

REPORT ARCHIVE COPY



**LLP RG BRANDS KAZAKHSTAN**

Financial Statements  
For the year ended 31 December 2021  
and Independent Auditor's Report

# LLP RG BRANDS KAZAKHSTAN

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## LLP RG BRANDS KAZAKHSTAN

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

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Management is responsible for the preparation of the financial statements that present fairly the financial position of the LLP RG Brands Kazakhstan ("the Company") as at 31 December 2021, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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


The financial statements of the Company for the year ended 31 December 2021 were approved by management on 5 May 2022.

On behalf of the Company's management:

  
\_\_\_\_\_  
**Agybaev A. Y.**  
Chief Executive Officer

5 May 2022



  
\_\_\_\_\_  
**Malkovskaya O. V.**  
Chief Accountant

5 May 2022

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the financial statements of LLP RG Brands Kazakhstan ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

### Key Audit Matter

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

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**Why the matter was determined to be a key audit matter**      **How the matter was addressed in the audit**

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**Compliance with loan covenants**

As stated in Note 20 to the financial statements, as at 31 December 2021 the carrying amount of long-term loans received by the Company was 31,596,781 thousand tenge. Herewith all long-term loan agreements contain different covenant clauses covering performance indicators of the parent company RG Brands JSC and its subsidiaries. In case of a covenant breach, the lenders receive the right to demand early repayment of the loan amount.

As at the reporting date, loan agreements contained a significant number of different clauses, which makes it difficult to track compliance and increases the risks associated with the correct classification of borrowings in the financial statements. Also, breach of clauses of one loan agreement may lead to cross-default for other loan agreements.

Due to the materiality of the carrying amount of the long-term loans, as well as the direct impact of compliance with the terms of the agreements on liquidity and financial position of the Company, we have identified this issue as a key audit matter.

We obtained an understanding of the internal processes and control procedures of the Company related to monitoring of compliance with clauses included in the loan agreements.

We reviewed the register of loan agreements and carried out procedures to confirm its completeness, including reviewing the minutes of the board of directors.

We reviewed all of the Company's long-term loan agreements outstanding as at 31 December 2021 and obtained an understanding of the clauses of the agreements, including the clauses that may lead to cross-default.

We recalculated the financial covenants and compared the results with those prepared by the Company.

We ensured that the classification of the loans presented in the financial statements as at 31 December 2021 as current or non-current was correct, as well as the completeness and correctness of disclosures of the financial statements in relation to compliance with the financial covenants of long-term loan agreements.

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## **Other Information**

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

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

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

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

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

  
  
Olga Belonogova  
Engagement Partner  
Qualified Auditor  
of the Republic of Kazakhstan  
Qualification Certificate  
No. MF-0000865  
dated 13 August 2019

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

5 May 2022  
Almaty, Republic of Kazakhstan



## LLP RG BRANDS KAZAKHSTAN

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge)

	Note	2021	2020
Revenue	5	96,468,270	72,685,764
Cost of sales	6	(55,877,357)	(40,403,344)
Gross profit		40,590,913	32,282,420
Selling expenses	7	(23,529,114)	(24,134,344)
General and administrative expenses	8	(5,546,886)	(4,556,301)
<b>OPERATING PROFIT</b>		<b>11,514,913</b>	<b>3,591,775</b>
Finance costs	9	(4,110,718)	(3,272,843)
Foreign exchange gain, net	15	33,307	2,921,206
Investment gain/(loss), net		364,256	(194,797)
Other income		181,274	9,544
Profit before tax		7,983,032	3,054,885
Income tax expense	10	(1,443,958)	(1,176,442)
<b>PROFIT FOR THE YEAR</b>		<b>6,539,074</b>	<b>1,878,443</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of property, plant and equipment	11	-	3,556,524
Fair value loss on investment in equity instrument designated as at fair value through other comprehensive income		-	(754,579)
Other comprehensive income for the year, net of income tax		-	2,801,945
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>6,539,074</b>	<b>4,680,388</b>

On behalf of Company's management:

Agybaev A. Y.  
Chief Executive Officer

5 May 2022



Malkovskaya O. V.  
Chief Accountant

5 May 2022

The notes on pages 13 to 56 form an integral part of these financial statements.

## LLP RG BRANDS KAZAKHSTAN

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (in thousands of Tenge)


	Note	31 December 2021	31 December 2020
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	11	26,922,074	26,171,256
Investment property		53,037	53,037
Advances paid	12	2,006,213	1,507,604
Right-of-use assets		206,077	41,786
Intangible assets		78,787	95,940
Total non-current assets		29,266,188	27,869,623
CURRENT ASSETS:			
Inventory	13	18,006,252	8,679,266
Trade accounts receivable	14	2,120,470	1,512,670
Advances paid	12	3,396,173	1,558,801
Other financial assets	15	32,764,111	32,490,057
Other current assets	16	1,258,192	1,171,077
Bank deposits	18	1,320,346	671,408
Cash and cash equivalents	17	5,952,084	7,137,503
		64,817,628	53,220,782
Assets classified as held for sale		-	1,929
Total current assets		64,817,628	53,222,711
<b>TOTAL ASSETS</b>		<b>94,083,816</b>	<b>81,092,334</b>
<b>EQUITY AND LIABILITIES</b>			
EQUITY:			
Issued capital	19	1,132,130	1,132,130
Reserves		4,150,993	4,804,450
Retained earnings		12,578,076	16,039,669
Total equity		17,861,199	21,976,249
NON-CURRENT LIABILITIES:			
Borrowings	20	31,596,781	19,108,565
Accounts Payable	21	936,048	869,820
Deferred tax liabilities	10	3,814,710	4,117,981
Deferred income	24	963,991	1,023,521
Lease liability		47,472	13,089
Total non-current liabilities		37,359,002	25,132,976

**LLP RG BRANDS KAZAKHSTAN**

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2021**  
*(in thousands of Tenge)*


	Note	31 December 2021	31 December 2020
<b>CURRENT LIABILITIES:</b>			
Accounts payable	21	19,031,258	14,056,328
Borrowings	20	8,525,074	13,789,879
Lease liability		157,494	34,711
Corporate income tax payable		296,881	-
Taxes payable	22	1,527,295	763,127
Deferred income	24	1,609,994	513,643
Other accounts payable and accrued liabilities	23	7,715,619	4,825,421
Total current liabilities		<u>38,863,615</u>	<u>33,983,109</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>94,083,816</b></u>	<u><b>81,092,334</b></u>

On behalf of Company's management:

  
 Agybaev A. Y.  
 Chief Executive Officer

5 May 2022



  
 Malkovskaya O. V.  
 Chief Accountant

5 May 2022


The notes on pages 13 to 56 form an integral part of these financial statements.

## LLP RG BRANDS KAZAKHSTAN

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge)


	Issued capital	Property, plant and equipment revaluation reserve	Investment revaluation reserve	Retained earnings	Total equity
As at 1 January 2020	1,132,130	3,664,193	(2,629,198)	15,128,736	17,295,861
Profit for the year	-	-	-	1,878,443	1,878,443
Other comprehensive income, net of income tax	-	3,556,524	(754,579)	-	2,801,945
<b>Total comprehensive income for the year</b>	-	<b>3,556,524</b>	<b>(754,579)</b>	<b>1,878,443</b>	<b>4,680,388</b>
Transfer to retained earnings	-	(2,416,267)	3,383,777	(967,510)	-
As at 31 December 2020	1,132,130	4,804,450	-	16,039,669	21,976,249
Profit for the year	-	-	-	6,539,074	6,539,074
Other comprehensive income, net of income tax	-	-	-	-	-
<b>Profit and total comprehensive income for the year</b>	-	-	-	<b>6,539,074</b>	<b>6,539,074</b>
Dividends declared (Note 19)	-	-	-	(9,900,041)	(9,900,041)
Adjustments to fair value of the debt of JSC RG Brands (Note 15)	-	-	-	(754,083)	(754,083)
Transfer to retained earnings	-	(653,457)	-	653,457	-
As at 31 December 2021	1,132,130	4,150,993	-	12,578,076	17,861,199

On behalf of Company's management:

  
Agybaev A. Y.  
Chief Executive Officer

5 May 2022



  
Malkovskaya O. V.  
Chief Accountant

5 May 2022

The notes on pages 13 to 56 form an integral part of these financial statements.

