effect of translation to presentation currency	(10,090)
31 December 2021	**328,742**

18. TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
Trade payables	433,702	357,957
Other trade payables	8,200	8,288
Total trade and other payables	**441,902**	**366,245**

Trade payables mainly comprise short-term payables to the Group's main foreign supplier – GM Korea Company and other local suppliers of spare parts. The average credit period on purchases from suppliers is from 120 days to 150 days.

19. CONTRACT LIABILITIES

As at 31 December 2021 the majority of contract liabilities are advances received for sale of cars in the amount US Dollars 845,425 thousand (31 December 2020: 211,497). The increase is due to high demand for vehicles and the impact of the global chip shortage.

In 2021 and 2020, US Dollars 234,255 thousand and US Dollars 550,411 thousand of revenue was recognised in the current reporting period related to the contract liabilities in the form of advances received from customers as at 31 December 2020 and 31 December 2019, respectively.

(in thousands of US Dollars, unless otherwise stated)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2021	2020
Domestic sales		
Cars	1,752,133	2,421,584
Spare parts	36,741	22,420
Other	14,956	2,874
Total domestic sales	**1,803,830**	**2,446,878**
Export sales		
Cars	352,831	174,952
Spare parts	5,672	1,724
Total export sales	**358,503**	**176,676**
Total revenue from contracts with customers	**2,162,333**	**2,623,554**

The Group's export sales mainly represent sales to Kazakhstan in the amount of US Dollars 337,856 (2020: US Dollars 153,290) while the rest are sales to other CIS countries.

The Group sells vehicles and spare parts under the following brands:

	2021	2020
Chevrolet	2,083,914	2,541,367
Ravon	21,050	55,382
Other	57,369	26,805
Total revenue from contracts with customers	**2,162,333**	**2,623,554**

Sales prices are approved by the Supervisory Board for both domestic and export markets. Domestic and export sales are carried out mainly through domestic and foreign dealers respectively.

21. COST OF SALES

	2021	2020 (Restated)*
Raw materials and spare parts	1,877,886	2,046,381
Royalty fees	66,412	90,398
Payroll costs	50,636	48,275
Depreciation and amortisation	27,446	32,786
Other	14,885	21,187
Change in inventories of finished goods and work in progress	(200,320)	11,511
Total cost of sales	**1,836,945**	**2,250,538**

*See Note 6 for details

(in thousands of US Dollars, unless otherwise stated)

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Payroll costs	30,338	31,484
Services	22,440	5,909
Material expenses	8,509	6,552
Fees and other charges	6,843	27,084
Charity	6,356	5,950
Taxes other than income tax	6,247	2,168
Depreciation and amortisation	4,433	3,835
Other	7,887	3,134
Total general and administrative expenses	**93,053**	**86,116**

23. SELLING EXPENSES

	2021	2020
Dealers' commission	22,083	31,516
Transportation costs	14,734	12,106
Material expenses	8,705	2,215
Payroll costs	7,755	8,066
Fees and other charges	1,669	419
Depreciation and amortisation	855	1,344
Other	1,522	946
Total selling expenses	**57,323**	**56,612**

24. OTHER INCOME, NET

	2021	2020
Reibursement	24,518	3,255
Penalties and fines received	601	37
(Loss)/Gain from disposal of fixed assets	(4,271)	1,501
Other income, net	6,115	2,568
Total other income, net	**26,963**	**7,361**

25. FINANCE COSTS

	2021	2020
Interest expenses on trade payables	7,036	9,398
Interest expenses on borrowings	6,507	7,957
Other	1,308	941
Total finance costs	**14,851**	**18,296**

Interest expenses on borrowings mainly include interests accrued on borrowings from banks and the Parent Company using the effective interest rate method.

Interest expense on trade payables consists of interest accrued on credit purchases of spare parts from GM Korea Company.

