RG BRANDS
НА ВСЮ ЖИЗНЬ

JSC RG BRANDS AND ITS SUBSIDIARIES

Consolidated Financial Statements
For the year ended 31 December 2020
and Independent Auditor's Report

JSC RG BRANDS AND ITS SUBSIDIARIES

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Joint Stock Company RG Brands ("the Company") and its subsidiaries ("the Group") as at 31 December 2020, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with 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 Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by management on 6 May 2021.

On behalf of the Group's management:

Kaltaev T. S.	**Ivanova N. A.**
Chief Executive Officer	**Chief Accountant**
6 May 2021	6 May 2021

Қазақстан Республикасы Алматы қаласы Акционерлік қоғамы
Республика Казахстан город Алматы Акционерное общество
RG BRANDS

Deloitte.

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

Tel.: +7 (727) 258 13 40
Fax: +7 (727) 258 13 41
deloitte.kz

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Joint Stock Company RG Brands:

Opinion

We have audited the consolidated financial statements of JSC RG Brands and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code")* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of 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 Matters

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Revaluation of property, plant and equipment As discussed in Note 3 to the consolidated financial statements, 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. The valuation of the Group's property, plant and equipment was performed by an independent appraiser as at 1 October 2020. As a result, the Group recognized gain on revaluation of land, buildings and constructions, machinery and equipment in the amount of 4,445,655 thousand tenge, net of the effect of deferred income tax of 889,131 thousand tenge in other comprehensive income, also impairment loss in the amount of 440,813 thousand tenge in profit or loss for the period. The valuation, which conforms to International Valuation Standards, was determined by reference to (a) the cost approach, (b) revenue approach and (c) comparative approach. Discounted cash flow (DCF) method to check for the economic depreciation of the Group's assets as a cash generating unit was performed (Note 12). This matter is key to our audit due to the materiality of the balance of property, plant and equipment of the Group at the reporting date and the subjectivity of judgments and assumptions used in the valuation of these assets.	Our procedures in relation to management's revaluation of property, plant and equipment included the following: We evaluated the external independent appraiser's competence and objectivity. We reviewed the report prepared by the independent appraiser and assessed the appropriateness of appraiser's valuation methodology. With the assistance of our internal valuation expert we ensured that the Valuation Standards and the method previously used by the Group. We challenged the appropriateness key assumption, including WACC, revenue, cost of sales, administrative costs, capital investment, depreciation, taxes forecasts and found that the assumptions were supported by the available evidences. We also tested the correctness of the input data used in the valuation. We ensured that the results of the revaluation were correctly accounted for, including recognition of increase/decrease in the carrying for each item amount resulting from the revaluation in other comprehensive income or profit or loss in accordance with IAS 16 Property, plant and equipment. We have reviewed the accuracy and completeness of the related disclosures in the consolidated financial statements.

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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

6 May 2021
Almaty, Republic of Kazakhstan

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Tenge, unless otherwise stated)

	Note	2020	2019
Revenue	5	75,420,002	66,289,024
Cost of sales	6	(40,222,146)	(38,916,877)
Gross profit		**35,197,856**	**27,372,147**
Selling expenses	7	(14,604,419)	(12,215,866)
General and administrative expenses	8	(5,012,451)	(5,240,838)
OPERATING PROFIT		**15,580,986**	**9,915,443**
Finance costs	9	(3,302,618)	(2,847,858)
Foreign exchange gain/(loss)	16	3,300,912	(941,317)
Investment income		257,963	471,986
Other income		47,599	540,643
Profit before tax		**15,884,842**	**7,138,897**
Income tax expense	10	(1,298,204)	(515,790)
PROFIT FOR THE YEAR		**14,586,638**	**6,623,107**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment	12	3,556,524	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(411,874)	(1,655)
Other comprehensive income/(loss) for the year, net of income tax		3,144,650	(1,655)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**17,731,288**	**6,621,452**
Earnings per share			
Basic and diluted earnings per common share, in tenge	11	5,894	2,112

On behalf of Group's management:

Kaltaev T. S.
Chief Executive Officer

6 May 2021

Ivanova N. A.
Chief Accountant

6 May 2021

The notes on pages 12 to 57 form an integral part of these consolidated financial statements.

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(in thousands of Tenge, unless otherwise stated)

	Note	31 December 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	12	26,824,238	22,859,485
Investment property		53,037	612,211
Advances paid	13	1,507,604	57,704
Goodwill		68,026	68,026
Right-of-use assets		42,367	69,499
Intangible assets		103,524	79,091
Total non-current assets		**28,598,796**	**23,746,016**
CURRENT ASSETS:			
Inventories	14	9,169,138	7,828,427
Trade accounts receivable	15	1,683,134	2,086,863
Advances paid	13	1,589,808	1,626,080
Other financial assets	16	32,490,057	28,455,710
Other current assets	17	1,381,687	1,782,921
Bank deposits		671,788	610,474
Cash and cash equivalents	18	7,247,861	2,346,818
Assets classified as held for sale		1,929	1,929
Total current assets		**54,235,402**	**44,739,222**
TOTAL ASSETS		**82,834,198**	**68,485,238**
EQUITY AND LIABILITIES			
EQUITY:			
Issued capital	19	2,787,696	2,787,696
Treasury shares	19	(820,063)	(163,364)
Preferred shares, held within the Group	19	(947,400)	(947,400)
Reserves	20	4,147,929	3,420,206
Retained earnings		29,041,593	17,491,822
Total equity		**34,209,755**	**22,588,960**
NON-CURRENT LIABILITIES:			
Borrowings	21	19,108,565	13,855,075
Accounts payable	22	869,820	876,772
Deferred income	24	1,023,521	-
Lease liabilities		21,606	-
Deferred tax liabilities	10	4,218,318	3,410,182
Total non-current liabilities		**25,241,830**	**18,142,029**
CURRENT LIABILITIES:			
Accounts payable	22	7,455,036	8,134,734
Borrowings	21	13,789,879	18,143,299
Corporate income tax payable		117,426	-
Taxes payable	23	824,990	805,385
Lease liability		38,081	28,902
Deferred income	24	513,643	-
Other accounts payable and accrued liabilities		643,558	641,929
Total current liabilities		**23,382,613**	**27,754,249**
TOTAL EQUITY AND LIABILITIES		**82,834,198**	**68,485,238**

On behalf of Group's management:

RG BRANDS

Kaltaev T. S.
Chief Executive Officer

6 May 2021

Ivanova N. A.
Chief Accountant

6 May 2021

The notes on pages 12 to 57 form an integral part of these consolidated financial statements.

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Tenge, unless otherwise stated)

	Issued capital	Treasury shares	Preferred shares, held within the Group/ Treasury preferred shares	Property, Plant & Equipment revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity
As at 1 January 2019	**2,787,696**	**(149,709)**	**(947,400)**	**4,504,859**	**(244,014)**	**11,824,340**	**17,775,772**
Profit for the year	-	-	-	-	-	6,623,107	6,623,107
Other comprehensive income, net of income tax	-	-	-	-	(1,655)	-	(1,655)
Total comprehensive income for the year	-	-	-	-	(1,655)	6,623,107	6,621,452
Dividends declared (Note 19)	-	-	-	-	-	(1,750,025)	(1,750,025)
Transfer to retained earnings	-	-	-	(838,984)	-	838,984	-
Repurchase of own shares (Note 19)	-	(13,655)	-	-	-	(44,584)	(58,239)
As at 31 December 2019	**2,787,696**	**(163,364)**	**(947,400)**	**3,665,875**	**(245,669)**	**17,491,822**	**22,588,960**
Profit for the year	-	-	-	-	-	14,586,638	14,586,638
Other comprehensive income, net of income tax	-	-	-	3,556,524	(411,874)	-	3,144,650
Total comprehensive income for the year	-	-	-	3,556,524	(411,874)	14,586,638	17,731,288
Dividends declared (Note 19)	-	-	-	-	-	(4,000,020)	(4,000,020)
Transfer to retained earnings	-	-	-	(2,416,927)	-	2,416,927	-
Sale of preferred shares of JSC RG Brands (Note 19)	-	-	947,400	-	-	(575,545)	371,855
Repurchase of preferred shares of JSC RG Brands (Note 19)	-	-	(947,400)	-	-	-	(947,400)
Repurchase of own shares (Note 19)		(656,699)	-	-	-	(878,229)	(1,534,928)
As at 31 December 2020	**2,787,696**	**(820,063)**	**(947,400)**	**4,805,472**	**(657,543)**	**29,041,593**	**34,209,755**

On behalf of Group's management:

RG BRANDS

Kaltaev T. S.
Chief Executive Officer

6 May 2021

Ivanova N. A.
Chief Accountant

6 May 2021

The notes on pages 12 to 57 form an integral part of these consolidated financial statements.

