Regional Electrical Power Networks JSC

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2021

Contents

Independent Auditor's Report

To the Shareholder and Management of Regional Electrical Power Networks JSC:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Regional Electrical Power Networks JSC (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan.

Audit Organisation "PricewaterhouseCoopers" LLC
88A, Mustaqillik prospekt, Mirzo-Ulugbek District, Tashkent 100000, Republic of Uzbekistan
T: +998 78 120 6101, F: +998 78 120 6645, *www.pwc.com/uz*

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 IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 scepticism 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.

Suhrab Azimov
General Director/Auditor
Certificate of auditor No. 05338
dated 7 November 2015 issued by
the Ministry of Finance of Uzbekistan

Audit Organization "PricewaterhouseCoopers" LLC

Audit Organisation "PricewaterhouseCoopers" LLC
30 June 2022
Tashkent, Uzbekistan

In millions of Uzbekistan Soums	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	17,417,371	14,964,461
Intangible assets	7	93,818	104,242
Investments in equity securities		5,443	5,564
Investments in associates	8	49,614	63,081
Prepayments to suppliers and contractors	9	208,096	376,211
Deferred tax asset	25	336,398	269,897
Trade and other receivables	11	152,652	131,580
Other non-current assets		98,132	100,989
Total non-current assets		**18,361,524**	**16,016,025**
Current assets			
Inventory	10	138,402	147,338
Trade and other receivables	11	1,626,807	1,503,861
Prepayments to suppliers and contractors	9	61,832	10,654
Income tax prepaid		51,495	33,783
Prepayments on other taxes	12	126,041	85,274
Cash and cash equivalents	13	509,504	795,885
Total current assets		**2,514,081**	**2,576,795**
TOTAL ASSETS		**20,875,605**	**18,592,820**
EQUITY			
Share capital	14	8,468,081	8,322,679
Reserve capital	14	5,326	3,623
Retained earnings		(1,396,797)	(1,155,412)
Equity attributable to the Company's owner		**7,076,610**	**7,170,890**
Non-controlling interest	27	380,454	443,157
TOTAL EQUITY		**7,457,064**	**7,614,047**
LIABILITIES			
Non-current liabilities			
Borrowings	15	4,916,176	3,468,272
Deferred income		87,556	-
Other long-term payables		5,374	8,685
Deferred tax liabilities	25	1,348	-
Other non-current liabilities		36,219	42,251
Total non-current liabilities		**5,046,673**	**3,519,208**
Current liabilities			
Borrowings	15	556,169	803,154
Trade and other payables	16	5,180,287	4,193,004
Contract liabilities	16	2,259,827	2,053,756
Income tax payable		4,199	30,956
Other taxes payable	17	54,689	15,443
Other liabilities	18	316,697	363,252
Total current liabilities		**8,371,868**	**7,459,565**
TOTAL LIABILITIES		**13,418,541**	**10,978,773**
TOTAL LIABILITIES AND EQUITY		**20,875,605**	**18,592,820**

Approved for issue and signed 30 June 2022.

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHAR AKSIYADORLIK JAMIYATI
Hududiy Elektr Tarmoqlari

Askarov Asrorjon	Primqulov Valijon
Deputy Chairman	Chief Accountant

In millions of Uzbekistan Soums	Note	2021	2020
Revenue from contracts with customers	19	20,067,775	19,236,424
Cost of sales	20	(19,316,359)	(18,184,124)
Gross profit		**751,416**	**1,052,300**
General and administrative expenses	21	(1,053,544)	(1,120,539)
Other income	22	252,108	206,965
Net charge for expected credit losses on financial assets	11	(68,753)	(330,192)
Operating loss		**(118,773)**	**(191,466)**
Dividend income		-	513
Finance income	23	34,723	49,147
Finance costs	24	(184,421)	(97,419)
Loss before income tax		**(268,471)**	**(239,225)**
Income tax (expense)/benefit	25	(18,854)	693,008
(Loss)/Profit for the year		**(287,325)**	**453,783**
Other comprehensive income for the year		**1,978**	**2,306**
Other comprehensive income not to be reclassified subsequently to profit/loss			
Actuarial gain		1,978	2,306
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(285,347)**	**456,089**
(Loss)/profit is attributable to:			
- Shareholder of the Company		(224,622)	389,663
- Non-controlling interest	27	(62,703)	64,120
Net (loss)/profit for the year		**(287,325)**	**453,783**
Total comprehensive (loss)/income is attributable to:			
- Shareholder of the Company		(222,644)	391,969
- Non-controlling interest	27	(62,703)	64,120
Total comprehensive (loss)/income for the year		**(285,347)**	**456,089**

In millions of Uzbekistan Soums	Note	Share capital	Reserve capital	Other reserves	Retained earnings/ (accumula-ted deficit)	Total	Non-controlling interest	Total equity
Balance at 1 January 2020		**3,617,918**	**-**	**492,483**	**2,704,807**	**6,815,208**	**379,037**	**7,194,245**
Profit for the year		-	-	-	389,663	389,663	64,120	453,783
Other comprehensive income		-	-	-	2,306	2,306	-	2,306
Total comprehensive income for the period		**-**	**-**	**-**	**391,969**	**391,969**	**64,120**	**456,089**
Issue of share capital		4,704,761	-	(492,483)	(4,212,278)	-	-	-
Transfers		-	3,623	-	(3,623)	-	-	-
Dividends declared		-	-	-	(36,287)	(36,287)	-	(36,287)
Balance at 31 December 2020		**8,322,679**	**3,623**	**-**	**(1,155,412)**	**7,170,890**	**443,157**	**7,614,047**
Loss for the year		-	-	-	(224,622)	(224,622)	(62,703)	(287,325)
Other comprehensive income		-	-	-	1,978	1,978	-	1,978
Total comprehensive loss for the period		**-**	**-**	**-**	**(222,644)**	**(222,644)**	**(62,703)**	**(285,347)**
Issue of share capital	14	145,402	-	-	-	145,402	-	145,402
Transfers		-	1,703	-	(1,703)	-	-	-
Dividends declared	14	-	-	-	(17,038)	(17,038)	-	(17,038)
Balance at 31 December 2021		**8,468,081**	**5,326**	**-**	**(1,396,797)**	**7,076,610**	**380,454**	**7,457,064**

In millions of Uzbekistan Soums	Note	2021	2020
Cash flow from operating activities			
Loss before income tax		(268,471)	(239,225)
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	6, 7	855,417	922,090
Assets received free of charge	22	(94,712)	(52,581)
Loss on foreign exchange transactions (net)		110,387	39,612
Net charge for expected credit losses on financial assets	11	78,789	330,192
Modification of contractual cash flows on long-term receivables	11	(31,107)	(12,979)
Other income		-	(65,627)
Unwinding of discount on borrowings		81,997	28,406
(Recovery)/Inventory provision	10	(2,775)	3,446
Other		5,657	269,265
Operating cash flows before working capital changes		**735,182**	**1,222,599**
Increase in trade and other receivables		(188,327)	(780,421)
Decrease/(increase) in inventory		11,711	(7,154)
(Increase)/decrease in prepayments to suppliers and contractors		(51,178)	30,925
Increase in trade and other payables		1,137,454	992,760
Decrease in taxes other than income tax prepaid/payable, net		(1,521)	(411)
Changes in working capital		**1,643,321**	**1,458,298**
Income taxes paid		(141,399)	(193,583)
Interest paid	15	(88,291)	(109,394)
Net cash from operating activities		**1,413,631**	**1,155,321**
Cash flows from investing activities			
Purchase of intangible assets		-	(104,242)
Purchase of property, plant and equipment		(3,101,396)	(3,296,770)
Dividends received		58,812	-
Proceeds from the sale of property, plant and equipment		155,010	-
Net cash used in investing activities		**(2,887,574)**	**(3,401,012)**
Cash flows from financing activities			
Proceeds from borrowings	15	1,811,910	3,736,661
Repayment of borrowings	15	(752,712)	(764,784)
Proceeds from issuance of ordinary shares		145,402	-
Dividends paid	14	(17,038)	(36,287)
Net cash from financing activities		**1,187,562**	**2,935,590**
Cash and cash equivalents at the beginning of the year	13	**795,885**	**105,986**
Effect of exchange rate changes on cash and cash equivalents		**-**	**-**
Cash and cash equivalents at the end of the year	13	**509,504**	**795,885**

1 Regional Electrical Power Networks JSC Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2021 for Regional Electrical Power Networks JSC (the “Company”) and its subsidiaries (the “Group”).

The Company is a state joint stock company incorporated and domiciled in the Republic of Uzbekistan. Its main functions are the management of enterprises of territorial electricity networks that distribute and sell electrical energy to end consumers. The Company was incorporated as a result of reorganisation of Uzbekenergo JSC in accordance with the decree of the President of the Republic of Uzbekistan dated 27 March 2019 No. PP-4249 "On the strategy for further development and reform of the electric power industry of the Republic of Uzbekistan". As a result of reorganisation, in 2019 the enterprises of territorial electrical networks (the “ETEN”) and other subsidiaries of Uzbekenergo JSC were transferred to the Company as contribution to its share capital.

As of 31 December 2020 and 31 December 2021 the Group’s immediate shareholder is the Ministry of Finance of the Republic of Uzbekistan. The Company’s ultimate controlling party is the Government of Uzbekistan.