(in thousands of US Dollars, unless otherwise stated)

26. NET FOREIGN EXCHANGE LOSS

Foreign exchange loss relates to following financial assets and liabilities:

	2021	2020
Foreign exchange loss on operating activity	2,937	33,593
Foreign exchange gain on investing activity	(2,084)	-
Revaluation of bank loans	5,876	7,884
Total net foreign exchange loss	**6,729**	**41,477**

27. INCOME TAXES

Details of current income tax expense for the years ended 31 December 2021 and 2020:

	2021	2020 (Restated)*
Current tax expense	36,119	39,779
Origination and reversal of temporary differences	(3,107)	(198)
Total income tax expense	**33,012**	**39,581**

*See Note 6 for details

The charge for the year can be reconciled to the profit before tax as follows:

	2021	2020 (Restated)*
Profit before tax	199,031	199,636
Income tax at statutory rate (15%)	29,855	29,945
Tax effect of non-taxable income	-	(403)
Tax effect of non-deductible expenses	4,550	7,425
Other	(1,393)	2,614
Income tax expense for the year	**33,012**	**39,581**

*See Note 6 for details

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting period.

	Property, plant and equipment	Other	Total
At 1 January 2020 – As restated*	**(32,782)**	**4,004**	**(28,778)**
Charge to profit or loss			
- origination and reversal of temporary differences	(5,487)	5,685	**198**
The effect of translation to presentation currency	3,254	(600)	**2,654**
At 31 December 2020 – As restated*	**(35,015)**	**9,089**	**(25,926)**
Charge to profit or loss			
- origination and reversal of temporary differences	3,089	18	**3,107**
The effect of translation to presentation currency	1,100	(303)	**797**
At 31 December 2021	**(30,826)**	**8,804**	**(22,022)**

*See Note 6 for details

The temporary differences associated with investments in the Group’s subsidiaries, for which a deferred tax assets have not been recognised as at 31 December 2021 aggregate to US Dollars 32,956 thousand (31 December 2020: US Dollars 22,519 thousand). The Group has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

28. CONTINGENCIES AND COMMITMENTS

Legal proceedings

In all the cases listed below, the Group's management assessed potential risks based on its own estimates, external professional advice, the positions of the parties, known factual circumstances, current court practice, expiration of the statute of limitations and other factors.

Claims to hold the Company and some other parties jointly liable for the obligations of CJSC PII “UzDaewoo-Voronezh” and LLC “UzavtoRus”

Prior to 2018, the Company guaranteed the debts of certain related parties (dealers) operating in Russia under loan agreements with Russian banks. During the course of the bankruptcy cases of these dealers, some creditors filed a lawsuit demanding to hold the Company and some other parties liable for the obligations of these entities. As at the date of issuing these consolidated financial statements the amount of the claims attributable to the Company is Russian Roubles 13,822 million (equivalent to US Dollars 270,363 thousand) per Russian regulations. Preliminary court hearings concerning CJSC PII “UzDaewoo-Voronezh” case has not been held as of the date of issuance of these consolidated financial statements. It is assessed that the risk of unfavourable outcome for the Company in respect of holding the Company liable under the liability as not probable due to the following: (i) the Company is not a shareholder of CJSC PII “UzDaewoo-Voronezh” and, in accordance with Russian Bankruptcy Law, the Company cannot, therefore, be presumed a controlling person and beneficiary of the alleged illegal and/or bad faith behaviour of the relevant companies making it difficult to establish liability; (ii) the bankruptcy of the relevant companies occurred during a major crisis in the automotive market in Russia, with many international suppliers ceasing to deliver cars to Russia and (iii) the statute of limitation for holding liable under certain lawsuits has expired. The Company assessed that it is not probable that the lawsuits will result in holding the Company liable for obligations of the Russian entities thus the Company did not accrue any provision in these consolidated financial statements.