## LLP RG BRANDS KAZAKHSTAN

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge)


	Note	2021	2020
<b>OPERATING ACTIVITIES:</b>			
Profit before tax		7,983,032	3,054,885
Adjustments for:			
Depreciation and amortization	6, 7, 8	2,312,860	2,095,019
Finance costs	9	4,110,718	3,272,843
Foreign exchange gain, net		(33,307)	(2,921,206)
Loss from disposal of property, plant and equipment		331,700	57,777
Reimbursement of selling expenses incurred without cash settlement		(295,570)	(415,365)
Investment (gain)/loss, net		(364,256)	194,797
Waste goods write-off and write-off of materials	7, 8	222,483	263,306
Accrual of provision for impairment of inventory	8	2,252	8,652
Accrual/(recovery)/ of provision for vacation and other estimated expenses		118,100	(47,510)
Accrual of provision for doubtful debts	8	76,667	5,140
Loss on revaluation of property, plant and equipment	11	-	440,813
Other income		-	(67,321)
Operating cash flows before movements in working capital		14,464,679	5,941,830
Change in inventories		(9,549,791)	(1,440,019)
Change in trade accounts receivable		(677,199)	394,000
Change in advances paid		(1,823,372)	39,879
Change in other current assets		(218,064)	611,414
Change in accounts payable		5,640,638	3,778,304
Change in taxes payable		764,169	(170,605)
Change in other accounts payable and accrued liabilities		2,771,703	1,007,914
		11,372,763	10,162,717
Change in long-term advances paid		(713,727)	(1,214,810)
Cash from operations		10,659,036	8,947,907
Interest paid		(4,840,033)	(3,880,476)
Income tax paid		(1,450,347)	(954,750)
Net cash generated by operating activities		4,368,656	4,112,681

**LLP RG BRANDS KAZAKHSTAN**

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(in thousands of Tenge)**


<b>INVESTING ACTIVITIES:</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Purchase of property, plant and equipment and intangible assets		(2,611,287)	(2,266,261)
Proceeds on disposal of property, plant and equipment, intangible assets and investment property		1,008	894,479
Proceeds on sale of other financial assets		68,929,378	56,717,151
Purchase of other financial assets		(69,444,594)	(58,171,591)
Interest received		80,388	-
Money placed to bank deposit		(632,223)	-
<b>Net cash used in investing activities</b>		<b>(3,677,330)</b>	<b>(2,826,222)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings	20	23,410,358	26,422,090
Repayment of borrowings	20	(15,366,537)	(22,555,494)
Dividends paid	19	(9,900,041)	-
Issuance of bonds	25	8,500,000	-
Repayment of bonds	25	(8,500,000)	-
Repayment of loans from related parties	25	-	(590,405)
Repayment on lease liability		(7,123)	(41,032)
<b>Net cash (used in)/generated by financing activities</b>		<b>(1,863,343)</b>	<b>3,235,159</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,172,017)</b>	<b>4,521,618</b>
CASH AND CASH EQUIVALENTS, at the beginning of the year	17	7,137,503	2,222,355
Effect of changes in foreign exchange rates in relation to cash		(13,402)	393,530
<b>CASH AND CASH EQUIVALENTS, at the end of the year</b>	<b>17</b>	<b>5,952,084</b>	<b>7,137,503</b>

On behalf of Company's management:

  
Agybaev A. Y.  
Chief Executive Officer

5 May 2022



  
Malkovskaya O. V.  
Chief Accountant

5 May 2022

The notes on pages 13 to 56 form an integral part of these financial statements.

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(in thousands of Tenge, unless otherwise stated)*

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#### 1. GENERAL INFORMATION

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

The Company performs the following types of activity:

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

#### Ownership of the Company

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

As at 31 December 2021 and 2020, the single participant of the Company is JSC RG Brands, it is also the highest governing body, and it issues financial statements for public use. The ultimate controlling party of the Company is Mr. Mazhibayev K.K.

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

As at 31 December 2021 and 2020, the number of employees was 1,195 and 1,152, respectively.

#### Bottling agreements with Pepsi and Seven-Up International

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

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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#### 2. ADOPTION OF NEW AND REVISED STANDARDS

##### New and amended IFRS Standards that are effective for the current year

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - *Interest rate benchmark (IBOR) reform. Phase 2;*
- Amendments to IFRS 16 *Extension of practical expedient from assessing whether a COVID-19 related rent concession is a lease modification.*

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

##### New and revised IFRS Standards in issue but not yet effective

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

Description of the standard and interpretation	Applicable to annual periods beginning on or after
IFRS 17 (including the June 2020 Amendments to IFRS 17) <i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to IFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16 <i>Property, Plant and Equipment—Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle <i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

Management of the Company believes that these amendments will not have a significant impact on the financial statements of the Company in the next periods.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021  
*(in thousands of Tenge, unless otherwise stated)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

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

**Basis of preparation**

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

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

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

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

**Going concern**

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

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

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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The principal accounting policies are set out below

#### Segmental reporting

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

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

#### Foreign currency transactions

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

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

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

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

	2021	2020
US Dollars	431.8	420.91
Euro	489.1	516.79
Russian Roubles	5.76	5.62
Chinese Yuans	68	64.36

#### Revenue recognition

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

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

*(in thousands of Tenge, unless otherwise stated)*

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

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

#### Leases

##### *The Company as lessee*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Selling expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021  
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**Retirement benefit costs**

In accordance with the legislative requirements of the Republic of Kazakhstan, the Company pays an amount equivalent to 10% of each employee's wage into an accumulation pension fund. However, in accordance with Kazakhstan legislation, from 1 January 2018, the contribution per employee should not exceed 212,500 Tenge per month. Prior to this date, the maximum monthly contribution per employee was 212,130 Tenge. These amounts are expensed when they are incurred. Pension fund payments are withheld from employees' salaries and included with other payroll costs in profit or loss.

**Income taxes**

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

*Current tax*

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

*Deferred tax*

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the related tax bases used in calculating taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if a temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021  
*(in thousands of Tenge, unless otherwise stated)*

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**Property, plant and equipment**

*Land, buildings and constructions, machinery and equipment*

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

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

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

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

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

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

*Construction-in-progress*

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

*Assets acquired with deferred payment*

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

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge, unless otherwise stated)

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#### *Subsequent expenditures*

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

#### *Depreciation other than depreciation of production assets*

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

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

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

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

#### *Depreciation of production assets*

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

#### *Disposal of property, plant and equipment*

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**Impairment of property, plant and equipment**

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

The recoverable amount is the higher of fair value less selling costs, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

**Inventory**

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021  
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**Financial instruments**

**Financial assets**

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

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

Specifically:

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

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

*Financial assets at amortized cost or at FVTOCI*

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

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

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

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

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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#### *Financial assets at FVTPL*

Financial assets at FVTPL are:

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

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

#### *Financial assets measured at amortized cost*

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

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

#### *Cash and cash equivalents*

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

#### *Other financial assets*

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

#### *Financial liabilities*

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

#### *Financial liabilities measured at amortized cost*

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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*(in thousands of Tenge, unless otherwise stated)*

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*Derecognition of financial liabilities*

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

**Provisions**

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as at the date of the statement of financial position, 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 some or all of an economic benefit required to settle a provision is expected to be recovered from a third party, the contingent asset is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for restructuring costs are recognized when the Company has a detailed formal restructuring plan which has been notified to the parties concerned.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

**Key sources of estimation uncertainty**

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

*Revaluation of property, plant and equipment*

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

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge, unless otherwise stated)

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

The Management of the Company believes that fair value of land, buildings and constructions, machinery and equipment does not significantly differ from its carrying value as at 31 December 2021.