Principal activity

The Group’s principal business activity is sale of electricity to end-users, both legal entities and individuals with further billing and collection procedures within the Republic of Uzbekistan. The supply of electricity to consumers nationwide is the responsibility of the low-voltage electricity grids of 14 territorial distribution and sales enterprises, which operate in each territorial entity as joint-stock companies under the control of the Company. The enterprises own power transmission lines with a total length of more than 250 thousand kilometres, and 1,700 substations with voltage of up to 110 kV.

The structure of the Group presented below:

		Percentage of ownership and voting rights		
Name	**Nature of business**	**31 December 2021**	**31 December 2020**	**Country of registration**
Subsidiaries *				
Andijan ETEN JSC	Power distribution	100%	100%	Uzbekistan
Fergana ETEN JSC	Power distribution	53.7%	53.7%	Uzbekistan
Namangan ETEN JSC	Power distribution	100%	100%	Uzbekistan
Khorezm ETEN JSC	Power distribution	100%	100%	Uzbekistan
Taskent city ETEN JSC	Power distribution	100%	100%	Uzbekistan
Samarkand ETEN JSC	Power distribution	100%	100%	Uzbekistan
Surkhandarya ETEN JSC	Power distribution	100%	100%	Uzbekistan
Syrdarya ETEN JSC	Power distribution	100%	100%	Uzbekistan
Navoi ETEN JSC	Power distribution	100%	100%	Uzbekistan
Tashkent ETEN JSC	Power distribution	100%	100%	Uzbekistan
Karakalpak ETEN JSC	Power distribution	100%	100%	Uzbekistan
Bukhara ETEN JSC	Power distribution	53.1%	53.1%	Uzbekistan
Kashkadarya ETEN JSC	Power distribution	100%	100%	Uzbekistan
Jizhakskoe ETEN JSC	Power distribution	100%	100%	Uzbekistan
Branch Center for Automation of Electricity Metering	Billing and cash collection	100%	100%	Uzbekistan
ENERGO-RES LLC	Procurement	100%	100%	Uzbekistan
TEMIR-BETON TAYANCH LLC	Manufacture of concrete construction materials	100%	45%	Uzbekistan
QO`SHKO`PIR ELEKTROTEXNIKA ZAVODI LLC	Manufacture of electrical products	100%	79%	Uzbekistan

*ETEN - enterprise of territorial electrical networks

Registered address and place of business

The Company’s registered address is Tashkent, Osiyo street, building 8, the Republic of Uzbekistan. The Group’s principal place of business is the Republic of Uzbekistan.

Presentation currency

These consolidated financial statements are presented in millions of Uzbekistan Soums, unless otherwise stated.

1 Regional Electrical Power Networks JSC Group and its Operations (Continued)

Republic of Uzbekistan

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

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

The Group's financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations, which greatly impact Uzbek Power and Utilities industry and the economy overall. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Uzbekistan experienced the following key economic indicators in 2021:

- Official exchange rate as at 31 December 2021: US Dollar 1 per Uzbekistan Soums 10,837.66 (2020: US Dollar 1 per Uzbekistan Soums 10,476.92)
- Inflation: 10% (2020: 11.1%);
- GDP growth: 7.4% (2020: 1.6 %);
- Refinancing rate of the Central Bank of Uzbekistan in Uzbekistan Soums – 14.0% (2020: 14.0%).

2 Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Going concern principle

As of 31 December 2021 the Group's current liabilities exceed current assets by Uzbekistan Soums 5,857,787 million (31 December 2020: Uzbekistan Soums 4,946,704 million). In 2021, the Group incurred a loss of Uzbekistan Soums 285,347 million. These conditions may indicate existence of uncertainty in relation to the Group's ability to continue as a going concern. Management prepared these consolidated financial statements on a going concern basis. The management decision is based on the financial position of the Group, its current intentions, profitability of operations, access to financial resources and support of the Government of Uzbekistan. The Group's management considered the following factors when assessing the Group's ability to continue operating in the foreseeable future:

- The Group is a natural monopoly in the distribution and trade of electricity in the territory of the Republic of Uzbekistan, therefore it is of strategic importance for ensuring the reliability of Uzbekistan's power system. The management and shareholder of the Group have no intention or need to liquidate the Group's operations.
- As of 31 December 2021 the Group's current liabilities mainly consist of payables of Uzbekistan Soums 4,610,249 million (2020: Uzbekistan Soums 3,785,649 million) to National Electric Grid of Uzbekistan JSC ("NES"), controlled by the shareholder of the Group. The repayment schedule of payables to NES is determined by the interdepartmental tariff commission (the 'Commission") of the Cabinet of Ministers of the Republic of Uzbekistan, which also regulate the distribution of funds collected from the sale of electricity by the Group in accordance with the Cabinet of Ministers decree #633 dated 30 July 2019. The Commission takes into account the investment plan and the budget of the Group, approved by the shareholder, when considering and approving the distribution of funds between the Group and NES. Management expects that the Group will continue to hold a significant portion of the cash collected from the sale of electricity to finance its operations for the foreseeable future. Management expects that the Ministry of Finance, as a sole shareholder, will provide the Group with the necessary financial support during the near future.

2 Significant Accounting Policies (Continued)

Management believes that the Group will generate sufficient operating cash flows, have access to sufficient financing and get support of the Cabinet of Ministers of Republic of Uzbekistan to discharge its liabilities in the normal course of business, and therefore can continue its operations as a going concern in the foreseeable future within at least next twelve months.

These consolidated financial statements do not include any adjustments to the carrying amounts of assets and liabilities, income and expenses, and the classification of the statement of financial position, which would be necessary in case of inability to continue operating; such adjustments can be significant.

Consolidated financial statements

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

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

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

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

Purchases and sales of non-controlling interests

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

2 Significant Accounting Policies (Continued)

Investments in associates

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

However, when the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries or associates

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

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

Foreign currency translation

Functional and presentation currency

All amounts in these consolidated financial statements are presented in million Uzbekistan Soums ("UZS"), unless otherwise stated. Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of subsidiaries, joint ventures, associates and the Company is UZS.

Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rate of the Central Bank of Uzbekistan ("CBU") prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

At 31 December 2021 the principal rate of exchange used for translating foreign currency balances was US Dollar 1 per Uzbekistan Soums 10,837.66 (31 December 2020: US Dollar 1 per Uzbekistan Soums 10,476.92). Exchange restrictions and currency controls exist relating to converting the Uzbekistan Soums into other currencies. Currently, Uzbekistan Soum is not freely convertible in most countries outside of the Republic of Uzbekistan.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, where required. Property, plant and equipment includes assets under construction for future use as property, plant and equipment. Cost includes the purchase price, including import duties and non-refundable purchase taxes, less trade discounts and rebates, and any costs directly attributable to bringing the asset to the site and bringing it to a condition necessary for its intended use. The cost of property, plant and equipment built in-house includes the cost of materials, direct labor costs and a portion of manufacturing overheads. Individual material parts of an item of property, plant and equipment (components) that have a useful life that differs from the useful life of the asset as a whole are depreciated individually using depreciation rates that reflect their expected useful lives.

2 Significant Accounting Policies (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Depreciation

Land and assets under construction are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	45
Transmitting devices	30
Machinery and equipment	25
Vehicles	10
Other	7

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the each reporting period.

Intangible assets other than goodwill

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised software licences.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include employee benefits expense of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Software licences	5 - 10 years

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2 Significant Accounting Policies (Continued)

Financial instruments – key measurement terms

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

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period (Note 30).

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

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

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

Financial instruments – initial recognition

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

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

2 Significant Accounting Policies (Continued)

Financial assets – classification and subsequent measurement – measurement categories

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets – classification and subsequent measurement – cash flow characteristics

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

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

Financial assets – reclassification

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

Financial assets impairment – credit loss allowance for ECL

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

Debt instruments measured at AC, trade and other receivables, loans issued and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

2 Significant Accounting Policies (Continued)

The Group applies simplified approach for impairment of trade and lease receivable. For other financial assets the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 28 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 28. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 28 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial assets – write-off

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

Financial assets – derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: [any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate or a significant extension of a loan when the borrower is not in financial difficulties.

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

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

Financial liabilities – measurement categories

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

Financial liabilities – derecognition

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

2 Significant Accounting Policies (Continued)

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

Financial liabilities designated at FVTPL

The Group may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

Offsetting financial instruments

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at current bank accounts. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated cash flow statement.

Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets; balances restricted for more than three months but less than twelve months after the reporting period are included in other current assets.

Trade and other receivables

Trade and other receivables, except for prepaid taxes and advances to supplies, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

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

2 Significant Accounting Policies (Continued)

Trade and other payables

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

Borrowings

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

Capitalisation of borrowing costs

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

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

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Financial guarantees

Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the consolidated statement of financial position as an asset.

Operating lease

Where the Group is a lessor in a lease which does not transfers substantially all the risks and rewards incidental to ownership to the lessee (i.e. operating lease), lease payments from operating leases are recognised as other income on a straight-line basis. Modification of a lease is accounted for by the lessor as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid, or recovered, in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

2 Significant Accounting Policies (Continued)

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

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

Uncertain tax positions

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

Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Prepayments

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

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

2 Significant Accounting Policies (Continued)

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Uzbekistan legislation identifies the basis of distribution as the current year net profit.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense within finance costs.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Revenue recognition

Revenue is income arising in the course of the Group’s ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is shown net of value-added tax and discounts. Revenue from sale of electricity is recognised over the period.

Consolidated revenue of the Group is mainly attributed to sale and transmission of electricity. Sale of each type of the goods/services is documented in a separate, identifiable contract with an individual customer.