On 5 February 2019, a lawsuit was filed against the Company demanding to hold the Company and the Parent Company liable as guarantor for obligations of LLC "UzavtoRus". The Moscow Arbitration Court ruling dated 23 March 2021 found there were grounds for holding the Company responsible for the obligations of LLC "UzavtoRus". The Company and the Parent Company has submitted relevant appeals in two instances, which were not satisfied by both courts of appeal. The Group has submitted the application to the Supreme Court to appeal the decision of the Arbitration Court. On 21 January 2022, the Supreme Court of the Russian Federation refuses to take over the proceeding. By the ruling of the Moscow Arbitration Court dated 10 February 2022, the proceedings on the case were resumed to determine the amount of liability. On 22 June 2022, the Company was hold liable for obligations of LLC "UzavtoRus" based on the ruling of the Moscow Arbitration Court. The amount of the claim attributable to the Company is Russian Roubles 3,405 million (equivalent to US Dollars 66,603 thousand). Taking into the consideration that the direct execution of decisions of Russian courts requires an appeal to the courts of the Republic of Uzbekistan, complexity of execution of the decisions taken by Russian court in another jurisdiction, the management of the Group evaluates the possibility of the outflow of resources from the Group in order to settle the case as not probable. Accordingly, no provision for the liability for the obligations of LLC "UzavtoRus" has been made in these consolidated financial statements.

The Group determines its best estimate of contingent liabilities on the basis of the information available at the date of preparation of the consolidated financial statements. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances.

Antimonopoly case

Several customer complaints were submitted to the Antimonopoly Committee ("AMC") against the Company following the increase in vehicle sales prices in March 2020. On 27 July 2020, the AMC started inspecting the activities of the Company, and on 19 August 2020 made a decision according to which the Company violated the rules of taxation, pricing, and sales. According to AMC, the Company caused damage to consumers in the amount of Uzbek Sums 942,891 million (equivalent of US Dollars 89,997 thousand) due to the increase in sales prices starting from March 2020.
On 17 September 2020 the Company filed a claim against AMC in the Tashkent City Administrative Court. On 30 October 2020, a decision of the City Administrative Court was issued, which annulled the AMC decision. AMC filed an appeal regarding the decision of the City Administrative Court. The court hearing was held on 18 December 2020 where the Appeal Panel heard the explanations of the parties, the opinion of the prosecutor and summed up the results of the consideration of the case. According to the decision, the ruling and special ruling of the first instance of 30 October 2020 remained unchanged, and the AMC's appeal was not satisfied. The AMC may decide to appeal to the Supreme Court regarding the decision of the Appeal Board. At the date of these consolidated financial statements AMC has not submitted any application to a Supreme Court, therefore the Group does not expect unfavourable outcome for the Company in respect of holding the Company liable thus the Group did not accrue the provision in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

From time to time, in the normal course of business, the Group is named as a defendant in various other legal actions, including arbitrations and other litigations that arise in connection with the business. Concerning matters for which the Group believes that losses are probable and can be reasonably estimated, the Group has established respective reserves. In many proceedings, however, it is inherently difficult to determine whether any losses are probably or even reasonably possible or to estimate the size or range of the possible losses. Accordingly, it is possible that an adverse outcome from such proceedings could exceed the amounts accrued in an amount that could be material to the consolidated financial statements of the Group, and its results of operations or cash flows in any particular reporting year.

Capital expenditure commitments

As of 31 December 2021 the Group has contractual capital expenditure commitments in respect of development of new SUV-B and B-segment models under the GEM platform totalling US Dollars 73,892 thousand (31 December 2020: US Dollars 64,071 thousand). The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As at 31 December 2020, the Group has guaranteed obligations of debts of local suppliers under loan agreements with JSCB “Asaka”, totaling US Dollars 38,167 thousand. As at 31 December 2021, guarantees were terminated.

The fair value of guarantees was US Dollars 668 thousand at 31 December 2020. Fair value of guarantees represents unamortised balance of fair value at initial recognition. As guarantees were issued to related parties free of charge their fair value at initial recognition was determined with reference to market price of similar instruments. Fair value at initial recognition is amortised on a straight-line basis over useful lives of guarantees.

29. FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

Market risk – Foreign currency risk

Currency risk is the risk that the financial results of the Group will be adversely affected by changes in exchange rates to which the Group is exposed. The Group undertakes transactions denominated in foreign currencies mainly in relation to the import of goods and spare parts from foreign suppliers. The Company’s borrowing are denominated in US Dollars and Euro; a substantial portion of outstanding balance of bank deposits and cash and cash equivalents are denominated in US Dollars.

(in thousands of US Dollars, unless otherwise stated)

The table below summarizes the Group's exposure to foreign currency risk:

	Monetary financial assets		Monetary financial liabilities	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
US Dollars	315,552	340,672	(652,899)	(371,305)
Euro	1,521	67,901	(23,798)	(123,293)

Currency risk is monitored regularly by performing a sensitivity analysis of foreign currency positions in order to verify that potential effects are within planned parameters. The table below details the Group's sensitivity to changes in exchange rates by 10% which is the sensitivity rate used by the Group for internal analysis. The analysis was applied to monetary items at the reporting dates denominated in the respective currencies.

If the USD or EUR exchange rate would strengthen by 10% for the years ended 31 December 2021 and 2020 compared to UZS as of the end of respective year, the Group would have incurred the following losses:

Effect on profit or loss and equity	**For the year ended 31 December 2021**	**For the year ended 31 December 2020**
Loss (USD exchange rate would strengthen by 10% compared to UZS)	33,735	3,063
Loss (EUR exchange rate would strengthen by 10% compared to UZS)	2,228	5,539

Market risk - Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Group uses financial instruments with both fixed and floating interest rates to minimize exposure to interest rate risk.

As at 31 December 2021, 2020 and 2019 years, the structure of the Group's financial instruments with floating interest rates was as follows:

	Floating interest rate as at 31 December 2021	**Floating interest rate as at 31 December 2020**
Bank deposits	59,828	-
Borrowings	(22,116)	(127,786)

The table below presents a sensitivity analysis of interest rate risk, which has been calculated based on reasonably possible changes in interest rate on financial instruments with floating interest rate. The level of these changes is determined by management. The sensitivity analysis below presents the effect of an increase by 100 basis points in the variable interest rates effective on the reporting date with the assumption that the rates and other factors remain unchanged for the years ended 31 December 2021 and 2020, the Group would have incurred the following gains or losses:

Effect on profit or loss and equity	**For the year ended 31 December 2021**	**For the year ended 31 December 2020**
(Gain)/loss	(377)	1,278

(in thousands of US Dollars, unless otherwise stated)

Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables as well as cash and deposits. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in financial institutions or the loss in value of receivables.

As at 31 December 2021, balances with one financial institution were individually more than 10%, and in aggregate represent 86% of cash and cash equivalents of the Group (31 December 2020: 2 financial institutions represented 92%).

As at 31 December 2021, balances with one financial institution were individually more than 10%, and in aggregate represent 94% of restricted cash of the Group (31 December 2020: 1 financial institution represented the total amount).

As at 31 December 2021, balances with three financial institution were individually more than 10%, and in aggregate represent 89% of bank deposits of the Group (31 December 2020: 2 financial institution represented 98%).

As at 31 December 2021, balances with four financial institution were individually more than 10%, and in aggregate represent the total amount of restricted deposits of the Group (31 December 2020: 3 financial institution represented 98%).

Local sales are mainly carried out under the terms of full and partial payment in advance that reduces exposure to credit risk. The Group does not have any limits, customer credit history or credit profiles in respect of domestic customers. The Group’s customer base is very diverse including a significant number of individuals and legal entities, therefore, concentration of credit risk is very low.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the ECL allowance already accrued (Note 14).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The liquidity position is carefully monitored and managed. The liquidity risk is managed by maintaining detailed budgeting and cash forecasting processes and matching the maturity profiles of financial assets and liabilities to help ensure that it has adequate cash available to meet payment obligations.