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Tenge, unless otherwise stated)

	Note	2020	2019
OPERATING ACTIVITIES:			
Profit before tax		15,884,842	7,138,897
Adjustments for:			
Depreciation and amortization	6, 7, 8	2,265,366	2,305,007
Finance costs	9	3,302,618	2,847,858
Foreign exchange (gain)/loss		(3,300,912)	941,317
Loss/(gain) from disposal of property, plant and equipment		83,454	(382,439)
Reimbursement of selling expenses incurred without cash settlement		(415,365)	(297,183)
Investment income		(257,963)	(471,986)
Waste goods write-off and write-off of materials	7, 8	282,102	186,169
Accrual of provision for taxes, other than income tax	8	-	100,000
Accrual of provision for slow-moving and obsolete inventory	8	8,652	13,324
(Recovery)/accrual of provision for vacation and other estimated expenses		(47,510)	27,750
Accrual/(recovery) of provision for doubtful debts	7, 8	9,864	(10,540)
Loss on revaluation of property, plant and equipment	12	440,813	
Other gain		-	(159,859)
Operating cash flows before movements in working capital		**18,255,961**	**12,238,315**
Change in inventories		(1,631,465)	(301,623)
Change in trade accounts receivable		186,463	42,736
Change in advances paid		(312,085)	(686,113)
Change in other current assets		474,921	(454,842)
Change in accounts payable		(86,316)	701,849
Change in taxes payable		19,605	45,711
Change in other accounts payable and accrued liabilities		(96,474)	883,932
		16,810,610	12,469,965
Change in long-term advances paid		**(1,214,810)**	-
Cash from operating activities		**15,595,800**	**12,469,965**
Interest paid		(3,371,902)	(2,577,498)
Income tax paid		(1,261,773)	(840,348)
Net cash generated by operating activities		**10,962,125**	**9,052,119**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and intangible assets		(2,660,026)	(867,923)
Proceeds on sale of other financial assets		56,345,296	189,760,550
Purchase of other financial assets		(58,171,591)	(208,979,948)
Proceeds on disposal of property, plant and equipment, intangible assets and assets, classified as held for sale		935,083	819,768
Money withdrawn from bank deposit		-	593,009
Money placed to bank deposit		-	(607,184)
Deposit interest		13,213	17,497
Net cash used in investing activities		**(3,538,025)**	**(19,264,231)**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(in thousands of Tenge, unless otherwise stated)

	Note	2020	2019
FINANCING ACTIVITIES:			
Proceeds from borrowings	21	27,014,090	32,835,896
Repayment of borrowings	21	(23,722,494)	(24,612,296)
Repayment on lease liability		(96,949)	(159,635)
Repurchase of common shares		(1,534,928)	(58,239)
Repurchase of preferred shares	19	(947,400)	-
Sale of preferred shares	19	371,855	-
Dividends paid	19	(4,000,020)	(1,750,025)
Net cash (used in)/generated by financing activities		**(2,915,846)**	**6,255,701**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**4,508,254**	**(3,956,411)**
CASH AND CASH EQUIVALENTS, at the beginning of the year	**18**	**2,346,818**	**6,239,260**
Effect of changes in foreign exchange rates in relation to cash		392,789	63,969
CASH AND CASH EQUIVALENTS, at the end of the year	**18**	**7,247,861**	**2,346,818**

On behalf of Group's management:

RG BRANDS

Республика Казахстан город Алматы Акционерное общество

Қазақстан Республикасы Алматы қаласы Акционерлік қоғамы

Kaltaev T. S.
Chief Executive Officer

6 May 2021

Ivanova N. A.
Chief Accountant

6 May 2021

The notes on pages 12 to 57 form an integral part of these consolidated financial statements.

(in thousands of Tenge, unless otherwise stated)

1. GENERAL INFORMATION

The principal activity of JSC RG Brands and its subsidiaries ("the Group") is the production, sale and distribution of juices, carbonated soft drinks, milk, bottled drinking water, chips, as well as the packing, sale and distribution of tea. The Group's operations are primarily in the Republic of Kazakhstan.

Ownership of the Company

The holding company, JSC RG Brands ("RG Brands" or "the Company") was initially registered on 22 June 1998 as a limited liability partnership. The Company was re-registered as a joint stock company on 27 March 2001.

Shareholders and ultimate owners of the Company as at 31 December 2020 and 2019 are disclosed in Note 19.

Group structure and operations

The Group includes the Company and the following subsidiaries:

	Ownership interest		Voting power	
	2020	2019	2020	2019
LLP RG Brands Kazakhstan	100%	100%	100%	100%
LLP Uni Commerce Ltd.	100%	100%	100%	100%
LLC RG Brands Kyrgyzstan	100%	100%	100%	100%
LLC RG Brands Tashkent	100%	100%	100%	100%
LLP PRG Bottlers Kazakhstan	100%	100%	100%	100%
LLC RG Brands Sever	100%	100%	100%	100%

In 2019, the management of the Group made decision to separate the production of potato chips under the Grizzly trademark into a separate legal entity of LLP Chips Production. The Group sold a 100% of share in the issued capital of Chips Production LLP to a third party.

JSC RG Brands carries out the management functions in terms of organization of the activities of its subsidiaries.

LLP RG Brands Kazakhstan ("RG Brands Kazakhstan") 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 drinks contained juice and 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 Group.

(in thousands of Tenge, unless otherwise stated)

The principal activity of LLP Uni Commerce Ltd. is the management of the Group's investment portfolio.

LLC RG Brands Tashkent ("RG Brands Tashkent") and LLC RG Brands Kyrgyzstan ("RG Brands Kyrgyzstan") perform sales and distribution of the Group's products in the Republic of Uzbekistan and the Kyrgyz Republic, respectively.

LLC RG Brands Sever ("RG Brands Sever") was established in 2016 in Novosibirsk oblast of the Russian Federation for the purpose of performing sales and distribution of the Group's products in the Russian Federation.

All subsidiaries, other than RG Brands Kyrgyzstan, RG Brands Tashkent, RG Brands Sever, which are registered in the Kyrgyz Republic, the Republic of Uzbekistan and the Russian Federation, are registered in the Republic of Kazakhstan, respectively.

The group's head office is located in Almaty and its production facilities are located in Almaty city, Almaty region and Kostanay city, all in the Republic of Kazakhstan. The Group also has sales and distribution operations in Kyrgyz Republic and the Russian Federation.

Legal address:	212 B, Raimbek ave., Almaty, the Republic of Kazakhstan
Ownership status:	Private

As at 31 December 2020 and 2019, the number of employees was 1,164 and 1,197 respectively.

Bottling agreements with Pepsi and Seven-Up International

The Group operates its carbonated soft drinks production and distribution under an exclusive bottling appointment agreement, concluded between RG Brands Kazakhstan and Pepsico Inc. and between RG Brands Kazakhstan 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 with automatic prolongation maximum for 7 years and in this case, the agreement expire date 31 December 2025.