According to the contracts for sale of the electricity of the Group’s subsidiaries, obligations to be performed are identified when concluding the relevant contract.

The Group does not assume concluding contracts which provide for a period between transfer of the promised goods or services to the customer and payment by the customer to be more than one year. Accordingly, the Group does not adjust transaction prices for time value for money.

According to the contracts for selling electricity, the contract amount is the price for the sold amount of electricity.

Sale of electric power

The Group sells electricity under agreements with individuals and legal entities based on the tariffs approved by the Government. Sales to legal entities are recognised in the reporting period in which electricity is consumed, according to readings of the metering devices. A legal entity agreement requires prepayments up to 30-50% of expected volume of electricity consumption for the billing month and payment of the remaining balance within the month following after billing.

Sales to individuals are recognised in the reporting period in which electric power is consumed. Revenues from individuals include revenues for the period after the last reading of the metering devices, which are recognised on average from the electricity consumed for the previous two months. An agreement with individuals provides for payment until the 10th day of the month following the billing month based on the payment document to be issued by the Group, except for consumers with smart metering devices where prepayment is required. The billing period is one calendar month.

2 Significant Accounting Policies (Continued)

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss for the year as other operating income over the period necessary to match them with the costs that they are intended to compensate.

Employee benefits

Wages, salaries, contributions to the Republic of Uzbekistan state pension and social insurance fund, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Impairment of property, plant and equipment and intangible assets

The Group's management has analysed external and internal indicators of impairment of property, plant and equipment and intangible assets. The management of the Group concluded that there is no indication of impairment. Accordingly, the management of the Group has elected not to test for impairment of property, plant and equipment and intangible assets as at 31 December 2021.

ECL measurement

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 28. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs of the models to reduce any differences between expected credit loss estimates and actual credit loss.

Recognition of a deferred tax asset

The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

4 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which did not significantly impact the Group.

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

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

Effect of IBOR reform.

Reform and replacement of various inter-bank offered rates ('IBORs') has become a priority for regulators. Most IBOR rates would stop being published by 31 December 2021, while certain USD LIBOR rates would stop being published by 30 June 2023.

The table below discloses amounts of non-derivative financial assets at 31 December 2021 that would be transitioned to alternative interest rate benchmarks

In millions of Uzbekistan Soums	**USD LIBOR**	**Total**
Non-derivative financial liabilities		
Borrowings	4,135,243	4,135,243
Total non-derivative financial liabilities	**4,135,243**	**4,135,243**

The Group is also exposed to potential arbitrage differences between IBOR interest rates and applicable alternative rates. The Group is working with its counterparties, such as the Asian Development Bank and the International Bank for Reconstruction and Development, to convert legacy IBOR-based financial instruments to alternative base interest rates. As of December, the Group has not changed its risk management procedures due to the IBOR reform.

A number of new standards and interpretations have been published that are mandatory for annual periods beginning on or after 1 January 2022 and which the Group has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

4 New Accounting Pronouncements (Continued)

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, the effective date subsequently modified to 1 January 2023 by the Amendments to IFRS 17 as discussed below). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- *Effective date:* The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- *Expected recovery of insurance acquisition cash flows:* An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- *Contractual service margin attributable to investment services*: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- *Reinsurance contracts held – recovery of losses:* When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

4 New Accounting Pronouncements (Continued)

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

4 New Accounting Pronouncements (Continued)

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

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

5 Balances and Transactions with Related Parties

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

The Government of Uzbekistan has control over the Group. The Group decided to apply the exemption from disclosure of individually insignificant transactions and balances with the government and parties that are related to the entity. Transactions with government-run companies are not disclosed if they are carried out in the ordinary course of business in accordance with conditions consistent with all public and private companies i) when they are not individually significant; ii) if the Group's services are provided on standard terms available to all consumers, or iii) provided there is no choice of providers of services such as electricity distribution and sales.

5 Balances and Transactions with Related Parties (Continued)

The Group purchases from and sells electricity to a large number of government related entities. Such purchases and sales are individually insignificant and are generally entered into on an arm's length basis. Transactions with the state also include taxes which are detailed in Notes 17, 25.

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

In millions of Uzbekistan Soums	Note	Government and entities under government control	Associates
Cash and cash equivalents	13	469,300	-
Trade and other receivables	11	468,261	-
Prepayments to suppliers	9	38,664	13
Deferred income		87,556	-
Borrowings	15	4,031,686	-
Trade and other payables	16	4,610,249	101,349

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

In millions of Uzbekistan Soums	Note	Government and entities under government control	Associates
Cash and cash equivalents	13	795,187	-
Trade and other receivables	11	313,522	-
Prepayments to suppliers	9	-	170,255
Borrowings	15	2,806,586	-
Trade and other payables	16	3,785,640	-

Loans except for loans from Uzpromstroybank and loans obtained during 2021 from the Ministry of Finance to the amount of Uzbekistan Soums 102.9 billion are secured by the Government guarantees which are detailed in Note 15.

In 2020, the Company received the amount of Uzbekistan Soums 161 billion from Bureau of Compulsory Enforcement under the Prosecutor's Office for the purpose of increasing share capital of the Company as disclosed in Note 15.

The income and expense items with related parties for the years ended 31 December 2021 were as follows:

In millions of Uzbekistan Soums	Note	Government and entities under government control	Associates
Revenue	19	4,233,370	-
Purchases of electricity	20	17,716,859	-
Interest expense	24	69,287	-

The income and expense items with related parties for the years ended 31 December 2020 were as follows:

In millions of Uzbekistan Soums	Note	Government and entities under government control	Associates
Revenue	19	5,201,768	-
Other income	22	26,614	-
Purchases of electricity	20	16,581,660	-
Commission fee to the Bureau of Compulsory Enforcement	21	318,588	-
Interest expense	24	26,614	-

The Group purchased smart meters in amount of Uzbekistan Soums 709.9 billion (2020: Uzbekistan Soums 674 billion) from associate.

5 Balances and Transactions with Related Parties (Continued)

Key management compensation

Key management as of 31 December 2021 includes 5 members of Management Board (2020: 5 members of Management Board).

Key management compensation is presented below:

In millions of Uzbekistan Soums	2021 Expense	2021 Accrued liability	2020 Expense	2020 Accrued liability
Short-term benefits:				
- Salaries	1,040	-	1,026	-
- Short-term bonuses	1,125	-	1,372	-
- Social insurance	269	-	356	-
Total key management compensation	**2,434**	**-**	**2,754**	**-**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

6 Property, Plant and Equipment

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

In millions of Uzbekistan Soums	Buildings and premises	Machinery and equipment	Vehicles	Other	Construc-tion in progress	Total
Cost at 1 January 2020	351,943	11,014,664	120,121	28,381	2,744,025	14,259,134
Accumulated depreciation	(18,012)	(832,932)	(28,078)	(2,296)	-	(881,318)
Carrying amount at 1 January 2020	**333,931**	**10,181,732**	**92,043**	**26,085**	**2,744,025**	**13,377,816**
Additions	8,530	46,855	2,177	6,022	2,369,783	2,433,367
Capitalised borrowing costs	-	-	-	-	224,361	224,361
Transfers	96,039	777,075	34,005	51,931	(959,050)	-
Disposals	(7,183)	(10,649)	(26)	(519)	(130,631)	(149,008)
Depreciation charge	(31,997)	(867,074)	(15,750)	(7,254)	-	(922,075)
Cost at 31 December 2020	449,329	11,827,945	156,277	85,815	4,248,488	16,767,854
Accumulated depreciation	(50,009)	(1,700,006)	(43,828)	(9,550)	-	(1,803,393)
Carrying amount at 31 December 2020	**399,320**	**10,127,939**	**112,449**	**76,265**	**4,248,488**	**14,964,461**
Additions	240	60,786	-	14	3,257,838	3,318,878
Capitalised borrowing costs	-	-	-	-	134,035	134,035
Transfers	(65,551)	4,956,462	44,981	632,380	(5,568,272)	-
Disposals	(3,293)	132	(5,009)	(8,675)	(135,643)	(152,488)
Depreciation charge	(12,794)	(781,665)	(21,602)	(31,454)	-	(847,515)
Cost at 31 December 2021	380,725	16,845,325	196,249	709,534	1,936,446	20,068,279
Accumulated depreciation	(62,803)	(2,481,671)	(65,430)	(41,004)	-	(2,650,908)
Carrying amount at 31 December 2021	**317,922**	**14,363,654**	**130,819**	**668,530**	**1,936,446**	**17,417,371**

Construction in progress consists mainly of Smart Electricity Metering System's implementation, modernisation and reconstruction of low-voltage electric networks and construction of external power supply. Upon completion, assets are transferred to building, machinery and equipment. Additions to construction in progress include capitalised borrowing costs of Uzbekistan Soums 134,035 million (2020: Uzbekistan Soums 224,361 million). The capitalisation rate was 14.77% (2020: 10.8 %).

7 Intangible Assets

Software and licenses were acquired for ASKUE Billing Center.