#### 5. REVENUE

	<u>2021</u>	<u>2020</u>
Sales of juice, juice containing drinks and carbonated soft drinks	73,460,075	50,881,777
Sales of packed tea, packed milk and food products	22,897,563	21,735,470
Sales of wholesale products	110,632	68,517
	<u>96,468,270</u>	<u>72,685,764</u>

#### 6. COST OF SALES

	<u>2021</u>	<u>2020</u>
Raw and other materials	50,847,227	36,530,692
Depreciation and amortization	1,442,585	1,253,073
Payroll and related taxes	1,403,030	1,023,283
Repairs	1,095,387	850,563
Utilities	741,808	502,789
Cost of sales of wholesale products	143,337	84,077
Other costs	203,983	158,867
	<u>55,877,357</u>	<u>40,403,344</u>

#### 7. SELLING EXPENSES

	<u>2021</u>	<u>2020</u>
Transportation expenses	7,206,752	4,525,293
Sales agents expenses	7,279,714	4,295,511
Advertising campaigns and market research	4,066,345	2,317,312
Payroll and related taxes	1,853,401	1,997,045
Warehouse services	731,180	548,864
Amortization of marketing equipment	727,861	685,200
Royalties for the use of trademarks	499,747	9,855,872
Advertising and promotional materials	262,566	272,783
Business trip expenses	7,255	11,183
Write-off of materials	-	13
Other selling expenses	1,189,863	726,368
Reimbursement of selling expenses	(295,570)	(1,101,100)
	<u>23,529,114</u>	<u>24,134,344</u>

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge, unless otherwise stated)

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

#### 8. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2021</u>	<u>2020</u>
Payroll and related taxes	2,415,334	2,052,738
Information services	458,664	163,091
Taxes, other than income tax	412,499	245,714
Bank charges	294,792	201,369
Waste goods write-off	222,483	263,293
Repairs	171,073	126,532
Depreciation and amortization	142,414	156,746
Consulting services	128,229	224,089
Travel expenses	107,601	165,389
Transportation expenses	101,645	92,797
Representative expenses	95,296	79,553
Communication services	91,454	112,387
Legal services	81,744	29,592
Insurance	79,736	124,458
Accrual of provision for expected credit losses	76,667	5,140
Utilities	48,554	76,277
Training	35,109	45,544
Accrual of provision for slow-moving and obsolete inventory	2,252	8,652
Penalties and fines	7,192	6,500
Others	574,148	376,440
	<u>5,546,886</u>	<u>4,556,301</u>

#### 9. FINANCE COSTS

	<u>2021</u>	<u>2020</u>
Interest expenses	3,564,326	3,190,593
Others	546,392	82,250
	<u>4,110,718</u>	<u>3,272,843</u>

As at 31 December 2021 and 2020, the weighted average interest rates of the Company's bank loans were 7.81% and 8.34% per annum, respectively.

#### 10. TAXATION

	<u>2021</u>	<u>2020</u>
Current income tax expense	1,747,229	1,075,367
Deferred income tax (benefit)/expense	(303,271)	101,075
Total income tax expense	<u>1,443,958</u>	<u>1,176,442</u>

LLP RG BRANDS KAZAKHSTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021  
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Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred income tax assets and liabilities are calculated at the rate expected to apply in the period when assets are realized or liabilities are settled.

The tax effect on the major temporary differences that give rise to deferred tax assets and liabilities as at 31 December 2021 and 2020 is presented below:

	<u>31 December 2021</u>	<u>31 December 2020</u>
<b>Deferred tax assets:</b>		
Provision for expected credit losses	44,677	42,821
Accrual of provision for unused vacation and bonuses	79,520	55,900
Provision for impairment of inventory	15,916	15,466
Taxes	6,064	4,304
Other	7,836	26,592
	<u>154,013</u>	<u>145,083</u>
<b>Deferred tax liabilities:</b>		
Property, plant and equipment and intangible assets	(3,968,723)	(4,254,707)
Other	-	(8,357)
	<u>(3,968,723)</u>	<u>(4,263,064)</u>
<b>Deferred tax liabilities, net</b>	<u>(3,814,710)</u>	<u>(4,117,981)</u>

In 2021 and 2020 the statutory tax rate effective in the Republic of Kazakhstan, the location of the Company, was 20%.

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

	<u>2021</u>	<u>2020</u>
Profit before tax	7,983,032	3,054,885
Income tax at the statutory tax rate of 20%	1,596,606	610,977
Non-taxable income	(214,393)	-
Non-deductible expenses	61,745	565,465
<b>Income tax expense</b>	<u>1,443,958</u>	<u>1,176,442</u>

LLP RG BRANDS KAZAKHSTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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The change in deferred tax was presented as follows:

	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
Provision for expected credit losses	42,821	1,856	-	44,677
Provision for unused vacation and bonuses	55,900	23,620	-	79,520
Provision for impairment of inventory	15,466	450	-	15,916
Taxes	4,304	1,760	-	6,064
Other assets	26,592	(18,756)	-	7,836
Other liabilities	(8,357)	8,357	-	-
Property, plant and equipment and intangible assets	(4,254,707)	285,984	-	(3,968,723)
	<b>(4,117,981)</b>	<b>303,271</b>	<b>-</b>	<b>(3,814,710)</b>

	1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2020
Provision for expected credit losses	47,963	(5,142)	-	42,821
Provision for unused vacation and bonuses	45,402	10,498	-	55,900
Provision for impairment of inventory	13,735	1,731	-	15,466
Taxes	3,309	995	-	4,304
Other financial assets	-	(188,645)	188,645	-
Other assets	3,268	23,324	-	26,592
Other liabilities	(15,134)	6,777	-	(8,357)
Property, plant and equipment and intangible assets	(3,414,963)	49,387	(889,131)	(4,254,707)
	<b>(3,316,420)</b>	<b>(101,075)</b>	<b>(700,486)</b>	<b>(4,117,981)</b>

LLP RG BRANDS KAZAKHSTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021  
*(in thousands of Tenge, unless otherwise stated)*

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
<b>Cost or revalued amount</b>							
As at 1 January 2020	1,552,835	6,759,722	19,768,670	140,944	1,213,190	237,278	29,672,639
Additions	-	-	1,561,986	6,000	64,986	306,948	1,939,920
Revaluation increase	468,696	809,951	2,726,195	-	-	-	4,004,842
Elimination of accumulated depreciation due to revaluation	-	(1,437,744)	(6,003,063)	-	-	-	(7,440,807)
Internal transfers	-	-	467,087	-	9,450	(476,537)	-
Disposals	(9,404)	-	(55,615)	(19,734)	(12,728)	(1,134)	(98,615)
<b>As at 31 December 2020</b>	<b>2,012,127</b>	<b>6,131,929</b>	<b>18,465,260</b>	<b>127,210</b>	<b>1,274,898</b>	<b>66,555</b>	<b>28,077,979</b>
Additions	-	-	1,885,946	-	354,737	1,135,550	3,376,233
Internal transfers	-	(400,376)	75,392	2,675	10,553	311,756	-
Disposals	-	(18,946)	(5,731)	(2,295)	(23,825)	(317,849)	(368,646)
<b>As at 31 December 2021</b>	<b>2,012,127</b>	<b>5,712,607</b>	<b>20,420,867</b>	<b>127,590</b>	<b>1,616,363</b>	<b>1,196,012</b>	<b>31,085,566</b>
<b>Accumulated depreciation</b>							
At 1 January 2020	-	(990,520)	(5,249,450)	(121,037)	(946,959)	-	(7,307,966)
Charge for the year	-	(579,529)	(1,390,108)	(7,038)	(92,372)	-	(2,069,047)
Elimination of accumulated depreciation due to revaluation	-	1,437,744	6,003,063	-	-	-	7,440,807
Internal transfers	-	-	(1,220)	-	1,220	-	-
Disposals	-	83	-	19,734	9,666	-	29,483
<b>As at 31 December 2020</b>	<b>-</b>	<b>(132,222)</b>	<b>(637,715)</b>	<b>(108,341)</b>	<b>(1,028,445)</b>	<b>-</b>	<b>(1,906,723)</b>
Charge for the year	-	(481,753)	(1,708,320)	(5,117)	(97,517)	-	(2,292,707)
Disposals	-	18,946	1,955	2,252	12,785	-	35,938
<b>As at 31 December 2021</b>	<b>-</b>	<b>(595,029)</b>	<b>(2,344,080)</b>	<b>(111,206)</b>	<b>(1,113,177)</b>	<b>-</b>	<b>(4,163,492)</b>
<b>Net book value</b>							
As at 31 December 2021	2,012,127	5,117,578	18,076,787	16,384	503,186	1,196,012	26,922,074
As at 31 December 2020	2,012,127	5,999,707	17,827,545	18,869	246,453	66,555	26,171,256



## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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As at 31 December 2021 and 2020, property, plant and equipment with a carrying value of 16,386,916 thousand tenge and 10,665,460 thousand tenge, respectively, has been pledged to secure borrowings (Note 20). The Company is not allowed to pledge these assets as security for other borrowings or to sell them.