Presented below is the maturity profile of the financial liabilities at 31 December 2021 based on undiscounted contractual cash payments, including interest payments:

	Carrying amount as at 31 December 2021	**Less than 1 year**	**1-3 years**	**3-5 years**	**Total**
Borrowings	328,742	42,335	29,139	320,649	392,123
Trade and other payables	441,902	449,053	-	-	449,053
Dividends payable	8,443	8,443	-	-	8,443
Total financial liabilities	**779,087**	**449,831**	**29,139**	**320,649**	**849,619**

(in thousands of US Dollars, unless otherwise stated)

Presented below is the maturity profile of the financial liabilities at 31 December 2020 based on undiscounted contractual cash payments, including interest payments:

	Carrying amount as at 31 December 2020	Less than 1 year	1-3 years	Total
Borrowings	244,791	247,291	5,825	253,116
Trade and other payables	366,245	371,319	-	371,319
Dividends payable	11,820	11,820	-	11,820
Total financial liabilities	**622,856**	**630,430**	**5,825**	**636,255**

30. MANAGEMENT OF CAPITAL

The primary objective of managing the Group’s capital is to ensure that there is sufficient capital available to support the funding requirements of the Group, including capital expenditure, in a way the optimises the cost of capital, maximises shareholders’ returns and ensures that the Group remains in a sound financial position.

The Group manages and adjusts the capital structure as opportunities arise in the market place, as when borrowing mature, or as and when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof. This strategy remains unchanged from prior years.

31. FAIR VALUE DISCLOSURES

The principal financial instruments comprise cash and cash equivalents, bank deposits, restricted deposits, restricted cash, trade and other receivables, borrowings and trade and other payables. The carrying amounts of financial assets and liabilities recorded at amortised cost in these consolidated financial statements approximate their fair value, except for borrowings.

The fair value of borrowings was measured based on the present value of discounted cash flows at the market interest rate at the end of each reporting periods presented.

	Carrying value	Fair value
Borrowings at 31 December 2021	328,742	328,721
Borrowings at 31 December 2020	244,791	244,524

Whilst accounted for at amortised cost, the fair value measurement of borrowings is within Level 2 of the fair value hierarchy in accordance with IFRS 13 Fair value measurement.

32. EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the decision of Supervisory Board dated 19 May 2022, the Company disposed of its investments in LLC "Avtosanoat Injiniring" for a consideration of US Dollars 23,156 thousand (at the official exchange rate as at date of the decision of Supervisory Board).

On 19 May 2022, new participant made a contribution of US Dollars 6,000 thousand to the share capital of LLC "UzLogistic" diluting the Company’s share to 47.28%. From this date, LLC "UzLogistic" will be accounted for as a joint venture as 66.67% of votes are required to pass resolutions.

On 28 April 2022 the Group signed a facility agreement with Credit Suisse AG and Raiffeisen Bank International AG for US Dollars 64,000 thousand. As at the date of issuance of these consolidated financial statements, no funds have been drawn under this agreement.

On 8 June 2022, JSC "UzAuto Motors" has selected a Consortium of underwriters on a tender basis to organize an initial public offering (IPO) of shares on the domestic stock markets. By the end of 2022, the Company intends to list up to 5% of its shares on the Republican Stock Exchange «Toshkent».

On 24 February 2022, Russian Federation invaded Ukraine. In response, multiple jurisdictions, including the EU, Switzerland, the UK, the US, Canada, Japan and Australia have imposed economic sanctions on Russia, including measures to ban new investment, and block the largest financial institutions and several state-owned enterprises. In additions to the imposition of sanctions, a growing number of large public and private companies have announced to cease business activities in Russia. The ongoing military actions continues to lead to significant effect on a number of economies of the CIS region.

The Group operates with suppliers from Russia. To prevent the negative impact of sanctions on settlements with suppliers, the Group has taken a number of measures, including reconsidering supply chain routes, particularly for steel. The impact of these and further developments on future operations and financial position of the Group at this stage is difficult to determine, but there are no immediate impacts.