In millions of Uzbekistan Soums	**Acquired software licences**
Cost at 1 January 2020	77
Accumulated amortisation	(42)
Carrying amount at 1 January 2020	**35**
Additions	104,242
Disposals	(20)
Amortisation charge	(15)
Cost at 31 December 2020	104,242
Accumulated amortisation	-
Carrying amount at 31 December 2020	**104,242**
Additions	-
Disposals	-
Amortisation charge	(10,424)
Cost at 31 December 2021	104,242
Accumulated amortisation	(10,424)
Carrying amount at 31 December 2021	**93,818**

8 Investments in Associates

Details of the associate, together with movements in the carrying values of these investments, are set below:

In millions of Uzbekistan Soums	**LLC JV Elektron xisoblagich**
As at 1 January 2020	**5,187**
Share of net profits of the year	61,967
Acquisition of additional shares (20%)	556
Dividends declared	(4,629)
As at 31 December 2020	**63,081**
Share of net profits of the year	48,440
Dividends declared	(61,907)
As at 31 December 2021	**49,614**

8 Investments in Associates (Continued)

In millions of Uzbekistan Soums	**31 December 2021**	**31 December 2020**
Current assets	212,327	472,945
Non-current assets	33,310	36,644
Current liabilities	(121,603)	(351,886)
Net assets	**124,034**	**157,703**
Proportion of the Group's ownership	40%	40%
Carrying value of the investment	**49,614**	**63,081**
Revenue	723,693	684,188
Total comprehensive income for the period	119,950	154,916
Group's share of total comprehensive income	**47,980**	**61,967**
Elimination of upstream transactions	**(47,980)**	**(61,967)**

An associate sells to the Group substantially all of the electronic meters it manufactures and the unrealized gain for the period ended 31 December 2021 was Uzbekistan Soums 47,980 million (31 December 2020: Uzbekistan Soums 61,967 million). The Group did not recognize a share of profit in the associate's profit or loss due to the elimination of upstream transactions with the associate to purchase electronic meters.

9 Prepayments to suppliers and contractors

In millions of Uzbekistan Soums	**31 December 2021**	**31 December 2020**
Prepayment for non-current assets	208,096	376,211
Current part of prepayments:		
- Prepayments for goods, materials and services	61,832	10,654
Total prepayments to suppliers and contractors	**269,928**	**386,865**

10 Inventories

In millions of Uzbekistan Soums	**31 December 2021**	**31 December 2020**
Materials	132,726	113,059
Products and goods for resale	18,932	40,848
Spare parts	8,250	17,712
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(21,506)	(24,281)
Total inventories	**138,402**	**147,338**

Presented below are movements in the Group's inventory provision:

In millions of Uzbekistan Soums	**2021**	**2020**
Provision at 1 January	(24,281)	(20,835)
Recovery/(accrual) of provision	2,775	(3,446)
Provision at 31 December	**(21,506)**	**(24,281)**

11 Trade and Other Receivables

In millions of Uzbekistan Soums	31 December 2021	31 December 2020
Current trade receivables		
Trade receivables from sales of electricity to individuals	583,508	881,401
less: ECL on individuals	(338,025)	(322,245)
Trade receivables from sales of electricity to corporate customers	1,716,579	1,222,450
less: ECL on collective assessment of corporate customers	(452,518)	(395,159)
less: ECL on individual assessment of corporate customers	(9)	(14,430)
Other receivables	42,906	77,877
Term deposits with original maturity of more than three months	-	2,546
Total financial assets	**1,552,441**	**1,452,440**
Prepaid expenses	10,655	17,206
Prepayments to staff	8,538	12,387
Others	55,173	21,828
Total trade and other receivables	**1,626,807**	**1,503,861**

In millions of Uzbekistan Soums	31 December 2021	31 December 2020
Other long-term accounts receivable		
Other long-term accounts receivable	466,977	466,977
Less: impact of modification of other long-term receivables	(241,627)	(272,734)
Less: ECL	(72,698)	(62,663)
Total financial assets within long-term trade and other receivable	**152,652**	**131,580**

In the current reporting period, revenue in the amount of Uzbekistan Soums 2,053,756 million Uzbek soums was recognized (2020: Uzbekistan Soums 2,281,065 million) in respect of contract liabilities for 31 December 2021.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics, the days past due and others. The groups include:

- Receivables from sales of electricity to individuals – ECL is assessed on a collective basis.
- Receivables from sales of electricity to corporate customers – ECL is assessed on collective and individual basis

According to the President's decrees the receivables from water utility, water users' association and heat supply companies for the electricity were modified with prolonged payment terms. Therefore, those receivables balance was reclassified to other long-term receivables. For estimation of the effect of modification the Group has discounted other receivables to their present value using the effective interest rate and estimated future cash flows for each financial asset separately. To calculate expected credit losses the Group has applied a probability weighted default rate of 32.26%.

The expected loss rates for receivables from sales of electricity to households and corporate customers are based on the payment profiles of customers over a period of 36 month before each balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates of corporate customers are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has applied the external rating of Uzbekistan and accordingly adjusts the historical loss rates based on expected changes in this factor.

11 Trade and Other Receivables (Continued)

The credit loss allowance for trade receivables from corporate customers is determined according to the provision matrix presented in the table below. The provision matrix is based on the number of days that an asset is past due, adjusted for external risk rating of Uzbekistan.

Corporate customers - collective approach	31 December 2021				31 December 2020			
In % of gross value *In millions of Uzbekistan sums*	**Loss Rate**	**Gross carrying amount**	**Life-time ECL**	**Net carrying value**	**Loss Rate**	**Gross carrying amount**	**Life-time ECL**	**Net carrying value**
Trade receivables								
- current	2.38%	713,291	(17,005)	696,286	0.00%	336,842	-	336,842
- 30 to 60 days overdue	2.38%	199,046	(4,745)	194,301	6.06%	96,399	(5,846)	90,553
- 61 to 90 days overdue	10.93%	102,397	(11,190)	91,207	58.19%	56,374	(32,802)	23,572
- 91 to 120 days overdue	17.37%	76,965	(13,365)	63,600	69.96%	49,049	(34,313)	14,736
- 121 to 150 days overdue	25.26%	83,143	(21,000)	62,143	79.56%	52,887	(42,079)	10,808
- 151 to 360 days overdue	38.40%	254,083	(97,559)	156,524	89.44%	147,925	(132,308)	15,617
- over 360 days overdue	100.00%	287,654	(287,654)	-	100.00%	147,811	(147,811)	-
Total	**28.10%**	**1,716,579**	**(452,518)**	**1,264,061**	**44.50%**	**887,287**	**(395,159)**	**492,128**

As at 31 December 2020, a credit loss allowance for trade receivables from corporate customers of Uzbekistan Soums 335,163 million was calculated on an individual basis.

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

Individuals - collective approach	31 December 2021				31 December 2020			
In % of gross value *In millions of Uzbekistan sums*	**Loss Rate**	**Gross carrying amount**	**Loss Rate**	**Gross carrying amount**	**Loss Rate**	**Gross carrying amount**	**Loss Rate**	**Gross carrying amount**
Trade receivables								
- current	8.10%	67,148	(5,440)	61,708	0.00%	212,940	-	212,940
- 30 to 60 days overdue	8.10%	41,062	(3,327)	37,735	10.84%	105,238	(11,406)	93,832
- 61 to 90 days overdue	19.87%	32,156	(6,391)	25,765	20.15%	84,794	(17,082)	67,712
- 61 to 90 days overdue	23.76%	25,569	(6,074)	19,495	24.04%	61,522	(14,787)	46,735
- 121 to 150 days overdue	27.91%	26,489	(7,394)	19,095	28.19%	51,019	(14,381)	36,638
- 151 to 180 days overdue	31.79%	24,486	(7,784)	16,702	32.85%	42,526	(13,970)	28,556
- 181 to 210 days overdue	36.73%	24,243	(8,905)	15,338	38.33%	32,878	(12,602)	20,276
- 211 to 240 days overdue	42.29%	22,651	(9,578)	13,073	44.59%	29,876	(13,321)	16,555
- 241 to 270 days overdue	48.59%	22,108	(10,742)	11,366	52.04%	26,426	(13,752)	12,674
- 271 to 360 days overdue	56.98%	58,585	(33,379)	25,206	61.09%	59,722	(36,484)	23,238
- over 360 days overdue	100.00%	239,011	(239,011)	-	100.00%	174,460	(174,460)	-
Total	**36.74%**	**583,508**	**(338,025)**	**245,483**	**41.21%**	**881,401**	**(322,245)**	**559,156**

11 Trade and Other Receivables (Continued)

Movements in impairment provision of current trade and other receivables during 2020 and 2021 are presented in the table below:

In millions of Uzbekistan sums	2021	2020
Allowance for credit losses on trade receivables at 1 January	(731,834)	(412,725)
Accrual of allowance for the year	(58,718)	(319,109)
Allowance for credit losses on trade receivables at 31 December	**(790,552)**	**(731,834)**

Movements in impairment provision of long-term trade and other receivables during 2020 and 2021 are presented in the table below:

In millions of Uzbekistan sums	2021	2020
Allowance for credit losses on long-term trade receivables at 1 January	(335,397)	(337,293)
Accrual of allowance for the year	(10,035)	(11,083)
Modification of contractual cash flows	31,107	12,979
Allowance for credit losses on long-term trade receivables at 31 December	**(314,325)**	**(335,397)**

12 Other current tax assets

In millions of Uzbekistan sums	31 December 2021	31 December 2020
Input VAT	89,574	69,637
Property tax	5,321	5,634
Land tax	3,204	-
Employer social contribution	2,599	3,565
Personal income tax	79	1,236
Others	25,264	5,202
Total current tax assets other than taxes on income	**126,041**	**85,274**