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

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

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

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

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

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

Had the Company's land and buildings and constructions, machinery and equipment been measured on a historical cost basis, their carrying amount as at 31 December 2021 and 2020 would have been 21,461,047 thousand tenge and 21,475,742 thousand tenge, respectively.

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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

#### 12. ADVANCES PAID

	31 December 2021	31 December 2020
<b>Non-current:</b>		
Advances paid	1,617,518	1,214,810
Advances paid for property, plant and equipment	-	215,118
Other	388,695	77,676
	<u>2,006,213</u>	<u>1,507,604</u>
<b>Current:</b>		
Advances paid for services and inventory	3,593,537	1,705,589
Less: Provision for doubtful debts	(197,364)	(146,788)
	<u>3,396,173</u>	<u>1,558,801</u>

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

#### 13. INVENTORIES

	31 December 2021	31 December 2020
Raw materials	7,206,184	2,940,545
Finished goods	6,136,133	3,793,247
Packing materials	3,129,189	1,009,592
Spare parts	918,299	615,879
Other	696,027	397,331
Less: Provision for slow-moving and obsolete inventory	(79,580)	(77,328)
	<u>18,006,252</u>	<u>8,679,266</u>

As at 31 December 2021, inventories with an assessed value of 5,166,207 thousand tenge (31 December 2020: 4,003,080 thousand tenge) have been pledged to secure borrowings (Note 20).

#### 14. TRADE ACCOUNTS RECEIVABLE

	31 December 2021	31 December 2020
Trade accounts receivable	2,129,998	1,561,722
Less: provision for expected credit losses	(9,528)	(49,052)
	<u>2,120,470</u>	<u>1,512,670</u>

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge, unless otherwise stated)

As at 31 December of 2021 and 2020, trade accounts receivable were denominated in the following currencies:

	<u>2021</u>	<u>2020</u>
Tenge	1,763,334	1,265,103
Russian Roubles	248,793	203,902
US Dollars	102,958	40,084
Kyrgyz Soms	5,385	3,581
	<u>2,120,470</u>	<u>1,512,670</u>

The following table details the risk profile of trade receivables as at 31 December 2021 based on the Company's provision matrix:

	<u>Trade accounts receivables – days past due</u>			
	<u>Not past due and less than 180 days</u>	<u>180-360 days</u>	<u>over 360 days</u>	<u>Total</u>
Expected credit loss rate	0.09%	47.85%	100%	
Gross carrying amount	2,117,132	10,098	2,768	2,129,998
Lifetime ECL	(1,928)	(4,832)	(2,768)	(9,528)

The following table details the risk profile of trade receivables as at 31 December 2020 based on the Company's provision matrix:

	<u>Trade accounts receivables – days past due</u>			
	<u>Not past due and less than 180 days</u>	<u>180-360 days</u>	<u>over 360 days</u>	<u>Total</u>
Expected credit loss rate	0.55%	41.00%	100.00%	
Gross carrying amount	1,510,132	18,442	33,148	1,561,722
Lifetime ECL	(8,343)	(7,561)	(33,148)	(49,052)

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

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge, unless otherwise stated)

#### 15. OTHER FINANCIAL ASSETS

	31 December 2021		31 December 2020	
	Nominal interest rate	Book value	Nominal interest rate	Book value
Debt of Area Plus DMCC	-	20,878,091	0.44%	32,490,057
Debt of JSC RG Brands	11.8%	7,819,646	-	-
Coupon bonds of Bank Julius Bär & Co	0.08%	2,374,900	-	-
Government bonds of the Ministry of Finance of the Republic of Kazakhstan	6.50%	1,691,474	-	-
		<b>32,764,111</b>		<b>32,490,057</b>

As at 31 December of 2021 and 2020, other financial assets were denominated in the following currencies:

	2021	2020
US Dollars	23,252,991	32,490,057
Tenge	9,511,120	-
	<b>32,764,111</b>	<b>32,490,057</b>

#### *Debt of Area Plus DMCC*

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

As at 31 December 2020, the fair value of the loan was 76,855 thousand USD (equivalent to 32,490,057 thousand tenge). Loan given to Area Plus DMCC are measured at FVTPL. Changes in the fair value of this loan are recognized as investment gain/loss. Changes related to exchange rate differences are included in exchange rate gains/losses. For the year ended 31 December 2020, for financial assets measured at FVTPL and denominated in US dollars, the Company recognized foreign exchange gain in the amount of 3,589,537 thousand tenge.

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

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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

In 2021, Area Plus DMCC repaid the advance in the amount of 11,875,799 thousand tenge. In November 2021, the Company and Area Plus DMCC agreed that the remaining amount of the advance has to be repaid in cash till February 2022. As a result, the Company derecognized the advance and recognized the financial asset given to Area Plus DMCC. This financial asset is measured at amortized cost. As of 31 December 2021, the debt of Area Plus DMCC is 20,878,091 thousand tenge (Note 30).

#### *Debt of JSC RG Brands*

In November 2021, the Company and RG Brands JSC concluded an option agreement to purchase a 23.83% share in the Company's authorized capital, which can be exercised till 30 September 2022, subject to the achievement by the Company of certain performance indicators. As part of this agreement, the Company provided an advance to RG Brands JSC in the amount of 8,500,000 thousand tenge. As at 31 December 2021, the Company believes that probability of option to be exercised is remote, expects the debt to be settled in cash and carries it at amortized cost. An adjustment to the fair value of debt in the amount of 754,082 thousand tenge was recognized in equity.

#### *Coupon and government bonds*

As at 31 December 2021, the carrying value of coupon bonds of Bank Julius Bär & Co was 2,374,900 thousand tenge and government bonds of the Ministry of Finance of the Republic of Kazakhstan was 1,691,474 thousand tenge. These financial assets are utilized within a business model whose objective is generating investment income through their sale in a short-term period. These securities are measured at fair value through profit or loss (FVTPL).

#### *Preferred shares*

As at 31 December 2019 the Company owned preferred shares of parent company JSC RG Brands of 1,767,602 thousand tenge. As at 31 December 2020 the Company sold these preferred shares. Preferred shares JSC RG Brands have been classified as an equity instrument at fair value through other comprehensive income (FVTOCI).

For the year ended 31 December 2020 loss from changes in fair value of preferred shares net of income tax amounted to 754,579 thousand tenge and was recognized in other comprehensive income.

In 2020, the Company sold these preferred shares to shareholders of JSC RG Brands. Loss from the sale of preferred shares amounted to 452,523 thousand tenge and was recognized as investment expense. The investment revaluation reserve was transferred to retained earnings.

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

#### 16. OTHER CURRENT ASSETS

	<u>31 December 2021</u>	<u>31 December 2020</u>
<b>Financial assets:</b>		
Receivables from employees	148,397	212,027
Other receivables from related parties (Note 25)	89,022	84,986
Other receivables	271,896	145,506
Less: provision for doubtful debts	<u>(13,856)</u>	<u>(15,625)</u>
	<b>495,459</b>	<b>426,894</b>
<b>Non-financial assets</b>		
Prepaid expenses	130,244	436,118
Other taxes receivable	<u>632,489</u>	<u>308,065</u>
	<b>762,733</b>	<b>744,183</b>
	<b><u>1,258,192</u></b>	<b><u>1,171,077</u></b>

As at 31 December 2021 and 2020, other current assets were denominated in tenge.