(in thousands of Tenge, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED STANDARDS

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

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Interest Rate Benchmark Reform phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7)	*Identification of Interest rate in hedge accounting*
Amendments to IFRS 3	*Definition of a business*
Amendments to IAS 1 and IAS 8	*Definition of material*
Amendments to References to the Conceptual Framework in IFRS Standards	*Updates of references to or from the Conceptual Framework to the IFRS standards*

The application of the new standards and interpretations did not lead to significant changes in the Group'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 Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17[2]	*Insurance Contracts*
IFRS 10 and IAS 28 (amendments)[3]	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1[2]	*Classification of Liabilities as Current or Non-current*
Amendments to IFRS 3[1]	*Reference to the Conceptual Framework*
Amendments to IAS 16[1]	*Property, Plant and Equipment—Proceeds before Intended Use*
Amendments to IAS 37[1]	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020 Cycle[1]	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*
Amendment to IFRS 16[1]	*Covid-19-related rent concessions*
Amendments to IAS 8[2]	*Definition of Accounting Estimates*
Amendments to IAS 1 and IFRS Practice Statement 2[2]	*Disclosure of Accounting Policies*

[1]Effective for annual reporting periods beginning on or after 1 January 2022 with early application permitted.
[2]Effective for annual reporting periods beginning on or after 1 January 2023 and are applied retrospectively. Early application is permitted.
[3]The effective date has yet to be set, however, earlier application is permitted.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and land, buildings and constructions, machinery and equipment, 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 Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when assesing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated 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 consolidated financial statements have been prepared on a going concern basis, which assumes the realization of the Group'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 Group reasonably believes that the Group has the necessary resources to continue operating in the foreseeable future. Therefore, the consolidated financial statements have been prepared on a going concern basis.

The principal accounting policies are set out below

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (and its subsidiaries). Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 Group 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 Group's Chief Executive Officer.

The Group 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.

(in thousands of Tenge, unless otherwise stated)

Foreign currency transactions

The consolidated financial statements are expressed in Kazakhstani tenge ("tenge" or "KZT"), which is the functional currency of the Group and its subsidiaries in Kazakhstan and the presentation currency for these consolidated financial statements.

In preparing the financial statements of the individual entities, 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 consolidated 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.

For the purpose of preparing consolidated financial statements, the financial statements of RG Brand Kyrgyzstan, RG Brands Tashkent and RG Brands Sever (the Group's foreign operations) were translated from Kyrgyz Som, Uzbek Sum and Russian Roubles, the functional currency of these entities, into tenge using the following exchange rates:

- assets and liabilities were translated using exchange rates at the reporting date;
- revenue and expenses were translated at the average exchange rate for the period provided that exchange rate has not substantially changed during the annual period, otherwise the exchange rate as of the transaction date is applied; and
- gain/(loss) arising from this translation is recorded as foreign exchange differences arising on translation of foreign operations in other comprehensive income/(loss).

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

	2020	2019
US Dollars	420.91	382.59
Euro	516.79	429.00
Russian rubles	5.62	6.16
Chinese Yuans	64.36	54.97

Revenue recognition

Revenue is estimated based on the consideration to which the Group 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 Group expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties (for example, value added taxes).

The Group recognises revenue when the entity satisfies a performance obligation by transferring a control over goods. 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 Group 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 Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 Group 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 Group 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 consolidated statement of financial position.

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

The Group 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 Group did not make any such adjustments during the periods presented.

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 Group 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 consolidated statement of financial position.

The Group 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 Group 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 Group 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.

Retirement benefit obligations

In accordance with the legislative requirements of the Republic of Kazakhstan, the Group pays an amount equivalent to 10% of each employee's wage into a accumulation pension fund. However, in accordance with Kazakhstan legislation, from 1 January 2019, the contribution per employee should not exceed 212,500 tenge 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 consolidated 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 Group'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 consolidated financial statements and the related tax bases used in calculating taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if a temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit not accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 Group 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.

Earnings per share

Basic earnings per share is calculated by dividing net profit attributable to the equity holders of the Group for the period by the weighted average number of issued common stocks, while diluted earnings per share is calculated considering the weighted average number of diluting share options in addition to the number of issued common stocks.

Property, plant and equipment

Land and 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 credited within the amount of expenses previously recognized. A revaluation deficit is recognized in profit or loss, except when a deficit directly decreases a previous surplus on the same asset. In such cases a deficit decreases the reserve amount for the assets recognized in other comprehensive income.

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

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

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

Construction-in-progress

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

Assets acquired with deferred payment

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

Subsequent expenditures

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

Production method of depreciation is used in production divisions of the Group, and is applied to property, plant and equipment directly involved into production of finished goods of the Group. Depreciation is charged and recorded in profit or loss on units of production method, 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 consolidated statement of profit or loss and other comprehensive income in the reporting period in which the asset is derecognized.

Impairment of property, plant and equipment

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If an asset does not generate cash flows independently of other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate asset values are also allocated to individual cash-generating units or the smallest groups of cash-generating units for which a reasonable and consistent allocation method can be applied.

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.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. The Group apply fair value model for the measurement after recognition. The fair value of investment property on the basis of a valuation by an independent appraiser. A gain or loss arising from a change in the fair value of investment property is recognised in profit or loss for the period in which it arises.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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 Group creates provisions for slow moving and obsolete inventory based on inventory turnover ratios and current marketing plans.

Financial instruments

Financial assets

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

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

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

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

Debt instruments at amortized cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group'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.

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; or
- 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 liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

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

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

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group'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.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market 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 of receivables is established based on an expected credit loss model. The Group 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 Group 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 consolidated financial statements.

Other financial assets

Other financial assets include loan given to Area Plus DMCC. Other financial assets are measured for as at FVTPL.

Provisions

Provisions are recognized when the Group has a present obligation (legal or implied) as a result of a past event, it is probable that the Group 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 consolidated 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 receivable 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 Group has a detailed formal restructuring plan which has been notified to the parties concerned. A restructuring provision measures only the direct expenditure arising from the restructuring, including those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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 consolidated 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 Group's land, buildings and constructions, machinery and equipment are carried at a revalued amount.

The valuation of the Group's land, buildings and constructions, machinery and equipment 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 that is an estimate of the Level 3 fair value in the fair value hierarchy. Discounted cash flow ("DCF") method to check for the economic depreciation of the Group's assets as a Cash Generating Unit was performed. The description of the methods are disclosed in Note 12.

The Management of the Group believes that fair value of land, buildings and constructions, machinery and equipment does not significantly differ from its carrying value as at 31 December 2020.

(in thousands of Tenge, unless otherwise stated)

5. REVENUE

	2020	2019
Sales of carbonated soft drinks and juice containing drinks	53,418,167	46,782,963
Sales of packed tea, packed milk and food products	21,936,693	19,400,347
Sales of wholesale products	65,142	105,714
	75,420,002	**66,289,024**

6. COST OF SALES

	2020	2019
Raw and other materials	36,342,930	34,847,015
Depreciation and amortization	1,259,638	1,302,739
Payroll and related taxes	1,023,283	948,090
Repairs	850,563	698,043
Utilities	502,789	543,789
Cost of sales of wholesale products	84,077	332,698
Other costs	158,866	244,503
	40,222,146	**38,916,877**

7. SELLING EXPENSES

	2020	2019
Transportation expenses	4,901,601	4,162,030
Sales representatives expenses	4,037,918	3,664,392
Advertising campaigns and market research	2,612,109	1,827,894
Payroll and related taxes	1,377,854	897,885
Depreciation and amortization	815,930	854,051
Warehouse services	732,864	439,077
Advertising and promotional materials	333,457	269,310
Business trip expenses	16,041	33,959
Write-off of materials	7,231	15,106
Taxes, other than income tax	192	18
Accrual of provision for expected credit losses	-	69
Other selling expenses	870,322	721,623
Reimbursement of selling expenses	(1,101,100)	(669,548)
	14,604,419	**12,215,866**

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

(in thousands of Tenge, unless otherwise stated)

8. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Payroll and related taxes	2,504,688	2,344,016
Taxes, other than income tax	287,738	296,987
Consulting services	285,983	532,413
Waste goods write-off	274,871	171,063
Bank charges	212,627	136,186
Depreciation and amortization	189,798	148,217
Business trip expenses	167,848	112,561
Repairs	137,578	159,299
Insurance	124,476	150,452
Communication services	112,907	86,401
Transportation expenses	94,189	107,938
Representative expenses	89,288	104,114
Utilities	77,406	75,370
Legal services	72,859	22,024
Security services	61,780	48,371
Training	45,601	54,461
Rent	10,743	2,912
Accrual/(recovery) of provision for doubtful debts	9,864	(10,609)
Accrual of provision for slow-moving and obsolete inventory	8,652	13,324
Penalties and fines	6,961	2,068
Accrual of provision for taxes, other than income tax	-	100,000
Others	236,594	583,270
	5,012,451	**5,240,838**