13 Cash and cash equivalents

In millions of Uzbekistan sums	31 December 2021	31 December 2020
Bank balances payable on demand:		
Bank balances payable on demand - USD	323,286	691,175
Bank balances payable on demand - UZS	186,168	104,648
Cash on hand	50	62
Total cash and cash equivalents	**509,504**	**795,885**

13 Cash and cash equivalents (Continued)

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2021:

In millions of Uzbekistan Soums	Bank balances payable on demand	Rating
JSCB UzpromstroyBank	463,303	BB-
PJSCB OrientFinansBank	2,605	B+
JSCMB Ipoteka-Bank	5,997	BB-
PJSCB Trast Bank	11,595	B
Cash in transit	25,954	-
Total cash and cash equivalents, excluding cash on hand	**509,454**	

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2020:

In millions of Uzbekistan Soums	Bank balances payable on demand	Rating
JSCB UzpromstroyBank	795,186	BB-
JSCB OrientFinansBank	136	B+
JSCMB Ipoteka-Bank	1	B1
Cash in transit	500	-
Total cash and cash equivalents, excluding cash on hand	**795,823**	

14 Equity

In millions of Uzbekistan Soums	31 December 2021	31 December 2020
Number of outstanding shares	84,680,814,487	83,226,790,060
Nominal and paid-in amount	8,468,081	8,322,679

In millions of Uzbekistan Soums	Number of outstanding shares	Ordinary shares	Share premium	Preference shares
At 1 January 2020	**36,189,363,133**	**36,179,179,408**	**-**	**10,183,725**
New shares issued	47,047,610,652	47,047,610,652	-	-
At 31 December 2020	**83,236,973,785**	**83,226,790,060**	**-**	**10,183,725**
New shares issued	1,454,024,427	1,454,024,427	-	-
At 31 December 2021	**84,690,998,212**	**84,680,814,487**	**-**	**10,183,725**

In 2021, the Company additionally issued 1,758,000,039 ordinary shares with a par value of Uzbekistan Soums 100 for a total amount of Uzbekistan Soums 175,800 million and payment for the shares was made out of property with a residual book value of Uzbekistan Soums 14,630 million, transferred to the Navoi MMC in the balance of JSC Navoi ETEN and JSC Samarkand ETEN, according to RCM No. 23 dated 14 January 2020 and targeted funds in the amount of Uzbekistan Soums 161,170 million allocated by the Bureau of Compulsory Enforcement at the expense of JSC "REPN" for the purchase of electricity meters and other equipment as part of the project for the implementation of the ASKUE system , according to PP # 3981 dated 23 October 2018.

In pursuance of the Decision of the Single Shareholder dated 12 May 2021, the Company reduced the size of the share capital by Uzbekistan Soums 30,397 million. This happened due to a decrease in the state's share in the authorized capital of the Company in exchange for assets transferred to the State Assets Management Agency of 7 subsidiaries of the Company, in accordance with the Decree of the President of the Republic of Uzbekistan No. PP-4249 dated 27 March 2019.

14 Equity (Continued)

Dividends

On 9 August 2021, the Group announced the payment of dividends for 2020 in the amount of Uzbekistan Soums 0.2012 per share which resulted in the total amount of Uzbekistan Soums 17,038 million. Dividends paid on ordinary shares to the sole shareholder are included in the financial activities of the consolidated statement of cash flows in the amount of Uzbekistan Soums 17,038 million.

The total authorised number of preference shares is 10,184 thousand shares (2020: 10,184 thousand shares) with an average par value of Uzbekistan Soums 143 per share (2020: Uzbekistan Soums 143 per share). All issued preference shares are fully paid. The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Company's liquidation and presented in other long-term payables.

All dividends are declared and paid in Uzbekistan Soums. In accordance with Uzbekistan legislation, the Company distributes profits as dividends on the basis of financial statements prepared in accordance with UNAS. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. According to the legislation of the Republic of Uzbekistan, the basis of distribution is identified as the accumulated net profit.

15 Borrowings

In millions of Uzbekistan Soums	**31 December 2021**	**31 December 2020**
Ministry of Finance (ADB and FDA)	2,708,484	1,906,048
Asian Development Bank	1,426,759	1,454,835
Uzbekistan Fund for Reconstruction and Development (UFRD)	726,526	36,041
Ministry of Finance	410,298	218,246
UzpromstroyBank (Eximbank of China)	150,954	162,560
UzpromstroyBank	35,424	483,691
International Bank for Reconstruction and Development	9,701	10,005
Local leasing firms	4,199	-
Total borrowings	**5,472,345**	**4,271,426**

In millions of Uzbekistan Soums	**31 December 2021**	**31 December 2020**
- long-term portion	4,916,176	3,468,272
- current portion	556,169	803,154
Total borrowings	**5,472,345**	**4,271,426**

In millions of Uzbekistan Soums	**31 December 2021**	**31 December 2020**
- within 1 year	556,169	803,154
- from 2 to 5 years	1,483,131	138,933
- from 2 to 5 years	3,433,045	3,329,339
Total borrowings	**5,472,345**	**4,271,426**

The Group's borrowings are denominated in currencies as follows:

In millions of Uzbekistan Soums	**31 December 2021**	**31 December 2020**
Borrowings denominated in:		
- Uzbekistan Soums	437,732	696,471
- US Dollars	5,034,613	3,574,955
Total borrowings	**5,472,345**	**4,271,426**

15 Borrowings (Continued)

Movements in the Group's borrowings were as follows:

In millions of Uzbekistan Soums	2021	2020
Borrowings at 1 January	4,271,426	1,182,191
Cash flows		
Loan drawdowns	1,811,910	3,736,661
Repayments of principal	(752,712)	(764,784)
Interest payments	(88,291)	(109,394)
Non-cash changes		
Interest accrued	81,997	-
Interest accrued and capitalised to CIP (Note 6)	134,035	224,361
Changes in fair values	(87,556)	(37,221)
Foreign exchange loss	110,387	39,612
Other	(8,851)	-
Liabilities from financing activities at 31 December	**5,472,345**	**4,271,426**

Terms and conditions of outstanding loans were as follows:

				Carrying amount	
In millions of Uzbekistan Soums	Currency	Nominal interest rate	Year of maturity	31 December 2021	31 December 2020
Ministry of Finance (ADB and FDA)	USD	LIBOR 6 months plus 1.25%	2035	2,708,484	1,906,048
Ministry of Finance	UZS	0%	2022.	68,519	218,246
Ministry of Finance	UZS	0%	2022	12,939	-
Ministry of Finance	UZS	0%	2024	2,111	-
Ministry of Finance	UZS	5%	2023-2024	326,729	-
Asian Development Bank	USD	LIBOR 6 months plus 0.6% minus 0.2%	2036	1,426,759	1,454,835
UzpromstroyBank	UZS	24%	2021	-	350,900
UzpromstroyBank	UZS	CBU refinancing rate + 0.5%	2024-2025 г	35,424	132,791
UzpromstroyBank (Eximbank of China)	USD	2.20%	2029	150,954	162,560
Fund for Reconstruction and Development of the Republic of Uzbekistan	USD	2%	2029	41,649	36,041
Fund for Reconstruction and Development of the Republic of Uzbekistan	USD	4%	2031	684,877	-
International Bank for Reconstruction and Development	USD	Base rate + variable spread	2036	9,701	10,005
Leasing Firms	UZS	164%-211%	2022-2023	4,199	-
Total borrowings				**5,472,345**	**4,271,426**

These loans except for loans from UzpromstroyBank and loans received during 2021 from the Ministry of Finance to the amount of Uzbekistan Soums 102.9 billion, are guaranteed by the Republic of Uzbekistan.

Ministry of Finance (ADB and FDA)

In accordance with the Decree of the Cabinet of Ministers of the Republic of Uzbekistan No. 260 dated 27 April 2020, on 7 December 2020, the Company signed a loan agreement with the Ministry of Finance in the amount of USD 250 million to finance the implementation of the Electricity Metering Automation Center project with an annual interest rate of LIBOR of 6 months plus 1.25% and a grace period of 3 years. The maturity date is September 2035. According to the decree, the loan is financed by the Asian Development Bank and the French Development Agency, through the Ministry of Finance. The Group has concluded that the contractual rates represent market rates for similar loans guaranteed by the Government of the Republic of Uzbekistan and the fair value of the loan approximates their carrying amount.

15 Borrowings (Continued)

Ministry of Finance

In accordance with the Presidential Decree of the Republic of Uzbekistan No.5969 dated 19 March 2020, the Andijan ETEN, Jizzakh ETEN, Namangan ETEN, Syrdaryo ETEN and Surkhandaryo ETEN received interest-free loans on 27 May 2020, each amounted to Uzbekistan Soums 50 billion (in aggregate amounted to Uzbekistan Soums 250 billion) for replenishment of working capital to mitigate the negative impact of the coronavirus pandemic. The loans were initially recognised at their fair value applying the discounted cash flow method and using the prevailing market interest rate of 24.7%. The Group concluded that the Ministry of Finance acted as the Government of the Republic of Uzbekistan rather than the shareholder of the Group, and accordingly recognised gain on initial recognition of these loans as government grant within other operating income (Note 22).