#### 17. CASH AND CASH EQUIVALENTS

	<u>31 December 2021</u>	<u>31 December 2020</u>
Reverse repurchase agreements	2,804,119	3,612,501
Cash on bank accounts in foreign currency	1,812,905	3,213,329
Cash on bank accounts in Tenge	1,222,904	171,663
Cash in broker's account	70,727	63,171
Cash in transit	33,133	66,621
Petty cash	5,073	6,947
Cash in other accounts in Tenge	<u>3,223</u>	<u>3,271</u>
	<b>5,952,084</b>	<b>7,137,503</b>

As at 31 December 2021 and 2020, cash and cash equivalents were denominated in the following currencies:

	<u>2021</u>	<u>2020</u>
Tenge	4,139,179	3,924,126
US Dollars	1,556,399	3,077,679
Russian Roubles	255,560	134,449
Euro	942	1,244
Other	<u>4</u>	<u>5</u>
	<b>5,952,084</b>	<b>7,137,503</b>

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge, unless otherwise stated)

#### 18. BANK DEPOSITS

	31 December 2021	31 December 2020
Eurasian Development Bank	690,893	670,831
SB Sberbank JSC	530,905	-
Other	98,548	577
	<u>1,320,346</u>	<u>671,408</u>

As at 31 December 2021, deposits mainly constitute savings accounts in Eurasian Development Bank in the amount of 690,893 thousand tenge, the account is denominated in US dollars, the interest rate is 1.5%, and in SB Sberbank JSC in the amount of 530,905 thousand tenge, the account is denominated in tenge, the interest rate is 8.5%.

#### 19. CAPITAL

The Company's authorized capital as at 31 December 2021 and 2020 is 1,132,130 thousand tenge. As at 31 December 2021 and 2020, the Sole Participant of the Partnership is JSC «RG Brands».

In 2021 the Company authorized dividends based on the results of 2020 of 9,900,041 thousand tenge. In 2020, the Company did not authorize dividends.

#### 20. BORROWINGS

	31 December 2021	31 December 2020
<b>Borrowings:</b>		
Long-term loans	31,596,781	19,108,565
Short-term bank loans and current portion of long-term loans	8,017,667	13,449,022
	<u>39,614,448</u>	<u>32,557,587</u>
Accrued interest payable	507,407	340,857
<b>Total borrowings</b>	<u>40,121,855</u>	<u>32,898,444</u>

As at 31 December 2021 and 2020, the borrowings are subject to repayment as follows:

	2021	2020
On demand or within one year	8,525,074	13,789,879
In the second to fifth year inclusive	29,869,402	18,656,764
Over five years	1,727,379	451,801
	<u>40,121,855</u>	<u>32,898,444</u>

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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#### *Long-term loans*

In 2016, the Company signed a credit line agreement with the Development Bank of Kazakhstan ("DBK") for replenishment of working capital that combined in March 2019 with existing credit line agreement signed in 2015. The total amount of the combined limit is 4,906,000 thousand tenge, the period until the end of December 2023, the period of tranches - 36 months, the interest rate is 7.41%. Maturity of principal amount of the debt is December 2023. As at 31 December 2021, the outstanding principal amount is 4,906,000 thousand tenge. The carrying amount of pledged property, plant and equipment is 1,082,702 thousand tenge.

In 2017, the Company signed a credit line agreement with the Eurasian Development Bank ("EDB") for opening a revolving credit line for the amount of 1,270,000 thousand Russian rubles with an interest rate of 10.1%. The purpose of the loan is to finance operational activities. In 2021, the term of the credit line was extended until October 2025, the term of the tranches was extended to 60 months, and the interest rate was set at 9.25%. As at 31 December 2021, the outstanding principal amount was 1,270,000 thousand Russian rubles. The Property, Plant and Equipment of the Company with a carrying value of 2,134,434 thousand tenge pledged as collateral for this loan.

In 2018, the Company signed a loan agreement with Bank CenterCredit JSC in the amount of 280,000 thousand tenge. The purpose of the loan is to purchase production equipment. The term of the credit line is 60 months. The interest rate is 6%. The debt as at 31 December 2021 is 99,084 thousand tenge. The carrying amount of pledged Property, Plant and Equipment is 352,910 thousand tenge.

In 2019, the Company signed a non-revolving credit facility agreement with the Asian Development Bank for a total amount of 20,000 thousand Dollars with a disbursement in the equivalent of tenge. The intended use of the loan is the replenishment of working capital and capital expenditures. The term of the credit line is December 2028, the loans are repayable twice a year. There were no utilization as of December 31, 2021. The loan is secured by the Company's property, plant and equipment with a carrying amount of 2,966,671 thousand tenge.

In 2020 the Company entered into a loan agreements on opening a revolving credit lines with SB Sberbank JSC in the amount of 8,020,000 thousand tenge, of which 5,640,000 thousand tenge were attracted to replenish working capital with a tranche period of 36 months. The balance of principal debt under revolving credit lines amounted to KZT 5,600,764 thousand. Also in 2020, the Company concluded a loan agreement on the opening of a non-revolving credit line with SB Sberbank JSC in the amount of 2,307,000 thousand tenge. The purpose of the loan is investment. The term of the credit line is 84 months. The debt as of December 31, 2021 amounted to 2,059,745 thousand tenge. These lines are subsidized under the Economy of Simple Things program, the final rate is 5%. In relation to a subsidized rate, the Company recognized deferred income in the amount of 1,175,844 thousand tenge (Note 24). The Property, Plant and Equipment of the Company with a carrying value of 1,428,856 thousand tenge and inventories with an assessed value of 557,649 thousand tenge have been pledge as collateral for these credit agreements.



## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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As at 31 December 2021, the outstanding principal amount of the loans under the loan agreement with the European Bank for Reconstruction and Development (“EBRD”) was 4,832,000 thousand tenge. The purpose of the loan is a refinancing of short-term debt and replenish working capital. The loan facility is repayable semiannually, till June 2025. Weighted-average interest rate for 2021 is 11.8% and interest is payable quarterly. The fixed assets of the Company with a carrying value of 5,296,973 thousand tenge and inventories with an assessed value of 4,012,878 thousand tenge have been pledge as collateral for these loans.

In 2021, the Company signed a credit line agreement with the German development bank DEG - Deutsche Investitions- und Entwicklungsgesellschaft to open a non-revolving line of credit for the total amount of 1,400,000 thousand rubles. The purpose of the loans is refinancing of short-term debt and replenishment of working capital. The term of the credit line is until March 2028. In 2021, the Company received a tranche in the amount of 600,000 thousand Russian rubles with the interest rate of 9.27% for a period of 7 years. Principal debt as of as at 31 December 2021 amounted to 600,000 thousand rubles (equivalent to 3,456,000 thousand tenge). The Property, Plant and Equipment of the Company with a carrying value of 2,001,955 thousand tenge and inventories with an assessed value of 595,680 thousand tenge have been pledge as collateral for these loans.

In 2021, the Company increased the limit of the loan agreement concluded in 2018 with Altyn Bank JSC (SB China Citic Bank Corporation Limited) to 7,000,000 thousand tenge and received a new tranche in the amount of 1,000,000 thousand tenge to replenish working capital for a period 36 months. This tranche is subsidized under the Economy of Simple Things program, the final rate is 5%. The loan as of December 31, 2021 amounted to 976,136 thousand tenge. In relation to subsidized rate, the Company recognized deferred income in the amount of 144,015 thousand tenge (Note 24).

In 2021, the Company entered into a loan agreement with Eurasian Bank JSC to open a non-revolving credit line for the total amount of 6,327,000 thousand tenge, of which 5,000,000 thousand tenge to replenish working capital. The term of the credit line is 36 months. The balance of principal debt under revolving credit lines amounted to 5,000,000 thousand tenge. The amount of 1,327,000 thousand tenge was raised for investments with a tranche term of 84 months. Outstanding balance of the loan as at 31 December 2021 amounted to 1,325,500 thousand tenge. The attracted tranches are subsidized under the Economy of Simple Things program, the final rate is 5%. In relation to subsidized rate, the Company recognized deferred income in the amount of 880,791 thousand tenge (Note 24). The carrying value of property, plant and equipment pledged under a number of loan agreements is 1,113,415 thousand tenge.