9. FINANCE COSTS

	2020	2019
Interest expenses	3,217,232	2,710,117
Other	85,386	137,741
	3,302,618	**2,847,858**

10. TAXATION

	2020	2019
Current income tax expense	1,379,199	794,670
Deferred income tax benefit	(80,995)	(278,880)
Total income tax expense	**1,298,204**	**515,790**

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

(in thousands of Tenge, unless otherwise stated)

The tax effect on the major temporary differences that give rise to deferred tax assets and liabilities as at 31 December 2020 and 2019 are presented below:

	31 December 2020	31 December 2019
Deferred tax assets:		
Provision for doubtful debt	44,437	57,963
Provision for unused vacation and bonuses	56,083	45,585
Provision for slow-moving and obsolete inventory	15,466	13,735
Taxes	4,352	3,387
Other	27,267	21,766
	147,605	142,436
Deferred tax liabilities:		
Property, plant and equipment and intangible assets	(4,357,450)	(3,515,773)
Other	(8,473)	(36,845)
	(4,365,923)	(3,552,618)
Deferred tax liabilities, net	**(4,218,318)**	**(3,410,182)**

In 2020 and 2019 the statutory tax rate effective in the Republic of Kazakhstan, the location of the majority of the Group's entities, was 20%.

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

	2020	2019
Profit before tax	15,884,842	7,138,897
Income tax at the statutory tax rate of 20%	3,176,968	1,427,779
Non taxable income	(1,971,342)	(1,005,958)
Non-deductible expenses	92,578	93,969
Income tax expense	**1,298,204**	**515,790**

(in thousands of Tenge, unless otherwise stated)

The change in deferred tax was presented as follows:

	1 January 2020	Recognised in profit and loss	Recognised in other comprehensive income	31 December 2020
Provision for doubtful debt	57,963	(13,526)	-	44,437
Provision for unused vacation and bonuses	45,585	10,498	-	56,083
Provision for slow-moving and obsolete inventory	13,735	1,731	-	15,466
Taxes	3,387	965	-	4,352
Other assets	21,766	5,501		27,267
Other liabilities	(36,845)	28,372	-	(8,473)
Property, plant and equipment and intangible assets	(3,515,773)	47,454	(889,131)	(4,357,450)
	(3,410,182)	**80,995**	**(889,131)**	**(4,218,318)**

	1 January 2019	Recognised in profit and loss	Recognised in other comprehensive income	31 December 2019
Provision for doubtful debt	62,106	(4,143)	-	57,963
Provision for unused vacation and bonuses	40,035	5,550	-	45,585
Provision for slow-moving and obsolete inventory	11,070	2,665	-	13,735
Taxes	2,708	679	-	3,387
Other assets	-	21,766	-	21,766
Other liabilities	(34,461)	(2,384)	-	(36,845)
Property, plant and equipment and intangible assets	(3,770,520)	254,747	-	(3,515,773)
	(3,689,062)	**278,880**	**-**	**(3,410,182)**

11. EARNINGS PER SHARE AND BOOK VALUE PER SHARE

Earnings per share is calculated as the profit for the year attributable to equity holders divided by the weighted average number of common shares issued and outstanding during the year, as shown below.

	2020	2019
Calculation of basic and diluted earnings per share		
Profit for the year	14,586,638	6,623,107
Weighted average number of common shares	2,474,741	3,135,551
Basic and diluted earnings per share, in tenge	**5,894**	**2,112**

As at 31 December 2020 and 2019, there are no dilutive financial instruments or other financial instruments that may require the Group to issue common shares.

(in thousands of Tenge, unless otherwise stated)

According to the requirements of the Kazakhstan Stock Exchange ("KASE"), the Group has calculated its book value per share, which was calculated based on the number of common shares outstanding as at the reporting date. The book value per share as at 31 December 2020 and 31 December 2019 is presented below:

	31 December 2020	31 December 2019
Calculation of book value per common share		
Net assets, excluding intangible assets as at 31 December	34,106,231	22,509,869
Number of issued common shares (Note 19)	2,012,264	3,134,616
Book value per common share, in tenge	**16,949**	**7,181**

The book value per one preferred share is presented below:

	31 December 2020	31 December 2019
Calculation of book value per preferred share		
Outstanding balance of preferred shares held within the Group as at 31 December	947,400	947,400
Number of issued preferred shares (Note 19)	789,500	789,500
Book value per preferred share, in tenge	**1,200**	**1,200**

(in thousands of Tenge, unless otherwise stated)

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction-in-progress	Total
Cost or revalued amount							
As at 1 January 2019	**1,609,345**	**6,896,384**	**20,511,356**	**202,134**	**1,242,396**	**185,441**	**30,647,056**
Additions	-	-	388,957	-	98,368	158,431	645,756
Internal transfers	-	24,576	89,568	(2,200)	(9,058)	(102,886)	-
Disposals	(56,510)	(161,237)	(262,508)	(48,775)	(75,951)	(3,708)	(608,689)
As at 31 December 2019	**1,552,835**	**6,759,723**	**20,727,373**	**151,159**	**1,255,755**	**237,278**	**30,684,123**
Additions	-	-	1,939,595	6,000	70,572	306,948	2,323,115
Elimination of accumulated depreciation on revaluation	-	(1,437,744)	(6,003,063)	-	-	-	(7,440,807)
Internal transfers	-	-	467,087	-	9,450	(476,537)	-
Revaluation increase	468,696	809,951	2,726,195	-	-	-	4,004,842
Disposals	(9,404)	-	(121,039)	(28,905)	(24,738)	(1,134)	(185,220)
As at 31 December 2020	**2,012,127**	**6,131,930**	**19,736,148**	**128,254**	**1,311,039**	**66,555**	**29,386,053**
Accumulated depreciation							
At 1 January 2019	**-**	**(391,714)**	**(4,378,997)**	**(160,854)**	**(890,372)**	**-**	**(5,821,937)**
Charge for the year	-	(605,540)	(1,440,432)	(8,080)	(118,081)	-	(2,172,133)
Internal transfers	-	-	(1,361)	-	1,361	-	-
Disposals	-	6,734	89,079	41,620	31,999	-	169,432
As at 31 December 2019	**-**	**(990,520)**	**(5,731,711)**	**(127,314)**	**(975,093)**	**-**	**(7,824,638)**
Charge for the year	-	(579,529)	(1,547,399)	(9,114)	(99,553)	-	(2,235,595)
Elimination of accumulated depreciation on revaluation	-	1,437,744	6,003,063	-	-	-	7,440,807
Internal transfers	-	-	(1,342)	-	1,342	-	-
Disposals	-	83	41,890	11,360	4,278	-	57,611
As at 31 December 2020	**-**	**(132,222)**	**(1,235,499)**	**(125,068)**	**(1,069,026)**	**-**	**(2,561,815)**
Net book value							
As at 31 December 2020	**2,012,127**	**5,999,708**	**18,500,649**	**3,186**	**242,013**	**66,555**	**26,824,238**
As at 31 December 2019	**1,552,835**	**5,769,203**	**14,995,662**	**23,845**	**280,662**	**237,278**	**22,859,485**

In 2019 the disposal of Property, Plant and Equipment mainly includes the sale of fixed assets for the production of products under the brand name Grizzly.

As at 31 December 2020 and 2019, property, plant and equipment with a carrying value of 10,665,460 thousand tenge and 10,071,859 thousand tenge, respectively, has been pledged to secure borrowings (Note 21). The Group is not allowed to pledge these assets as security for other borrowings or to sell them.

The valuation of the Group's property, plant and equipment was performed by an independent appraiser as at 1 October 2020. As a result, the Group 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 Group'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 Group 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 Group'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 Group'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 Group's land and buildings and constructions, machinery and equipment been measured on a historical cost basis, their carrying amount as at 31 December 2020 and 2019 would have been 22,147,825 thousand tenge and 18,651,825 thousand tenge, respectively.