In accordance with the Presidential Decree of the Republic of Uzbekistan No.5101 dated 30 April 2021, the Bukhara ETEN, Namangan ETEN, Surkhandaryo ETEN, Khorezm ETEN, Jizzakh ETEN and Tashkent ETEN received loans on 5 October 2021 to the amount in total of Uzbekistan Soums 12.5 billion with the interest rate 5% and maturity date in September 2024. Loans are collateralized by the Company's guarantee. The purpose of the loans is to finance the construction of external power networks of special economic and small industrial zones. Loans were initially recognized at fair value using the discounted cash flow method and the prevailing market interest rate of 23.3%. The Group has concluded that the Ministry of Finance is acting as the Government of the Republic of Uzbekistan and not as a shareholder of the Group and, accordingly, recognized a gain on the initial recognition of these loans as a government grant in deferred income in the consolidated statement of financial position in 2021.

In accordance with the Presidential Decree of the Republic of Uzbekistan No.5101 dated 30 April 2021, the Kashkadarya ETEN and Karakalpakstan ETEN received loans on 27 Julyr 2021 to the amount in total of Uzbekistan Soums 6.5 billion with the interest rate 5% and maturity date in July 2024. Loans are collateralized by the Company's guarantee. The purpose of the loans is to finance the construction of external power networks of special economic and small industrial zones. Loans were initially recognized at fair value using the discounted cash flow method and the prevailing market interest rate of 23.1%. The Group has concluded that the Ministry of Finance is acting as the Government of the Republic of Uzbekistan and not as a shareholder of the Group and, accordingly, recognized a gain on the initial recognition of these loans as a government grant in deferred income in the consolidated statement of financial position in 2021.

In accordance with the Presidential Decree of the Republic of Uzbekistan No.5101 dated 30 April 2021, the Syrdarya ETEN, Samarkand ETEN, Fergana and Navoi ETEN received loans on 27 July 2021 to the amount in total of Uzbekistan Soums 39.2 billion with the interest rate 5% and maturity date in July 2024. Loans are collateralized by the Company's guarantee. The purpose of the loans is to finance the construction of external power networks of special economic and small industrial zones. On 1 November 2021, the Syrdarya ETEN, Samarkand ETEN, Fergana and Navoi ETEN signed additional agreements No. 1 with the Ministry of Finance, which made changes to the loan amount in the aggregate of 46.7 billion Uzbek soums. Loans were initially recognized at fair value using the discounted cash flow method and the prevailing market interest rate of 23.1%. The Group has concluded that the Ministry of Finance is acting as the Government of the Republic of Uzbekistan and not as a shareholder of the Group and, accordingly, recognized a gain on the initial recognition of these loans as a government grant in deferred income in the consolidated statement of financial position in 2021.

In accordance with the Resolution of the Cabinet of Mnisters of the Republic of Uzbekistan No.164-F dated 9 April 2021, the Tashkent ETEN, Bukhara ETEN, Samarkand ETEN, Fergana and Kashkadarya ETEN received loans on 13 July 2021 each amounting to Uzbekistan Soums 50 billion (Uzbekistan Soums 250 billion in total) with the interest rate 5%, grace period of 7 months and maturity date in April 2023. The purpose of the loans is to finance the construction, reconstruction and repair of low-voltage electrical networks and the purchase of electrical equipment. Loans were initially recognized at fair value using the discounted cash flow method and the prevailing market interest rate of 21.5%. The Group has concluded that the Ministry of Finance is acting as the Government of the Republic of Uzbekistan and not as a shareholder of the Group and, accordingly, recognized a gain on the initial recognition of these loans as a government grant in deferred income in the consolidated statement of financial position in 2021.

In accordance with the Presidential Decree of the Republic of Uzbekistan No.4929 dated 18 December 2020, the Karakalpakstan ETEN, Jizzakh ETEN, Kashkadarya ETEN, Navoi ETEN, Samarkand ETEN, Surkhandarya ETEN, Tashkent ETEN and Khorezm ETEN received loans on 29 April 2021 to the amount in total of Uzbekistan Soums 75 billion with the interest rate 5% and maturity date in April 2024. Loans are collateralized by the Company's guarantee. The purpose of the loans is to finance the construction and reconstruction of low-voltage electrical networks. Loans were initially recognized at fair value using the discounted cash flow method and the prevailing market interest rate of 22.7%. The Group has concluded that the Ministry of Finance is acting as the Government of the Republic of Uzbekistan and not as a shareholder of the Group and, accordingly, recognized a gain on the initial recognition of these loans as a government grant in deferred income in the consolidated statement of financial position in 2021.

15 Borrowings (Continued)

In accordance with the Resolution of the Cabinet of Mnisters of the Republic of Uzbekistan No.397-F dated 14 July 2021, the Bukhara ETEN received loan on 13 August 2021 amounting to Uzbekistan Soums 57.5 billion with the interest rate 5% and maturity date in August 2023. Loans are collateralized by the Company's guarantee. The purpose of the loan is to finance the construction of low-voltage electrical networks in the Vobkent, Romitan, Peshkun and Karavulbozor districts of the Bukhara region. Loans were initially recognized at fair value using the discounted cash flow method and the prevailing market interest rate of 22.9%. The Group has concluded that the Ministry of Finance is acting as the Government of the Republic of Uzbekistan and not as a shareholder of the Group and, accordingly, recognized a gain on the initial recognition of these loans as a government grant in deferred income in the consolidated statement of financial position in 2021.

In accordance with the Resolution of the Cabinet of Mnisters of the Republic of Uzbekistan No.69-F dated 14 July 2021, the Syrdarya ETEN received interest-free loan on 1 April 2021 amounting to Uzbekistan Soums 14.3 billion with maturity date in December 2021. The purpose of the loan is to finance the purchase of electrical equipment for the operation of the Wang Da Rolling Steel substation from Uzelektroapparat-Electroshield JSC. Loans were initially recognized at fair value using the discounted cash flow method and the prevailing market interest rate of 21.4%. The Group has concluded that the Ministry of Finance is acting as the Government of the Republic of Uzbekistan and not as a shareholder of the Group and, accordingly, recognized a gain on the initial recognition of these loans as a government grant in deferred income in the consolidated statement of financial position in 2021.

Fund for Reconstruction and Development of the Republic of Uzbekistan

In accordance with the Presidential Decree of the Republic of Uzbekistan No.3638 dated 29 March 2018, on 6 December 2019 the Company signed loan agreement with Fund for Reconstruction and Development of the Republic of Uzbekistan amounted to US Dollar 11,280 thousand for the purpose of construction of external power supply for the Tashkent Metallurgical Plant with interest rate of 2%, grace period of 2 years and maturity in August 2029.

In April 2021, the Company signed a loan agreement with the Fund for Reconstruction and Development of the Republic of Uzbekistan in the amount of USD 75 million for the construction, modernization and reconstruction of low-voltage electrical networks with an interest rate of 4%, a grace period of 3 years and a maturity date in April 2031. The Group has concluded that the contractual rates represent market rates for similar loans guaranteed by the Government of the Republic of Uzbekistan and the fair value of the loan approximates their carrying amount.

International Bank for Reconstruction and Development

In accordance with the Presidential Decree of the Republic of Uzbekistan No.1941 dated 26 March 2013, the loan agreement signed between Republic of Uzbekistan with International Bank for Reconstruction and Development on 10 April 2013 for the amount of US Dollars 180 million for the purpose of financing improvements of metering and billing infrastructure in Tashkent and its region and Syrdarya. The principal amount is payable in October 2036 with reference rate plus variable spread and grace period of 4 years. Subsidiary Loan Agreement signed between Republic of Uzbekistan and Uzbekenergo on 30 June 2013, where Uzbekenergo JSC is a Sub-borrower. Addendum #1 signed on 7 August 2019 where Company is New Sub-borrower replacing Uzbekenergo JSC. The project was cancelled on 30 June 2019. The principal amount of US Dollars 1.043 million to be repaid relates to consulting services rendered in 2012 to Uzbekenergo JSC.

Asian Development Bank

In accordance with the Presidential Decree of the Republic of Uzbekistan No.1705 dated 14 February 2012, the loan agreement signed between Republic of Uzbekistan with Asian Development Bank on 16 February 2012 for the amount of US Dollars 150 million for the purpose of financing projects related to substantial reduction of commercial and collection losses in respect of low voltage electricity users in Samarkand, Jizzakh and Bukhara regions. The principal amount is payable in August 2036 with Libor plus 0.6% minus 0.2% and grace period of 5 years. Subsidiary Loan Agreement signed between Republic of Uzbekistan and Uzbekenergo JSC on 8 November 2012, where Uzbekenergo JSC is a Sub-borrower. Addendum No.1 to Subsidiary Loan Agreement signed on 3 December 2019 where the Company is a new Sub-borrower replacing Uzbekenergo JSC. Project agreement signed between Asian Development Bank and Uzbekenergo JSC on 21 February 2012. Addendum No.URM-2019-794 to the Project agreement was signed on 14 October 2019 where the Company is the new Project Executing Agency replacing Uzbekenergo JSC. As per Amendment dated 11 October 2018, the project closing date was extended until 31 December 2020. The Group has concluded that the contractual rates represent market rates for similar loans guaranteed by the Government of the Republic of Uzbekistan and the fair value of the loan approximates their carrying amount.

15 Borrowings (Continued)

UzpromstroyBank

In accordance with the Presidential Decree of the Republic of Uzbekistan No.2661 dated 23 November 2016, four loan agreements signed between Uzbekenergo JSC with UzpromstroyBank in March 2017, May 2017, September 2017 and July 2018 for the amount of Uzbekistan Soums 197.1 million with grace period of 1 year for the purpose of financing modernisation and reconstruction of low-voltage electric networks. On 1 June 2020 the Company signed four Debt transfer agreements No.1 with UzpromstroyBank through concession from Uzbekenergo JSC in the amount of Uzbekistan Soums 182.025 million with interest rate of CBU plus 0.5% and maturity in March and September 2024 and July 2025. Starting from June 2019 the loans are secured by a Surety agreement from Tashkent city ETK JSC, the Company’s subsidiary. In 2021, three loans were repaid in full ahead of schedule in the amount of Uzbekistan Soums 56 billion.