In 2021, the Company entered into a credit line agreement with Nurbank JSC to open a revolving credit line in the amount of 2,000,000 thousand tenge for working capital replenishment with a tranche term of 36 months. The balance of principal amounted to 2,000,000 thousand tenge. Interest rate was 15%.

In 2021, the Company entered into a loan agreement for opening a revolving credit line with Forte Bank JSC in the amount of 3,000,000 thousand tenge. The purpose of the loan is replenishment of working capital. The term of the credit line is 36 months. This tranche is subsidized by DAMU Entrepreneurship Development Fund JSC, the final rate is 5%. The debt as at 31 December 2021 amounted to 2,916,667 thousand tenge. In relation to subsidized rate, the Company recognized deferred income in the amount of KZT 373,335 thousand. (Note 24).

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge, unless otherwise stated)

#### *Short-term bank loans*

As at 31 December 2021, the principal debt of the Company under the loan agreement with SB Alfa-Bank JSC under the loan agreement amounted to 1,435,133 thousand tenge. The amount of the limit was 6,250 thousand USD. The purpose of the loans is to replenish working capital. The tranches maturity is 12 months. The weighted average interest rate was 10.64%. The principal debt is repaid with a delay of 6 months from the date of issue or at the end of the tranche term.

In 2018, the Company entered into a loan agreement with Altyn Bank JSC (SB China Citic Bank Corporation Limited) to open a revolving credit line for the total amount of 5,000,000 thousand tenge (increased to 7,000,000 thousand tenge in 2021) to replenish working capital. The term of the credit line is 36 months, the term of the tranches under this line is 12 months. Due to partial subsidies under the Financial Support Program of the Ministry of Agriculture of the Republic of Kazakhstan, the final rate of the tranches is 5.75%. The principal debt as at 31 December 2021 is 87,000 thousand tenge.

In 2019, within the framework of the loan agreement concluded in 2019 with the South Korean bank Shinhan Bank Kazakhstan JSC, the Company received a tranche in the amount of 765,000 thousand tenge at 8.9% to replenish working capital. Under the Financial Support Program of the Ministry of Agriculture of the Republic of Kazakhstan, the subsidized interest rate was 1.9%, the final rate for the Company is 7% per annum. The loan has a maturity till November 2022, the interest is paid monthly. The principal debt as at 31 December 2021 is 255,000 thousand tenge.

As at 31 December 2021 and 2020, the weighted average interest rates of the Company's bank loans were 7.81% and 8.34% per annum, respectively.

All long-term bank loan agreements of the Company contain covenant clauses covering performance financial indicators of the parent company JSC RG Brands and its subsidiaries ("Group)", such as current ratio, net financial debt to equity, net financial debt to EBITDA and others. Breach of clauses of one loan agreement may lead to cross-default for other loan agreements. As at 31 December 2021, the Company complied with all of the required covenants of the loan agreements (Note 28).

As at 31 December 2021 loans were denominated in the following currencies:

	<u>2021</u>	<u>2020</u>
Tenge	29,092,691	26,473,761
Russian rubles	11,029,164	6,424,683
	<u>40,121,855</u>	<u>32,898,444</u>

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge, unless otherwise stated)

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

	1 January 2021	Financing cash flows (i)	Deferred income (Note 24)	Interest accrued	Interest paid	Other changes (ii)	31 December 2021
Borrowings	32,898,444	8,043,821	(1,036,821)	4,696,422	(4,438,991)	(41,019)	40,121,855

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

	1 January 2020	Financing cash flows (i)	Deferred income (Note 24)	Interest accrued	Interest paid	Other changes (ii)	31 December 2020
Borrowings	31,381,442	3,866,596	(1,537,164)	3,717,641	(3,874,923)	(655,148)	32,898,444

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

## 21. ACCOUNTS PAYABLE

	31 December 2021	31 December 2020
Services	7,107,472	9,858,682
Raw materials	5,823,354	3,961,799
Packing materials	3,764,728	727,919
Goods	2,691,702	347,526
Property, plant and equipment	580,050	30,222
	<b>19,967,306</b>	<b>14,926,148</b>
Less: long-term accounts payable	(936,048)	(869,820)
	<b>19,031,258</b>	<b>14,056,328</b>

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

	2021	2020
Tenge	11,430,770	9,642,506
US Dollars	6,502,541	4,159,490
Euro	1,193,893	775
Russian Roubles	491,802	447,734
Chinese yuans	278,584	659,806
Kyrgyz som	69,601	15,837
Uzbek sums	115	-
	<b>19,967,306</b>	<b>14,926,148</b>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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22. TAXES PAYABLE

	31 December 2021	31 December 2020
Value added tax	1,371,450	666,491
Individual income tax	61,097	38,485
Social tax	30,318	21,521
Other taxes	64,430	36,630
	<u>1,527,295</u>	<u>763,127</u>

23. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	31 December 2021	31 December 2020
Advances received	6,937,664	4,253,707
Other vacation and bonuses	397,602	279,501
Accrued liabilities for employees	311,868	212,363
Other payables	68,485	79,850
	<u>7,715,619</u>	<u>4,825,421</u>

24. DEFERRED INCOME

As at 31 December 2021, the Company recognized deferred income under the loans received from SB Sberbank JSC, Altyn Bank JSC, Eurasian Bank JSC and Forte Bank JSC in the amount of 2,573,985 thousand tenge (Note 20).

	31 December 2021	31 December 2020
Government grant	2,573,985	1,537,164
	<u>2,573,985</u>	<u>1,537,164</u>
Non-current deferred income	963,991	1,023,521
Current deferred income	1,609,994	513,643
	<u>2,573,985</u>	<u>1,537,164</u>

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

25. RELATED PARTIES

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

	31 December 2021	31 December 2020
Companies under common control	89,022	84,986
	<u>89,022</u>	<u>84,986</u>

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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

	<u>31 December 2021</u>	<u>31 December 2020</u>
JSC RG Brands	-	5,357,815
Companies under common control	<u>8,315,010</u>	<u>5,497,362</u>
	<u><b>8,315,010</b></u>	<u><b>10,855,177</b></u>

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

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

	<u>2021</u>	<u>2020</u>
JSC RG Brands	2,104	830
Companies under common control	<u>12,677,873</u>	<u>9,082,812</u>
	<u><b>12,679,977</b></u>	<u><b>9,083,642</b></u>

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

	<u>2021</u>	<u>2020</u>
JSC RG Brands	499,747	9,882,451
Companies under common control	<u>20,397</u>	<u>95,836</u>
	<u><b>520,144</b></u>	<u><b>9,978,287</b></u>

Procurement transactions with related parties for the period ended 31 December 2021 included services for using the trademarks of JSC RG Brands in the amount of 499,747 thousand tenge. Since October 2021, the percentage of royalties for the use of trademarks has been decreased from 20% to 0.8% of the revenue received from the sale of goods distributed under these trademarks.

#### Other transactions:

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

In 2021, Area Plus DMCC and the Company concluded an agreement to offset the loan issued under the agreement dated 19 March 2020 against the prepayment under this supply agreement. As at 31 December 2021, the debt of Area Plus DMCC was 20,878,091 thousand tenge (Note 15).

In November 2021, the Company and RG Brands JSC concluded an option agreement to purchase a 23.83% share in the Company's authorized capital. As part of this agreement, the Company provided an advance to RG Brands JSC in the amount of 8,500,000 thousand tenge. As at 31 December 2021, the Company believes that probability of option to be exercised is remote, expects the debt to be settled in cash and carries it at amortized cost (Note 15).

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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

As at 31 December 2019 the Company owned preferred shares of JSC RG Brands of 1,767,602 thousand tenge. For the year ended 31 December 2020, the Company sold these preferred shares to shareholders of JSC RG Brands (Note 15).