(in thousands of Tenge, unless otherwise stated)

13. ADVANCES PAID

	31 December 2020	31 December 2019
Non-current:		
Advances paid	1,214,810	-
Advances paid for property, plant and equipment	215,118	48,139
Other	77,676	9,565
	1,507,604	**57,704**
Current:		
Advances paid for services and inventory	1,736,596	1,760,692
Less: Provision for doubtful debts	(146,788)	(134,612)
	1,589,808	**1,626,080**

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

14. INVENTORIES

	31 December 2020	31 December 2019
Finished goods	4,257,117	3,182,477
Raw materials	2,940,545	2,713,511
Packing materials	1,009,592	1,004,214
Spare parts	397,331	563,799
Other	641,881	433,102
Less: Provision for slow-moving and obsolete inventory	(77,328)	(68,676)
	9,169,138	**7,828,427**

As at 31 December 2020, inventories with an assessed value of 4,003,080 thousand tenge (31 December 2019: 3,950,000 thousand tenge) have been pledged to secure borrowings (Note 21).

15. TRADE ACCOUNTS RECEIVABLE

	31 December 2020	31 December 2019
Trade accounts receivable	1,740,271	2,223,805
Less: provision for doubtful debts	(57,137)	(136,942)
	1,683,134	**2,086,863**

(in thousands of Tenge, unless otherwise stated)

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

	31 December 2020	31 December 2019
Tenge	1,338,526	1,662,024
Russian rubles	189,393	318,566
Kyrgyz Soms	149,028	106,273
US Dollars	6,045	-
Euro	142	
	1,683,134	**2,086,863**

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

	Trade accounts receivables – days past due			
	Not past due and less than 180 days	180-360 days	over 360 days	Total
Expected credit loss rate	0.30%	47.27%	100.00%	-
Gross carrying amount	1,685,064	5,649	49,558	**1,740,271**
Lifetime ECL	(4,909)	(2,670)	(49,558)	**(57,137)**

The following table details the risk profile of trade receivables based on the Group's provision matrix as at 31 December 2019:

	Trade accounts receivables – days past due			
	Not past due and less than 180 days	180-360 days	over 360 days	Total
Expected credit loss rate	1.02%	50.00%	100.00%	-
Gross carrying amount	2,091,958	32,686	99,161	**2,223,805**
Lifetime ECL	(21,438)	(16,343)	(99,161)	**(136,942)**

In determining the recoverability of trade accounts receivable, the Group 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 Group.

16. OTHER FINANCIAL ASSETS

	31 December 2020		31 December 2019	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Loan issued by Area Plus	0.44%	32,490,057	-	-
Coupon bonds of Bank Julius Bär & Co	-	-	1.4-1.6%	11,783,389
Corporate coupon bonds	-	-	2.5-4.0%	16,669,658
Other	-	-	-	2,663
		32,490,057		**28,455,710**

As at 31 December 2019, the value of the coupon bonds of Bank Julius Bär&Co and coupon bonds of corporate issuers amounted to 74,370 thousand USD (equivalent to 28,453,047 thousand tenge). These securities were measured as at fair value through profit or loss (FVTPL).

On 19 March 2020, the Group concluded a loan agreement in the amount of 100,000 thousand USD with related party company Area Plus DMCC, according to which the Group transfers the right for temporary use of securities owned by the Group and/or a loan. The interest rate of the loan is 0.01% per annum and coupon interest of transferred securities, maturity - 12 months. Under the agreement, the Group 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 will 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 income/expenses. 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 Group recognized foreign exchange gain in the amount of 3,589,537 thousand tenge.

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

On 2 February 2021, Area Plus DMCC and the Group concluded an agreement to offset the loan issued under the agreement dated 19 March 2020 against the prepayment under this supply agreement.

(in thousands of Tenge, unless otherwise stated)

17. OTHER CURRENT ASSETS

As at 31 December 2020 and 2019 other current assets are presented below:

	31 December 2020	31 December 2019
Other financial assets:		
Receivables from employees	252,689	290,812
Other receivables from related parties (Note 27)	17,389	256,022
Other receivables	314,788	403,021
Less: Provision for doubtful debts	(15,625)	(15,625)
	569,241	**934,230**
Other non-financial assets:		
Prepaid expenses	438,240	518,989
Other taxes receivable	374,206	329,702
	812,446	**848,691**
	1,381,687	**1,782,921**

As at 31 December 2020 and 2019, other current assets were denominated in tenge.

18. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Reverse repurchase agreements	3,612,501	-
Cash on bank accounts in foreign currency	3,233,016	1,168,759
Cash on bank accounts in tenge	191,078	1,033,747
Cash in transit	141,063	56,111
Cash on broker's account (Note 27)	63,181	82,005
Petty cash	7,022	6,196
	7,247,861	**2,346,818**

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

	31 December 2020	31 December 2019
Tenge	4,010,371	1,118,388
US dollars	3,077,692	974,800
Russian Roubles	152,218	106,632
Kyrgyz soms	6,331	64,860
Euro	1,244	79,010
Uzbek sums	-	2,726
Chinese yuans	-	399
Other	5	3
	7,247,861	**2,346,818**

(in thousands of Tenge, unless otherwise stated)

19. CAPITAL

The Company's registered and issued share capital as at 31 December 2020 and 2019 is 2,787,696 thousand tenge. As at 31 December 2020 and 2019, share capital was fully paid.

Issued share capital as at 31 December 2020 and 2019 consisted of 1,800,000 common shares with a par value of 1,000 tenge each, 1,642,092 common shares with a par value of 1 tenge each and 10,638 common shares at a par value of 3,633.54 tenge each and 789,500 preferred shares at a par value of 1,200 tenge each.

As at 31 December 2020 and 2019, the shareholders of the Group were as follows:

Shareholder	Ownership		Number of common shares		Amount	
	2020	2019	2020	2019	2020	2019
Mazhibayev K.K.	96.65%	62.04%	1,944,771	1,944,771	944,726	944,726
Kaltayev T.S.	1.49%	0.96%	30,000	30,000	33,400	33,400
Agybaev A.E.	0.94%	0.60%	19,000	19,000	21,125	21,125
Bayazerov R.D.	0.91%	0.58%	18,355	18,355	20,481	20,481
Khalyapin A.V.	0.01%	0.01%	138	138	501	501
Koshkinbaev E.ZH.	0.00%	35.81%	-	1,122,352	-	656,699
	100%	**100%**	**2,012,264**	**3,134,616**	**1,020,233**	**1,676,932**

As at 31 December 2019, treasury shares amounted to 163,364 thousand tenge or 318,114 common shares. As at 31 December 2020 treasury shares amounted to 820,063 thousand tenge or 1,440,466 common shares.

In 2020, the Group purchased shares with a nominal value of 1,000 tenge from Koshkinbaev E.ZH. in the amount of 655,031 shares at a price of 1,000 tenge per share, 466,991 shares at a price of 1 tenge per share and 330 shares at a price of 3,633.54 tenge per share for amount of 1,534,928 thousand tenge. As a result of purchase of these shares the Group recognized a loss in the amount of 878,229 thousand tenge in the retained earnings.

In 2019, the Group purchased shares with a nominal value of 1,000 tenge from Agybaev A. E. in the amount of 3,655 shares at a price of 4,265 tenge per share. Also the Group repurchased shares with a nominal value of 1,000 tenge from Bayazerov R. D. in the amount of 10,000 shares at a price of 4,265 tenge per share.

In 2010, the shareholders authorized for issue 1,200,000 preferred shares with cumulative mandatory annual dividends of 240 tenge per share. 789,500 shares were placed during 2010 at 1,200 tenge each. There were no issues of preferred shares during 2020 and 2019. As at 31 December 2019, preferred shares were placed in subsidiary company, LLP RG Brands Kazakhstan.

In 2020, LLP RG Brands Kazakhstan sold 789,500 preferred shares with a nominal value of 1,200 tenge to shareholders of RG Brands JSC for 371,855 thousand tenge, as a result of which the Group recognized a decrease in retained earnings in the amount of 575,545 thousand tenge.