In July and August 2020, the Group signed two loan agreements with UzpromstroyBank in the amount of Uzbekistan Soums 636.9 million with interest rate of 24%, grace period of 3 months and maturity in July and August 2021. The purpose of the loans is financing purchase of electrical meter equipment (ASKUE). The loans are secured by guarantee provided by Tashkent ETK JSC, the Company’s subsidiary. The loans were fully repaid in 2021.

In accordance with the Presidential Decree of the Republic of Uzbekistan No.1115 dated 21 May 2009, loan agreement signed between Uzbekenergo JSC with UzpromstroyBank in June 2009 in the amount of US Dollars 26,355 thousands with interest rate of 2.2%, grace period of 5 years and maturity in August 2029 for the purpose of construction of substations in Tashkent City. On 1 June 2020 the Company signed four Debt transfer agreements No.1 with UzpromstroyBank through concession from Uzbekenergo JSC in the amount of Uzbekistan Soums 18.102 million with interest rate of 2.2% and maturity in August 2029. The construction of power sub-stations was completed in 2012. The loans are secured by shares and fixed assets insurance of Kashkadarya ETEN JSC, the Company’s subsidiary. The loan was classified as short-term as of 31 December 2019 and 31 December 2020 respectively, since the Group breached non-financial covenant on these dates.

The exposure of the Group’s borrowings to interest rate changes, the contractual re-pricing dates and change in foreign currency exchange rates at the end of the reporting period are disclosed in Note 28.

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

16 Trade and Other Payables

In millions of Uzbekistan Soums	**31 December 2021**	**31 December 2020**
Current trade payables:		
Payable for purchased power	4,610,249	3,785,640
Payable for construction works and supplied equipment	439,976	300,781
Others	130,062	106,583
Total trade and other payables	**5,180,287**	**4,193,004**
Contract liabilities	2,259,827	2,053,756
Total trade and other payables and contract liabilities	**7,440,114**	**6,246,760**

The Group’s trade and other payables are denominated in currencies as follows:

In millions of Uzbekistan Soums	**31 December 2021**	**31 December 2020**
UZS	5,097,061	4,122,514
USD	79,925	70,490
Euro	3,301	-
Total	**5,180,287**	**4,193,004**

17 Other Taxes Payable

In millions of Uzbekistan Soums	31 December 2021	31 December 2020
Property tax	15,793	4,869
Unified social payment	13,183	5,868
Personal income tax	10,136	3,769
Value added tax	3,522	708
Land tax	283	170
Pension fund	137	59
Other	11,635	-
Total taxes payable other than taxes on income	**54,689**	**15,443**

18 Other Liabilities

In millions of Uzbekistan Soums	31 December 2021	31 December 2020
Payables to staff	238,690	150,791
Payables to Shareholders	14,652	163,987
Others	63,355	48,474
Total other liabilities	**316,697**	**363,252**

19 Revenue from Contracts with Customers

In millions of Uzbekistan Soums	2021	2020
Electricity sales to end users:		
Corporates	16,236,354	15,704,768
Individuals	3,717,700	3,369,713
Other income:		
Other income	113,721	161,943
Total revenue over time	**20,067,775**	**19,236,424**

20 Cost of Sales

In millions of Uzbekistan Soums	2021	2020
Electricity purchase	15,138,022	14,575,658
Grid losses	2,578,837	2,006,002
Depreciation and amortisation	752,372	837,381
Staff costs and other deductions related to remuneration	684,935	521,622
Materials	96,112	134,559
Repair and technical maintenance	27,796	16,351
Cost of installation and construction work	-	66,176
Other	38,285	26,375
Total cost of sales	**19,316,359**	**18,184,124**

21 General Administrative Expenses

In millions of Uzbekistan Soums	2021	2020
Staff cost	579,467	397,375
Depreciation and amortisation	112,340	80,633
Fines and penalties	96,551	76,813
Taxes other than income tax	64,404	21,390
Consulting services	33,203	8,453
Bank fees	13,689	10,279
Materials	3,184	3,978
Loss on disposal of property, plant and equipment and inventory	-	5,659
Commission fees to Bureau of Compulsory Enforcement	-	318,588
Other	150,706	197,371
Total general and administrative expenses	**1,053,544**	**1,120,539**

22 Other Income

In millions of Uzbekistan Soums	2021	2020
Assets received free of charge	94,712	52,581
Collected penalties, fines, forfeits	74,711	33,799
Government grant	-	65,627
Others	82,685	54,958
Total other income	**252,108**	**206,965**

23 Finance Income

In millions of Uzbekistan Soums	2021	2020
Unwinding of discount on accounts receivable	33,402	31,127
Interest income	516	1,435
Other finance income	805	16,585
Total finance income	**34,723**	**49,147**

24 Finance Cost

In millions of Uzbekistan Soums	2021	2020
Loss on foreign exchange transactions, net	99,877	69,013
Interest expense	15,257	-
Other finance cost	69,287	28,406
Total finance costs	**184,421**	**97,419**

The Group capitalised borrowing costs arising on financing directly attributable to the Advanced Electricity Metering System's implementation, modernisation and reconstruction of low-voltage electric networks and construction of external power supply. The capitalisation rate was 14.8% (2020: 10.8%).

25 Income Taxes

Income tax expense recorded in profit or loss comprises the following:

In millions of Uzbekistan Soums	2021	2020
Current tax charge	(84,007)	(184,001)
Deferred tax benefit	65,153	877,009
Income tax (expenses)/benefit for the year	**(18,854)**	**693,008**

The income tax rate applicable to the majority of the Group's 2021 income is 15% (2020: 15%), accordingly. A reconciliation between the expected and the actual taxation charge is provided below.

In millions of Uzbekistan Soums	2021	2020
Loss before tax	**(268,471)**	**(239,225)**
Theoretical tax benefit at statutory rate 15% (2020: 15%)	40,271	35,884
Derecognition of previously recognised temporary differences	-	762,757
Unrecognised permanent differences	(94,387)	(88,301)
Tax effect of items which are non-deductible or assessable for taxation purposes	(44,055)	(23,190)
Income which is exempt from taxation	80,726	13,248
Change in tax rate	-	4,669
Others	(1,409)	(12,059)
Income tax (expenses)/benefit for the year	**(18,854)**	**693,008**

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In millions of Uzbekistan Soums	1 January 2021	Credited to profit or loss	31 December 2021
Tax effects of (deductible)/taxable temporary differences			
Property, plant and equipment	-	29,306	29,306
Trade and other receivables	215,208	29,439	244,647
Long-term trade and other receivables	43,341	4,806	48,147
Other liabilities	16,932	6,314	23,246
Borrowings	(5,584)	(4,712)	(10,296)
Net deferred tax asset	**269,897**	**65,153**	**335,050**
Recognised deferred tax asset	269,897	66,501	336,398
Recognised deferred tax liability	-	(1,348)	(1,348)
Net deferred tax asset/(liability)	**269,897**	**65,153**	**335,050**

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

25 Income Taxes (Continued)

The tax effect of the movements in the temporary differences for the year ended 31 December 2020 are:

In millions of Uzbekistan Soums	**1 January 2020**	**Credited to profit or loss**	**31 December 2020**
Tax effects of (deductible)/taxable temporary differences			
Property, plant and equipment	(762,757)	762,757	-
Trade and other receivables	141,002	74,206	215,208
Long-term trade and other receivables	1,261	42,080	43,341
Other liabilities	13,382	3,550	16,932
Borrowings	-	(5,584)	(5,584)
Net deferred tax asset/(liability)	**(607,112)**	**877,009**	**269,897**
Recognised deferred tax asset	155,645	119,836	275,481
Recognised deferred tax liability	(762,757)	757,173	(5,584)
Net deferred tax asset/(liability)	**(607,112)**	**877,009**	**269,897**

According to the letter issued by the Ministry of Finance on 30 December 2020, the tax base of the assets as of 1 January 2021 shall be equal to the revalued cost of the assets used as deemed cost for the purpose of transition to IFRS with subsequent changes for depreciation and others.

The Company applied above change in determination of the tax base of the assets as of 1 January 2021. Therefore, there will be no difference between tax base and carrying value of property, plant and equipment as of 1 January 2021.

The Company applied above change in determination of the assets' historical cost as of 1 January 2021 for CIT purposes, therefore, the difference between tax and accounting value of property, plant and equipment decreased significantly resulting in deferred tax benefit of Uzbekistan Soums 740,502 million.

26 Contingencies and Commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims.

Tax contingencies

Uzbekistan tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Uzbekistan tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Group’s management believes its interpretation of the relevant legislation is appropriate and the Company‘s tax, currency and customs positions will be sustained. Accordingly, at 31 December 2021 and 2020 no provision for potential tax liabilities had been recorded. In addition, the Group estimates that it has no material obligations from exposure to other than remote tax risks.

Capital expenditure commitments

At 31 December 2021 the Group has no contractual capital expenditure commitments in respect of property, plant and equipment (2020: Uzbekistan Soums 66,708 million), while capital expenditures for 2022 was planned in the amount of Uzbekistan Soums 1,749 billion.