As at 31 December 2019, the Company owned notes of JSC RG Brands of 55,899 thousand tenge. For the year ended 31 December 2020, the notes of JSC RG Brands were redeemed.

In 2020 the Company sold investment property with a carrying amount of 559,174 thousand tenge to the company under the common control LLP RESMI Direct investments for 892,857 thousand tenge.

#### **Compensation of key management personnel**

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

Total compensation paid to the Company's key management personnel (General Director, Commercial Director, Business Development Manager, Director of the Department of Organizational Development and Human Resources) during the years ended 31 December 2021 and 2020, amounted to 192,129 thousand Tenge and 142,441 thousand Tenge, respectively. These short-term compensation represent salaries and bonuses paid to key management personnel.

## **26. OPERATING SEGMENTS**

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

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	Juices and beverages	Packed tea, packed milk and food products	Wholesale activity	Total
<b>2021</b>				
Revenue	73,460,077	22,897,562	110,631	96,468,270
Finance costs	(3,130,290)	(975,714)	(4,714)	(4,110,718)
Depreciation and amortization	1,761,231	548,977	2,652	2,312,860
Profit before tax	6,079,037	1,894,840	9,155	7,983,032
Income tax expense	(1,099,567)	(342,735)	(1,656)	(1,443,958)
Profit for the year	4,979,470	1,552,105	7,499	6,539,074
<b>2020</b>				
Revenue	50,881,777	21,735,471	68,516	72,685,764
Finance costs	(2,291,069)	(978,688)	(3,086)	(3,272,843)
Depreciation and amortization	1,466,563	626,481	1,975	2,095,019
Profit before tax	2,138,493	913,512	2,880	3,054,885
Income tax expense	(823,538)	(351,795)	(1,109)	(1,176,442)
Profit for the year	1,314,955	561,717	1,771	1,878,443

Disclosure of other information:

	Juices and beverages	Packed tea, packed milk and food products	Wholesale activity	Total
<b>31 December 2021</b>				
Additions of property, plant and equipment	2,464,650	911,583	-	3,376,233
<b>31 December 2020</b>				
Additions of property, plant and equipment	1,357,990	580,101	1,829	1,939,920

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

Revenue reported above represents revenue generated from third parties. There were no inter-segment sales during the years ended 31 December 2021 and 2020. The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3. Segment profit represents the profit earned by each segment. This is the measure reported to the operating decision makers for the purposes of resource allocation and assessment of segment performance.

	Juices and beverages	Packed tea, packed milk and food products	Wholesale activity	Total
<b>31 December 2021</b>				
Segment assets	66,637,295	27,365,258	81,263	94,083,816
Segment liabilities	51,284,772	21,060,594	62,541	72,407,907
Deferred income tax liabilities	2,701,867	1,109,548	3,295	3,814,710
Total liabilities	53,986,639	22,170,142	65,836	76,222,617
<b>31 December 2020</b>				
Segment assets	56,766,578	24,249,316	76,440	81,092,334
Segment liabilities	38,499,990	16,446,270	51,844	54,998,104
Deferred income tax liabilities	2,882,685	1,231,413	3,882	4,117,981
Total liabilities	41,382,676	17,677,683	55,726	59,116,085

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

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

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

	Revenue from sales to external customers	
	2021	2020
Republic of Kazakhstan	81,445,795	62,719,933
Kyrgyz Republic	11,970,224	7,594,782
Russian Federation	2,915,309	2,298,764
Republic of Uzbekistan	88,853	-
Tajikistan	42,788	42,419
China	5,301	28,374
South Korea	-	1,492
	<b>96,468,270</b>	<b>72,685,764</b>

For the years ended 31 December 2021 and 2020, there were no single external customer with a revenue that amounted to 10 percent or more of annual revenue of the Company.



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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge, unless otherwise stated)

#### 27. FINANCIAL INSTRUMENTS

##### Capital management

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

##### Significant accounting policies

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

##### General risk management principles

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

##### Categories of financial instruments

As at 31 December 2021 and 2020, financial instruments were as follows:

	31 December 2021	31 December 2020
<b>Financial assets</b>		
Financial assets at FVTPL:		
Other financial assets (Note 15)	4,066,374	32,490,057
Financial assets measured at amortized cost:		
Other financial assets (Note 15)	28,697,737	-
Cash and cash equivalents (Note 17)	5,952,084	7,137,503
Trade accounts receivable (Note 14)	2,120,470	1,512,670
Other current assets, excluding prepaid expenses and other taxes receivable (Note 16)	495,459	426,894
Bank deposits (Note 18)	1,320,346	671,408
<b>Financial liabilities</b>		
Financial liabilities measured at amortized cost:		
Borrowings (Note 20)	40,121,855	32,898,444
Accounts payable (Note 21)	19,031,258	14,056,328
Long-term accounts payable (Note 21)	936,048	869,820
Other accounts payable and accrued liabilities, excluding advances received (Note 23)	777,955	571,714

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge, unless otherwise stated)

#### Market risks

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

#### Foreign currency risk

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

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

	Assets		Liabilities	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
US Dollars	25,603,241	36,279,228	6,502,541	4,159,490
Russian Ruble	504,353	338,351	11,520,966	6,872,417
Euro	942	1,244	1,193,893	775
Kyrgyz Soms	5,385	-	69,601	15,837
Chinese yuans	-	-	278,584	659,806
Other	4	5	115	-

#### Foreign currency sensitivity analysis

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

	Impact of US Dollars (i)		Impact of Rub (ii)		Impact of Euro (iii)	
	2021 r.	2020 r.	2021 r.	2020 r.	2021 r.	2020 r.
Profit/(loss) before tax	3,820,140	6,423,948	(2,203,323)	(1,306,813)	(238,590)	94

- (i) This is mainly attributable to the exposure on the Group's cash bank accounts, financial assets given to Area Plus DMCC, coupon bonds of Bank Julius Bär & Co and outstanding accounts payable denominated in US Dollars as at year ended 31 December 2021.
- (ii) This is mainly attributable to the exposure on Russian rubles denominated loans as at year end.
- (iii) This is mainly attributable to the exposure on Euro denominated accounts payable as at year end.
- Risks in paragraphs (i), (ii) and (iii) were not summarized

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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#### *Interest rate risk*

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

Treasury is responsible for monitoring and managing the interest rate exposure of the Company. Due to the current balance sheet structure of the Company, emphasis is placed on managing the interest rate risk in relation to borrowings. In 2021, all the loans of the Company have fixed interest rates.

#### **Credit risks**

##### *Customer Finance Credit Risk*

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

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

As at 31 December 2021, customer credit risk exposure of the Company related to trade accounts receivable totaled 2,129,998 thousand tenge (31 December 2020: 1,561,722 thousand tenge).

##### *Financial credit risk*

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

As of 31 December 2021, the debt of Area Plus DMCC was 20,878,091 thousand tenge (Note 15), which represent significant concentration of credit risk and constitute 32% from total current assets of the Company. The Company believes that the debt is recoverable because the Company analyzed assets and liabilities of Area Plus DMCC presented in the statement of financial position of this company as at 31 December 2021 and believes that Area Plus DMCC can fulfill its obligations to the Company on time.

As at 31 December 2021, the Group holds a portfolio of securities, which includes coupon bonds of Bank Julius Bär & Co and government bonds of the Ministry of Finance of the Republic of Kazakhstan (Note 15). Rating of bank Julius Bar & Co. is Aa3, according to the rating agency Moody's. The ratings of other banks in which cash and cash equivalents are placed (Note 17) are within B2-Aa3.