In 2020, RG Brands JSC purchased these preferred shares from shareholders for 947,400 thousand tenge.

(in thousands of Tenge, unless otherwise stated)

In 2020, the shareholders authorized dividends based on the results of 2019 of 4,000,020 thousand tenge. In 2019, the shareholders authorized dividends based on the results of 2018 of 1,750,025 thousand tenge.

20. RESERVES

	31 December 2020	31 December 2019
Revaluation of property, plant and equipment reserve	4,805,472	3,665,875
Foreign currency translation reserve	(657,543)	(245,669)
	4,147,929	**3,420,206**

21. BORROWINGS

	31 December 2020	31 December 2019
Borrowings:		
Long-term loans	19,108,565	13,855,075
Short-term bank loans and current portion of long-term loans	13,449,022	17,644,228
	32,557,587	**31,499,303**
Interest payable	340,857	499,071
Total borrowings	**32,898,444**	**31,998,374**

As at 31 December 2020 and 2019, the borrowings are subject to repayment as follows:

	31 December 2020	31 December 2019
On demand or within one year	13,789,879	18,143,299
In the second to fifth year inclusive	18,656,764	13,855,075
Over five years	451,801	-
	32,898,444	**31,998,374**

Long-term loans

As at 31 December 2020, the outstanding principal amount of the loans under the loan agreements with the European Bank of Reconstruction and Development ("EBRD") was 7,540,000 thousand tenge. The purpose of the loan is to refinancing of short-term debt, to replenish working capital and capital expenditures. The loan facility is repayable semiannually, till June 2025. Weighted-average interest rate is 10.4% and interest is payable quarterly. The fixed assets of the Group with a carrying value of 5,603,861 thousand tenge and inventories with an assessed value of 4,003,080 thousand tenge have been pledge as collateral for these loans.

In 2017, the Group signed a credit line agreement with the Eurasian Development Bank ("EDB") for the amount of 1,270,000 thousand Russian rubles with an interest rate of 10.1%. The purpose of the loan is to finance operational activities. The credit line repayment extended till May 2024. In February 2020, the rate was reduced to 9.13%. As at 31 December 2020, the outstanding principal amount was 1,053,299 thousand Russian rubles. The Property, Plant and Equipment of the Group with a carrying value of 623,588 thousand tenge have been pledged as collateral for this loan. The loan is insured by JSC Export Insurance Group KazakhExport with an insurance amount of 1,270,000 thousand Russian rubles.

In 2016, the Group 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, in 2020 the period of the issued tranches in this line was extended from 13 to 36 months, the interest rate is 7.41%. Maturity of principal amount of the debt is December 2023. The principal debt as of December 31, 2020 is 4,884,000 thousand tenge. The carrying amount of pledged Property, Plant and Equipment is 1,211,617 thousand tenge.

In 2019, within the framework of the loan agreement concluded in 2019 with the South Korean bank Shinhan Bank Kazakhstan JSC, the Group 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 Group is 7% per annum in tenge. The loan has a maturity of 3 years (until November 2022), and the interest is paid monthly. The principal debt as at 31 December 2020 is 510,000 thousand tenge.

In 2018, the Group entered into a loan agreement with Bank CenterCredit JSC in the amount of 280,000 thousand tenge. The purpose of using the loan is to purchase production equipment. The term of the credit line is 60 months. The interest rate was 6%. The debt as at 31 December 2020 is 169,026 thousand tenge. The carrying amount of pledged Property, Plant and Equipment is 351,033 thousand tenge.

In 2020, the Group entered into a loan agreement on opening a revolving credit line 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. Also in 2020, the Group 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 using the loan is investment. The term of the credit line is 84 months. The debt as of December 31, 2020 amounted to 1,330,236 thousand tenge. These lines are subsidized under the Economy of Simple Things program. The final rate - 6%. At a subsidized rate of 9%, the Group recognized deferred income in the amount of 1,429,121 thousand tenge maturing in 2023 and 2027 (Note 24).

In 2020, the Group increased the limit of the loan agreement concluded in 2018 with Altyn Bank JSC (SB China Citic Bank Corporation Limited) to 6,000,000 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 6%. Amounts payable as of December 31, 2020 amounted to 1,000,000 thousand tenge. At a subsidized rate of 8.5%, the Group recognized deferred income in the amount of 108,043 thousand tenge maturing in 2023 (Note 24).

In 2019, the Group signed a non-revolving credit facility agreement with the Asian Development Bank for a total amount of USD 20,000 thousand 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 developments as of December 31, 2020. The loan is secured by the Group's property, plant and equipment with a carrying amount of 2,875,361 thousand tenge.

Short-term bank loans

In 2018, the Group 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 6,000,000 thousand tenge in 2020) to replenish working capital. The term of the credit line is 36 months, the term of the tranches under this line is up to 12 months. For tranches in Russian rubles, the interest rate is 8% for 6-month tranches, 8.3% for 12-month tranches, for tranches in tenge, taking into account partial subsidies under the Financial Support Program of the Ministry of Agriculture of the Republic of Kazakhstan, the final rate is 5-5.75%. The principal debt as at 31 December 2020 is 2,993,360 thousand tenge.

As at 31 December 2020, the principal debt of the Group under the loan agreement with SB Alfa-Bank JSC under the loan agreement amounted to 516,667 thousand tenge. The amount of the limit was 14,127 thousand USD. The purpose of the loans is to replenish working capital. The tranches are up to 12 months. The weighted average interest rate was 7.55%, taking into account subsidies under the Financial Support Program of the Ministry of Agriculture of the Republic of Kazakhstan. 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 2020, the Group entered into a loan agreement for opening a revolving credit line with ForteBank JSC in the amount of 3,000,000 thousand tenge. The purpose of using the loan is to replenish 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 6%. The debt as at 31 December 2020 amounted to 2,975,000 thousand tenge.

Within the framework of the existing credit line of SB Sberbank JSC with the intended use of letters of credit and replenishment of working capital, tranches were received for a period of 12 months. The loans were partially received under the Financial Support Program of the Ministry of Agriculture of the Republic of Kazakhstan, the final rate for the Group is 5% per annum in tenge. The debt as at 31 December 2020 amounted to 650,000 thousand tenge.

As at 31 December 2020 and 2019, the weighted average interest rates of the Group's bank loans were 8.34% and 9.85% per annum, respectively.

Long-term loan agreements contain covenant clauses covering performance indicators of the Group. As at 31 December 2020, the Group complied with all of the required covenants (Note 28).

(in thousands of Tenge, unless otherwise stated)

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

	31 December 2020	31 December 2019
Tenge	26,473,761	22,329,295
Russian Roubles	6,424,683	9,669,079
	32,898,444	**31,998,374**

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2020	Financing cash flows (i)	Deferred income (Note 24)	Interest accrued	Interest paid	Other changes (ii)	31 December 2020
Borrowings	31,998,374	3,291,596	(1,537,164)	3,743,347	(3,901,561)	(696,148)	32,898,444

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

	1 January 2019	Financing cash flows (i)	Deferred income (Note 24)	Interest accrued	Interest paid	Other changes (ii)	31 December 2019
Borrowings	22,817,031	8,223,600	-	2,792,169	(2,580,764)	746,338	31,998,374

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

22. ACCOUNTS PAYABLE

	31 December 2020	31 December 2019
Raw materials	3,961,799	4,647,423
Services	3,303,249	3,651,562
Packing materials	727,919	508,576
Goods	301,666	78,627
Property, plant and equipment	30,223	125,318
	8,324,856	**9,011,506**
Less: long-term accounts payable	(869,820)	(876,772)
	7,455,036	**8,134,734**

(in thousands of Tenge, unless otherwise stated)

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

	31 December 2020	31 December 2019
Tenge	3,814,896	5,287,753
US dollars	2,861,074	2,021,625
Chinese yuans	659,806	730,603
Russian roubles	470,390	499,156
Euro	430,939	349,052
Kyrgyz soms	87,751	123,317
Uzbek Sums	-	-
	8,324,856	**9,011,506**

23. TAXES PAYABLE

	31 December 2020	31 December 2019
Value added tax	731,349	713,007
Other taxes	93,641	92,378
	824,990	**805,385**

24. DEFERRED INCOME

As at 31 December 2020, the Group recognized deferred income under the loan received from SB Sberbank JSC and JSC Altyn Bank in the amount of 1,537,164 thousand tenge (Note 21).