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

26 Contingencies and Commitments (Continued)

Environmental matters

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

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. UzpromstroyBank loan was classified as short-term as of 31 December 2020 and 31 December 2021 respectively, since the Group breached non-financial covenant on these dates, which did not lead to a cross-default on other borrowings. The Group was in compliance with covenants on other borrowings as of 31 December 2020 and 31 December 2021.

27 Non-Controlling Interest

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

In millions of Uzbekistan Soums	**Proportion of non-controlling interest's voting rights held**	**Profit or loss attributable to non-control-ling interest**	**Accumulated non-control-ling interest in the subsidiary**	**Dividends paid to non-control-ling interest during the year**
Year ended 31 December 2021				
Bukhara ETEN JSC	46.9%	(8,452)	158,129	-
Fergana ETEN JSC	46.3%	(54,251)	222,325	-
Total for the year ended 31 December 2021		**(62,703)**	**380,454**	**-**
Year ended 31 December 2020				
Bukhara ETEN JSC	46.9%	9,568	166,581	-
Fergana ETEN JSC	46.3%	54,552	276,576	-
Total for the year ended 31 December 2020		**64,120**	**443,157**	**-**

The summarised financial information of these subsidiaries was as follows:

	At 31 December				**Year ended 31 December**		
In millions of Uzbekistan Soums	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Profit/ (loss)**	**Total compre-hensive income**
31 December 2021							
JSC Bukhara TCEN	259,199	848,015	(354,888)	(392,383)	1,267,990	(18,030)	(18,030)
JSC Ferghana TCEN	393,781	1,660,032	(1,003,076)	(483,879)	1,687,637	(117,134)	(117,134)
Total for the year ended 31 December 2021	**652,979**	**2,508,046**	**(1,357,964)**	**(876,261)**	**2,955,627**	**(135,164)**	**(135,164)**
31 December 2020							
JSC Bukhara TCEN	180,609	799,879	(251,590)	(363,833)	1,140,810	20,412	20,412
JSC Ferghana TCEN	406,727	1,239,926	(807,468)	(194,069)	1,673,108	117,783	117,783
Total for the year ended 31 December 2020	**587,336**	**2,039,805**	**(1,059,058)**	**(557,902)**	**2,813,918**	**138,195**	**138,195**

28 Financial Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Expected credit loss (ECL) measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period.* The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which the Group has a present contractual obligation to extend credit.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

28 Financial Risk Management (Continued)

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikeliness-to-pay criteria listed below:
  - the borrower is deceased;
  - the borrower is insolvent;
  - the borrower is in breach of financial covenant(s);
  - it is becoming likely that the borrower will enter bankruptcy; and
  - the loans were purchased or originated at a deep discount that reflects the incurred credit losses.

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months. This period of twelve months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The Company also performs assessment based on external ratings for cash and cash equivalents in banks.

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings.

The Group performs an assessment on an individual basis for the following types of financial assets: clients with unique credit risk characteristics, individually significant government customers, that is, individual revenue above Uzbekistan Soums 100,000 million.

The Group performs an assessment on a portfolio basis for the following types of trade receivables: corporate customers not assessed individually and households. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Group defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers from the Non-Performing Receivables Management Department. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Group measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered is type of customer.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

28 Financial Risk Management (Continued)

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk

In respect of currency risk, management sets limits on the level of exposure by currency and in total which are monitored daily.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2021			At 31 December 2020		
In millions of Uzbekistan Soums	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
USD	323,286	(5,114,538)	(4,791,252)	778,001	(3,645,445)	(2,867,444)
Euro	-	(3,301)	(3,301)	-	-	-
Total	**323,286**	**(5,117,839)**	**(4,794,553)**	**778,001**	**(3,645,445)**	**(2,867,444)**

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

	At 31 December 2021		At 31 December 2020	
In millions of Uzbekistan Soums	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 5% (2020: strengthening by 10%)	(203,628)	(203,628)	(243,732)	(243,732)
US Dollar weakening by 5% (2020: weakening by 10%)	203,628	203,628	243,732	243,732

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In millions of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Total**
31 December 2021						
Total financial assets	2,061,945	-	-	152,652	-	2,214,597
Total financial liabilities	(5,399,167)	(164,813)	(168,291)	(4,920,361)	-	(10,652,632)
Net interest sensitivity gap at 31 December 2021	**(3,337,222)**	**(164,813)**	**(168,291)**	**(4,767,709)**	**-**	**(8,438,035)**
31 December 2020						
Total financial assets	2,248,263	-	-	218,406	-	2,466,669
Total financial liabilities	(4,440,599)	(386,804)	(140,104)	(3,496,923)	-	(8,464,430)
Net interest sensitivity gap at 31 December 2020	**(2,192,336)**	**(386,804)**	**(140,104)**	**(3,278,517)**	**-**	**(5,997,761)**

28 Financial Risk Management (Continued)

All of the Group's debt instruments reprice within 5 years (2020: all reprice within 5 years).

At 31 December 2021, if interest rates at that date had been 200 basis points higher (2020: 200 basis points higher) with all other variables held constant, profit for the year would have been Uzbekistan Soums 70,478 million (2020: Uzbekistan Soums 57,300 million) lower, mainly as a result of higher interest expense on variable interest liabilities.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	31 December 2021		31 December 2020	
In % p.a.	UZS	USD	UZS	USD
Assets				
Cash and cash equivalents	0%	0%	0%	0%
Trade and other receivables	0%	-	0%	-
Liabilities				
Borrowings	Refinancing rate of CBU+0.5%, 24%, 5%, 164%-211%	Libor 6M plus 0.6% minus 0.2%, Libor 6M plus 1.25%, Base rate + variable spread, 4%-2.2%	Refinancing rate of CBU+0.5%, 24%	Libor plus 0.6% minus 0.2%, Libor 6M plus 1.25%, Refinancing rate + variable spread, 2%-2.2%
Trade and other payables	0%	0%	0%	0%

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by management of the Group. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payables. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Group's liquidity portfolio comprises cash and cash equivalents (Note 13). Management estimates that the liquidity portfolio cash, bank deposits can be realised in cash within a day in order to meet unforeseen liquidity requirements.

The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The table below shows liabilities at 31 December 2021 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2021 is as follows:

In millions of Uzbekistan Soums	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Borrowings (Note 15)	60,736	103,737	495,407	1,851,461	3,687,305	6,198,646
Trade payables (Note 16)	5,180,287	-	-	-	-	5,180,287
Total future payments, including future principal and interest payments	**5,241,023**	**103,737**	**495,407**	**1,851,461**	**3,687,305**	**11,378,933**

28 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2020 is as follows:

In millions of Uzbekistan Soums	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Borrowings (Note 15)	106,184	191,083	439,462	878,159	3,506,759	5,121,647
Trade payables (Note 16)	4,193,004	-	-	-	-	4,193,004
Total future payments, including future principal and interest payments	**4,299,188**	**191,083**	**439,462**	**878,159**	**3,506,759**	**9,314,651**

Payments in respect of gross settled forwards will be accompanied by related cash inflows.

29 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Group managed as of 31 December 2021 was Uzbekistan Soums 7,457,064 million (31 December 2020: Uzbekistan Soums 7,614,047 million).

30 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2021				31 December 2020			
In millions of Uzbekistan Soums	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
Assets								
Cash and cash equivalents	-	509,504	-	509,504	-	795,885	-	795,885
Restricted cash	-	-	-	-	-	-	86,826	86,826
Trade receivables	-	-	1,552,441	1,552,441	-	-	1,452,440	1,452,440
Other long term receivables	-	-	152,652	152,652	-	-	131,580	131,580
Total Assets	**-**	**509,504**	**1,705,093**	**2,214,597**	**-**	**795,885**	**1,670,846**	**2,466,731**
Liabilities								
Trade and other payables	-	-	5,180,287	5,180,287	-	-	4,193,004	4,193,004
Borrowings	-	-	5,472,345	5,472,345	-	-	4,271,426	4,271,426
Total Liabilities	**-**	**-**	**10,652,632**	**10,652,632**	**-**	**-**	**8,464,430**	**8,464,430**

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

30 Fair Value Disclosures (Continued)

Financial assets carried at amortised cost

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

Liabilities carried at amortised cost

The fair value of Eurobonds is based on market quotations. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

31 Events after the Reporting Period

Situation with Ukraine

In 2021 ongoing political tensions in the region intensified as a result of further developments in the situation with Ukraine, which negatively affected commodity and financial markets and increased volatility, especially in exchange rates. Since December 2021, the situation continues to deteriorate and remains highly volatile. There is increased volatility in the financial and commodity markets. Additional sanctions and restrictions on the economic activities of organizations operating in Russia are expected, as well as consequences for the economy of the region as a whole, the full range and possible consequences of which cannot be measured.

From 24 February 2022, the exchange rate of the national currency Uzbekistan Soums against the US dollar began to weaken. As of 26 May 2022, the exchange rate was Uzbekistan Soums 11,045.25 per US dollar.

On 18 March 2022, the Central Bank of the Republic of Uzbekistan decided to raise the base rate by 3 percentage points to 17%. It is impossible to determine how long the increased volatility will last or at what level it will eventually remain.

At present, the financial position of the Group is not affected by the events in Ukraine. Management is unable to predict the future consequences or impact, if any, of this event on the Group's financial position or operations. Management will continue to monitor the potential impact of the above events and will take all necessary steps to prevent adverse business impacts.