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

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

**Liquidity risk**

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

*Table on liquidity risk*

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

31 December 2021	Weighted average interest rate	Within	1-5 years	Over	Total
		1 year		5 years	
<b>Financial assets:</b>					
Trade accounts receivable	-	2,120,470	-	-	2,120,470
Other financial assets measured at amortized cost	3.2%	29,378,091	-	-	29,378,091
Other financial assets measured at FVTPL	0.4%	4,066,374	-	-	4,066,374
Other current assets	-	8,995,459	-	-	8,995,459
Bank deposits	4.2%	1,320,346	-	-	1,320,346
Cash and cash equivalents	-	5,952,084	-	-	5,952,084
		<b>51,832,824</b>	-	-	<b>51,832,824</b>
<b>Financial liabilities:</b>					
Accounts payable	-	19,031,258	-	-	19,031,258
Long-term Accounts payable	4.1%	-	1,028,814	-	1,028,814
Borrowings	7.81%	13,290,943	35,100,395	530,029	48,921,367
Other accounts payable and accrued liabilities	-	777,955	-	-	777,955
		<b>33,100,156</b>	<b>36,129,209</b>	<b>530,029</b>	<b>69,759,394</b>

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31 December 2020	Weighted average interest rate	Maturity			Total
		Within 1 year	1-5 years	Over 5 years	
<b>Financial assets:</b>					
Trade accounts receivable	-	1,512,670	-	-	1,512,670
Other financial assets	0.44%	32,490,057	-	-	32,490,057
Other current assets	-	426,894	-	-	426,894
Bank deposits	1.5%	671,408	-	-	671,408
Cash and cash equivalents	-	7,137,503	-	-	7,137,503
		<b>42,238,532</b>	-	-	<b>42,238,532</b>
<b>Financial liabilities:</b>					
Accounts payable	-	14,056,328	-	-	14,056,328
Long-term Accounts payable	4.1%	-	1,002,867	-	1,002,867
Borrowings	8.34%	16,362,125	21,573,419	503,596	38,439,140
Other accounts payable and accrued liabilities	-	571,714	-	-	571,714
		<b>30,990,167</b>	<b>22,576,286</b>	<b>503,596</b>	<b>54,070,049</b>

The Company has access to funds, as described below, amounting to 16,594,432 thousand tenge as at 31 December 2021 (31 December 2020: 18,010,643 thousand tenge).

Unsecured short-term borrowings with different maturities till 2022	2021
Amount used	5,434,470
Amount unused	863,988
	<b>6,298,458</b>
<b>Secured short-term borrowings with different maturities till 2022</b>	
Amount used	5,141,446
Amount unused	-
	<b>5,141,446</b>
<b>Unsecured long-term borrowings with different maturities till 2028</b>	
Amount used	15,966,476
Amount unused	285,989
	<b>16,252,465</b>
<b>Secured long-term borrowings with different maturities till 2028</b>	
Amount used	15,740,539
Amount unused	15,444,455
	<b>31,184,994</b>

*Fair value of financial instruments carried at amortized cost*

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

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

*Hierarchy of fair value as at 31 December 2021*

	Level 1	Level 2	Level 3	Total
<i>Financial assets at</i>				
Other financial assets at FVTPL	1,691,474	2,374,900	-	4,066,374
<b>Totals</b>	<b>1,691,474</b>	<b>2,374,900</b>	<b>-</b>	<b>4,066,374</b>

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

*Hierarchy of fair value as at 31 December 2020*

	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Other financial assets at FVTPL	-	32,490,057	-	32,490,057
<b>Totals</b>	<b>-</b>	<b>32,490,057</b>	<b>-</b>	<b>32,490,057</b>

	Level 1	Level 2	Level 3	Total
<i>Other assets</i>				
Investment property	-	-	53,037	53,037
Land, buildings and constructions, machinery and equipment	-	-	25,839,379	25,839,379
<b>Totals</b>	<b>-</b>	<b>-</b>	<b>25,892,416</b>	<b>25,892,416</b>

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of Tenge, unless otherwise stated)

	Valuation technique(s) and key input(s)
<i>Financial assets</i>	Level 1: Government bonds of the Ministry of Finance of the Republic of Kazakhstan: Quoted bid prices in an active market
Other financial assets	Level 2: Coupon bonds of Bank Julius Bär & Co: Quoted prices provided by the issuer Bank Julius Bär & Co in markets that are not active  Level 2: Loan given to Area Plus DMCC: The lower of the discounted cash flows at a discount rate that corresponds to market rates at the end of the reporting period and the fair value of the securities transferred, which is determined based on quoted prices provided by the issuer Bank Julius Bär & Co in markets that are not active
<i>Other assets</i>	Level 3: Cost approach and market for similar or comparable assets, adjusted for differences with the assets under valuation. Adjustment of the prices of similar or comparable assets requires analysis of such factors as location, size, functional use and condition of the asset.
Investment property	Level 3: The valuation, which conforms to International Valuation Standards, was determined by reference to (a) the cost approach and (b) the market for similar or comparable assets, adjusted for differences with the asset under valuation. Discounted cash flow (DCF) method to check for the economic depreciation of the Company's assets as a Cash Generating Unit was performed.
Land and buildings, machinery and equipment	

#### *Hazard risk*

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

## 28. COMMITMENTS AND CONTINGENCIES

### Operating environment

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Kazakhstani tenge against major currencies.

In addition to that, starting from early 2021 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Company may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Company's business largely depends on the duration and the incidence of the pandemic effects on the world and Kazakhstan economy.

Since the main activity of the Company is related to the food industry, the Company did not stop its activities during the spread of COVID-19. These events did not have a significant negative impact on the operations and financial performance of the Company.

Management of the Company is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Company's business in the foreseeable future. However, the impact of further economic developments on future operations and the financial position of the Company is at this stage difficult to determine.

#### **Tax and regulatory environment**

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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**Compliance with loan covenants**

Some of the Company's loan agreements are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators. The Group complied with all covenants of loan agreements with lenders as at 31 December 2021.

**Legal issues**

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

**29. EVENTS AFTER THE REPORTING DATE**

At the start of January 2022, Kazakhstan witnessed mass protests, which turned into unrest. On 5 January, the President introduced a state of emergency across the country, which was in place until 19 January. During the mass protests internet access was restricted across Kazakhstan, bank operations and transactions were suspended, stock and commodity exchanges were closed, and flights were cancelled, resulting in businesses being unable to function effectively.

The situation in Kazakhstan stabilised and was under the control of the authorities by 15 January. The government is focusing on addressing the political and socio-economic situation.

In February 2022, tenge depreciated significantly against major foreign currencies amid the external geopolitical situation. In order to reduce the negative impact of external factors on the Kazakhstani economy, the National Bank of the Republic of Kazakhstan ("NBK") raised the base rate from 10.25% to 13.5% per annum with a corridor of +/- 1.0 p.p., and interventions on the currency market were performed to support tenge exchange rate against foreign currencies. However, there is uncertainty exists related to the future development of the geopolitical risks and their impact on the economy of the Republic of Kazakhstan.

These events did not have a material impact on the Company's operating activities and its financial statements.

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

In February 2022, RG Brands Holding Limited, a company under common control of the main shareholder of RG Brands JSC Mazhibayev K.K., registered on November 2021 on Dubai International Financial Center (DIFC), purchased shares from RG Brands JSC in the amount of 1,865,466 shares and from Mazhibayev K.K in the amount of 1,519,771 shares. As a result, the share of RG Brands Holding Limited in RG Brands JSC amounted to 98%. The parent company of RG Brands Holding Limited is Area Plus DMCC. The ultimate owner of Area Plus DMCC is Mazhibayev K.K.

## LLP RG BRANDS KAZAKHSTAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of Tenge, unless otherwise stated)*

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In 2022, Company authorized dividends based on the results of 2006-2008, 2010, 2011, 2013-2016 and 2018-2020 in the amount of 4,208,880 thousand tenge.

On 28 January 2022 Company Area Plus DMCC fully fulfilled its obligations and repaid the debt to the Company in the amount of 50,199 thousand USD (equivalent to 21,761,162 thousand tenge) (Note 15). For the period from 31 January 2022 till 28 February 2022 the Company provided financial asset to Area Plus DMCC by three tranches in the amount of 60,640 thousand USD. In March and April 2022, Area Plus DMCC made a partial repayment of debt related to this financial asset in the amount of 21,494 thousand USD.

#### **30. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved and authorized for issue by the Company's management on 5 May 2022.