	31 December 2020	31 December 2019
Government grant	1,537,164	-
	1,537,164	**-**
Non-current deferred income	1,023,521	-
Current deferred income	513,643	-
	1,537,164	**-**

Deferred income is represented by government subsidies provided in the form a subsidized interest rate (Note 21).

(in thousands of Tenge, unless otherwise stated)

25. OPERATING SEGMENTS

- Juices and beverages – production, distribution and sale of beverages under the Group'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 Group's brand name "Moye"; as well as production, distribution and sale of weighing and packaged tea under the Group's brand name "Piala".

	Juices and beverages	Packed tea, packed milk and food products	Wholesale activity	Consolidated
2020				
Revenue	53,418,167	21,936,693	65,142	75,420,002
Finance costs	(2,339,165)	(960,601)	(2,852)	(3,302,618)
Depreciation and amortization	1,604,504	658,905	1,957	2,265,366
Profit before tax	11,250,850	4,620,272	13,720	15,884,842
Income tax expense	(919,487)	(377,596)	(1,121)	(1,298,204)
Profit for the year	10,331,363	4,242,676	12,599	14,586,638
2019				
Revenue	46,782,963	19,400,347	105,714	66,289,024
Finance costs	(2,009,853)	(833,463)	(4,542)	(2,847,858)
Depreciation and amortization	1,626,741	674,590	3,676	2,305,007
Profit before tax	5,038,221	2,089,291	11,385	7,138,897
Income tax expense	(364,014)	(150,953)	(823)	(515,790)
Profit for the year	4,674,206	1,938,339	10,562	6,623,107

Disclosure of other information:

	Juices and beverages	Packed tea, packed milk and food products	Wholesale activity	Consolidated
31 December 2020				
Acquisition of property, plant and equipment	1,693,223	626,261	3,631	2,323,115
31 December 2019				
Acquisition of property, plant and equipment	455,737	188,989	1,030	645,756

(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 2020 and 2019. The accounting policies of the reportable segments are the same as the Group'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	Consolidated
31 December 2020				
Segment assets	58,669,463	24,093,189	71,546	82,834,198
Segment liabilities	31,451,785	12,915,984	38,355	44,406,124
Deferred income tax liabilities	2,987,733	1,226,942	3,643	4,218,318
Total liabilities	34,439,519	14,142,926	41,998	48,624,443
31 December 2019				
Segment assets	48,332,924	20,043,098	109,216	68,485,238
Segment liabilities	29,984,232	12,434,110	67,754	42,486,096
Deferred income tax liabilities	2,406,710	998,034	5,438	3,410,182
Total liabilities	32,390,942	13,432,144	73,192	45,896,278

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.

Revenue of the Group from sales to external customers by countries is presented below:

	Revenue from sales to external customers	
	2020	**2019**
Republic of Kazakhstan	62,719,933	54,766,962
Kyrgyz Republic	10,103,501	8,778,234
Russian Federation	2,524,283	2,693,255
Tajikistan	42,419	36,091
China	28,374	14,482
Korea	1,492	-
	75,420,002	**66,289,024**

26. EMPLOYEE BENEFITS

In accordance with the Law of the Republic of Kazakhstan "On Pensions in the Republic of Kazakhstan" effective 1 January 1998, and replacing the previous unified system of pension provisioning, employees have the right to receive guaranteed pension benefits provided they have recorded working time from 1 January 1998 in proportion to the historical data. They also have the right to receive pension payments from savings pension funds generated from individual pension savings accounts provided by compulsory pension contributions amounting to 10% of their salary.

(in thousands of Tenge, unless otherwise stated)

As at 31 December 2020 and 2019, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

27. RELATED PARTIES

The Group's related parties include the companies controlled by and associated with Mazhibayev K.K, being the major shareholders of the Company (Note 19).

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and its related parties are disclosed below.

Transactions with related parties include:

- sales/purchase of other inventories, property, plant and equipment and securities; and
- services on supporting marketing activities.

Trading transactions

	Sales		Purchases	
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
LLP RESMI Direct investments, company under common control	5,979	14,829	92,401	235,988
Companies under common control	-	-	9,824	250,063
	5,979	**14,829**	**102,225**	**486,051**

Other current assets

The following balances were outstanding at the end of the reporting period as a result of the above transactions:

	Amounts owed by related parties	
	As at 31 December 2020	As at 31 December 2019
Entities under common control:		
- Cash in broker's account (Note 18)	63,181	82,005
- Trading and other operations (Note 17)	17,389	256,022
	80,570	**338,027**

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.

Other transactions:

On 19 March 2020, the Group 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 16).

In 2020 the Group 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 to 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 Group's key management personnel during the years ended 31 December 2020 and 2019, amounted to 236,817 thousand tenge and 176,401 thousand tenge, respectively. These short-term compensation represent salaries and bonuses paid to key management personnel.

28. 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 Group's policy to maintain a strong financial position as this provides the best balance of risk and reward for the shareholders. The Board of Directors reviews the Group'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. The Group's overall strategy remains unchanged from 2019.

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 Group's overall risk management concept is based on visibility of the key risks preventing the Group from reaching its business objectives. This covers all risks areas; strategic, operational, financial and hazard risks. The Group's risk management is a systematic and pro-active process to analyze, review and manage all opportunities, threats and risks related to the Group's objectives.

The principles documented in the Group's Risk Policy and accepted by the Audit Committee of the Board of Directors require risk management and its elements to be integrated into business processes. One of the main principles is that the business unit or function owner is also the risk owner.

(in thousands of Tenge, unless otherwise stated)

Key risks are reported to business unit and Group level management to create assurance on business risks and to enable prioritization of risk management implementation in the Group. 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 2020 and 2019, financial instruments were as follows:

	31 December 2020	31 December 2019
Financial assets		
Financial assets measured at fair value through profit or loss:		
Other financial assets (Note 16)	32,490,057	28,455,710
Financial assets measured at amortized cost:		
Receivables and other current assets, excluding prepaid expenses and other taxes receivable (Notes 15, 17)	2,252,375	3,021,093
Cash and cash equivalents (Note 18)	7,247,861	2,346,818
Bank deposits	671,788	610,474
Financial liabilities		
Financial liabilities measured at amortized cost:		
Accounts payable (Note 22)	7,455,036	8,134,734
Borrowings (Note 21)	32,898,444	31,998,374
Long-term accounts payable (Note 22)	1,002,867	911,565
Other accounts payable and accrued liabilities (excluding advances received)	605,994	491,977

Financial risk management objectives

The key financial targets for the Group are stable and profitable growth, generation of cash flows, operational efficiency and a strong balance. The objectives for the Group's treasury function are twofold: to guarantee cost efficient funding for the Group at all times and to identify, evaluate and hedge financial risks in close cooperation with the business groups. There is a strong focus in the Group on creating shareholder value. The Treasury function supports this aim by minimizing the adverse effects caused by fluctuations in the financial markets on the profitability of the underlying businesses and by managing the balance sheet structure of the Group.

The treasury policy provides principles for overall financial risk management and determines the allocation of responsibilities for financial risk management in the Group. Operating policies cover specific areas such as foreign currency risk, interest rate risk as well as liquidity and credit risk. The Group has detailed Standard Operating Procedures supplementing Treasury Policy in financial risk management related issues.

Market risks

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

(in thousands of Tenge, unless otherwise stated)

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies, which lead to exposures to exchange rate fluctuations. The Group reduced this exposure by decreasing foreign currency operations share, using of hedge and concluding of forward contracts.

As at 31 December 2020 and 2019, the carrying value of monetary assets and liabilities of the Group was as follows:

	Assets		Liabilities	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
US Dollars	36,245,582	30,040,032	2,861,074	2,021,625
Russian Roubles	341,611	425,198	6,895,073	10,168,235
Kyrgyz Soms	155,359	171,133	87,751	123,317
Euro	1,386	79,010	430,939	349,052
Uzbek Sums	-	2,726	-	-
CNY	-	399	659,806	730,603
Other	4	3	-	-

Foreign currency sensitivity analysis

The following table details the Group'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 the currency of the lender or the borrower. 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)	
	2020	2019	2020	2019
Profit/(loss) before tax	6,676,902	5,603,681	(1,310,692)	(1,948,607)

(i) This is mainly attributable to the exposure on the Group's cash in US Dollars bank accounts as at year ended 31 December 2020 and US Dollars denominated accounts payable as at year ended 31 December 2020.

(ii) This is mainly attributable to the exposure on Russian rubles denominated loans as at year end. Risks in paragraphs (i) and (ii) were not summarized

Interest rate risk

The Group 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 Group to interest rate risk.

Treasury is responsible for monitoring and managing the interest rate exposure of the Group. Due to the current balance sheet structure of the Group, emphasis is placed on managing the interest rate risk in relation to borrowings. In 2020 all the loans of the Group have fixed interest rates.

Credit risks

Customer Finance Credit Risk

The Group 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 Group's products. The Group monitors closely the extent of the borrowings in relation to the turnover of the key customers.

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

As at 31 December 2020, the Group's customer credit risk exposure of trade accounts receivable totaled 1,740,271 thousand tenge (31 December 2019: 2,223,805 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 Group minimizes financial credit risk by diversifying of financial instruments and monitoring the rating of large banks and financial institutions. The Group concluded a loan agreement with Area Plus DMCC and transferred the right to temporary use the securities. The repayment of the loan will be in the form of loan repayment or securities (Note 16). As at 31 December 2020, the value of the loan is 32,490,057 thousand tenge (Note 16), which represents a significant concentration of credit risk on financial assets and amounts to 60% of the total current assets of the Group. As at 31 December 2020 Area Plus DMCC owns a portfolio of securities, which mainly includes cash and cash equivalents in the accounts of Julius Bär&Co (Note 16). Rating of bank Julius Bär&Co. is A3, according to the rating agency Moody's. The ratings of other banks in which cash and cash equivalents are placed (Note 18) are within B2-Aa3.

Direct credit risk represents the risk of loss resulting from counterparties' default in relation to the items of the consolidated 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 Group does not expect the counterparties to default given their credit quality. The carrying amount of financial assets recognized in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

(in thousands of Tenge, unless otherwise stated)

Liquidity risk

The Group 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.

The Group's international creditworthiness facilitates the efficient use of international capital and loan markets. In 2020 the rating of the Group has been confirmed by the credit rating agency Moody's on the level of B2/stable.

Table on liquidity risk

The following table presents contractual maturity of non-derivative financial assets and liabilities of the Group 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 Group expects to receive payments; and (b) the Group can be required to pay.

2020	**Weighted average interest rate**	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
Financial assets:					
Trade accounts receivable	-	1,683,134	-	-	1,683,134
Other financial assets	0.44%	32,490,057	-	-	32,490,057
Other current assets, excluding prepaid expenses and other taxes receivable	-	569,241	-	-	569,241
Bank deposits	1.5%	671,788	-	-	671,788
Cash and cash equivalents	-	7,247,861	-	-	7,247,861
		42,662,081	**-**	**-**	**42,662,081**
Financial liabilities:					
Accounts payable	-	7,455,036	-	-	7,455,036
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, excluding advances received	-	605,994	-	-	605,994
		24,423,155	**22,576,286**	**503,596**	**47,503,037**

(in thousands of Tenge, unless otherwise stated)

2019	Weighted average interest rate	Within 1 year	1-5 years	Over 5 years	Total
Financial assets:					
Trade accounts receivable	-	2,086,863	-	-	2,086,863
Other financial assets	1.4%-3.8%	28,455,710	-	-	28,455,710
Other current assets, excluding prepaid expenses and other taxes receivable	-	934,230	-	-	934,230
Bank deposits	1.5%	610,474	-	-	610,474
Cash and cash equivalents	-	2,346,818	-	-	2,346,818
		34,434,095	**-**	**-**	**34,434,095**
Financial liabilities:					
Accounts payable	-	8,134,734	-	-	8,134,734
Long-term Accounts payable	4.1%	-	911,565	-	911,565
Borrowings	9.85%	20,786,449	16,172,770	-	36,959,219
Other accounts payable and accrued liabilities, excluding advances received	-	491,977	-	-	491,977
		29,413,160	**17,084,335**	**-**	**46,497,495**

The Group has access to funds, as described below, amounting to 18,010,643 thousand tenge as at 31 December 2020 (31 December 2019: 15,175,623 thousand tenge).

	2020
Unsecured short-term borrowings with different maturities till 2021	
Amount used	7,135,026
Amount unused	5,844,866
	12,979,892
Secured short-term borrowings with different maturities till 2021	
Amount used	3,697,000
Amount unused	-
	3,697,000
Secured long-term borrowings with different maturities till 2027	
Amount used	7,970,236
Amount unused	976,764
	8,947,000
Secured long-term borrowings with different maturities till 2027	
Amount used	15,325,568
Amount unused	11,189,014
	26,514,582

Fair value of financial instruments carried at amortized cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of cash and cash equivalents, bank deposits, receivables and other current assets approximate fair values due to their short-term maturities. As at 31 December 2020 and 31 December 2019, the fair value of financial assets was not significantly different from their carrying value.

(in thousands of Tenge, unless otherwise stated)

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.
As at 31 December 2020 and 31 December 2019, the fair value of borrowings, accounts payable, long-term accounts payable and other accounts payable and accrued liabilities were not significantly different from their carrying value.

Hierarchy of fair value as at 31 December 2020

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets at FVTPL	-	32,490,057	-	32,490,057
Totals	**-**	**32,490,057**	**-**	**32,490,057**

	Level 1	Level 2	Level 3	Total
Other assets				
Investment property	-	-	53,037	53,037
Land and buildings, machinery and equipment	-	-	26,512,484	26,512,484
Totals	**-**	**-**	**26,565,521**	**26,565,521**

Hierarchy of fair value as at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets at FVTPL	16,672,321	11,783,389	-	28,455,710
Totals	**16,672,321**	**11,783,389**	**-**	**28,455,710**

	Level 1	Level 2	Level 3	Total
Other assets				
Investment property	-	-	612,211	612,211
Land and buildings, machinery and equipment	-	-	22,317,700	22,317,700
Totals	**-**	**-**	**22,929,911**	**22,929,911**

	Valuation technique(s) and key input(s)
Financial assets	
Other financial assets	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
Other assets	
Investment property	Level 3: Cost approach and market for similar or comparable assets, adjusted for differences with the assets under valuation. Adjustment of the prices of similar or comparable assets requires analysis of such factors as location, size, functional use and condition of the asset.
Land and buildings, machinery and equipment	Level 3: The valuation, which conforms to International Valuation Standards, was determined by reference to (a) the cost approach and (b) the market for similar or comparable assets, adjusted for differences with the asset under valuation. Discounted cash flow (DCF) method to check for the economic depreciation of the Group's assets as a Cash Generating Unit was performed. The description of the methods are disclosed in Note 12.

Hazard risk

The Group strives to ensure that all financial, reputation, and other losses of the Group 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 Group's Economic Security function's objective is to ensure that Group'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.

29. 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.

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 2020 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 Group 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 Group'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 Group is related to the food industry, the Group 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 Group.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and the financial position of the Group 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 Group may be subject to additional tax liabilities, which may arise as a result of tax audits. The Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation.

Compliance with loan covenants

Some of the Group'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 2020.

Legal issues

The Group 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 Group. Management believes that the resolution of all such matters will not have a material impact on the Group's consolidated statement of financial position or consolidated operating results.

30. EVENTS AFTER THE REPORTING DATE

In 2021, based on the decision of the general meeting of shareholders, the Group liquidated its subsidiary RG Brands Tashkent LLC.

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

On 2 February 2021, Area Plus DMCC and the Group concluded an agreement to offset the loan issued under the agreement dated 19 March 2020 against the prepayment under this supply agreement.

31. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issue by the Group's management on 6 May 2021.