



«Uzagrolizing» Joint Stock Company

**Independent Auditor's Report and
Consolidated Financial Statements
for the year ended 2021
(Translated from Russian language)**

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Independent Auditor's opinion

**To the Shareholders and the Supervisory Board of
Joint-Stock Company «UZAGROLEASING»**

Opinion

We have audited the consolidated financial statements of the Joint Stock Company "Uzagroleasing" (hereinafter referred to as the "Company"), and its subsidiaries (hereinafter collectively referred to as the "Group"), which consist of the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements, including a summary of key accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects the financial position of the Group as at 31 December 2021, as well as its financial results and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described further in the section "Auditor's responsibility for auditing consolidated financial statements" of our opinion. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the schedule in the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants (PAIESB Code) and ethical requirements applicable to our audit of the financial statements in the Republic of Uzbekistan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Key audit issues

The key audit issues are the issues that, according to our professional judgment, were the most significant for our audit of the consolidated financial statements for the current period. These issues were considered in the context of our audit of the consolidated financial statements as a whole and in forming our opinion on these statements, and we do not express a separate opinion on these issues.

Key audit issues

What audit procedures were performed in relation to the key audit issue

Provision for credit losses on net investments in leasing

Due to the materiality of the provision for expected credit losses on net investments in leasing, as well as due to the complexity and need to make judgments regarding the assessment of expected credit losses (ECL) in accordance with the new standard IFRS 9 "Financial Instruments", this issue is one of the key audit issues.

The assessment of the OKU requires management to apply professional judgment and use subjective assumptions:

- timely identification of a significant increase in credit risk and default events related to net investments in leasing;
- assessment of the probability of default and the amount of loss in case of default;
- estimation of expected cash flows on net investments in leasing attributed to the stage of default.

As a response, we conducted an analysis of the main aspects of the Group's methodology regarding the assessment of the ECL for compliance with the requirements of IFRS 9. To analyze the adequacy of the professional judgment applied by management and the assumptions made in assessing the provision for the ECL, we conducted the following audit procedures:

- tested the organization and operational effectiveness of the internal control system for timely attribution of net investments in leasing to the appropriate stages of credit risk;
 - based on a sample of net investments in leasing, a potential change in the assessment of ECL, for which it may have a significant impact on the consolidated financial statements, tested the correctness of the credit risk stage assigned by the Group by analyzing financial and non-financial information, as well as assumptions and professional judgments used by the Group;
 - based on a sample of net investments in leasing, we assessed the correctness of the initial data used to determine the probability of default and the amount of loss in case of default;
 - assessed whether the disclosures in the consolidated financial statements adequately reflect the Group's exposure to credit risk.
-



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Other information

Management is responsible for other information. Other information includes information contained in the annual report, but does not include the consolidated financial statements and our auditor's report on them.

Our opinion on the consolidated financial statements does not apply to other information, and we will not provide a conclusion with assurance in any form with respect to this information.

In connection with our audit of the consolidated financial statements, our responsibility is to familiarize ourselves with the other information and, in doing so, consider whether there are material inconsistencies between the other information and the consolidated financial statements or our knowledge obtained during the audit, and whether the other information contains other possible material misstatements.

If, based on our work, we come to the conclusion that such other information contains a material misstatement, we are obliged to report this fact.

Auditor's responsibility for auditing consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or on 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 conducted in accordance with International Standards on Auditing, we apply professional judgment to retain professional skepticism throughout the audit. In addition, we perform the following:

- identify and assess the risks of material misstatement of consolidated financial statements due to fraud or error; develop and conduct audit procedures in response to these risks; we obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The risk of non-detection of material as a result of unfair acts is higher than the risk of not detecting a significant distortion as a result of an error, since unfair acts may include conspiracy, fraud, intentional omission, misrepresentation of information or actions bypassing the internal control system;
- get an understanding of the internal control system that is relevant to the audit, in order to develop audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system;
- assess the proper nature of the accounting policies applied and the reasonableness of accounting estimates and the corresponding disclosure of information prepared by management;
- make a conclusion about the legitimacy of management's use of the assumption of business continuity, and on the basis of the obtained audit evidence - the conclusion whether there is a significant uncertainty in connection with events or conditions that may raise significant doubts in the ability of the Group to continue its business continuously. If we conclude that there is significant uncertainty, we must draw attention to our disclosure in the consolidated financial statements, or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on the audit evidence received before the date of our audit report. However, future events or conditions may lead to the Group losing the ability to continue its business continuously;
- assess the presentation of the consolidated financial statements in general, its structure and content, including disclosure of information, as well as whether the consolidated financial statements present the underlying operations and events in a manner that ensures their reliable representation;



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- obtain sufficient appropriate audit evidence relating to the financial information of the organization or activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the management, control and conduct of the Group's audit. We remain fully responsible for our audit opinion.

We collaborate with persons responsible for corporate governance, including, among other things, information on the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify in the course of the audit.

We also provide the Management and those responsible for corporate governance with a statement that we have complied with all relevant ethical requirements regarding independence and informed these individuals about all relationships and other issues that can reasonably be considered to affect the independence of the auditor. And if it is required - on appropriate precautions.

From those questions that we brought to the attention of the Management and to those responsible for corporate governance, we identify issues that were most essential to the audit of the consolidated financial statements for the current period and, therefore, are considered as key audit issues. We describe these issues in our audit report, except when public disclosure of information on these matters is prohibited by law or regulation. In extremely rare cases, we conclude that information on any matter should not be communicated in our report, since it can be reasonably assumed that the negative consequences of communicating such information will exceed the socially significant benefits.

Jamshid Karimov
General Director
«Grant Thornton» AO LLC

Grant Thornton

12 May 2022
Tashkent, Uzbekistan



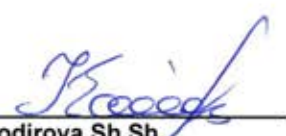
«Uzagrolizing» Joint stock Company
Consolidated Statement of Financial Position as at 31 December 2021
(in thousands of Uzbek soums, unless otherwise indicated)

	Notes	31 december 2021	31 december 2020
Assets			
Cash and cash equivalents	7	4 822 549	3 696 397
Finance lease receivables	8	1 914 552 663	1 901 382 663
Income tax assets		-	677 877
Equipments for leasing	9	42 124 206	38 556 452
Prepayments for leasing equipments	10	2 206 713	1 722 423
Trade and other receivables	11	7 243 602	5 529 245
Investments		4 057 781	1 650 486
Other assets	12	6 350 032	10 625 207
Deferred tax assets	25	11 798 197	12 126 396
Property, plant and equipment and intangible assets	13	39 824 870	41 226 290
Total assets		2 032 980 612	2 017 193 436
Liability			
Loans and borrowings received	14	1 666 578 647	1 710 920 009
Advances from lessees	15	132 549 972	70 652 463
Trade and other payables	16	150 091 833	160 865 357
Income tax liabilities		475 297	-
Other liabilities	17	13 012 454	14 079 525
Total liabilities		1 962 708 203	1 956 517 355
Equity			
Share capital	18	105 681 836	105 681 836
Retained earnings/(Accumulated loss)		(35 409 426)	(45 005 754)
Total Equity		70 272 409	60 676 081
Total liabilities and equity		2 032 980 613	2 017 193 436

The consolidated financial statements have been approved 12 May 2022.


Otajonov N.S.
Chairman of the Board



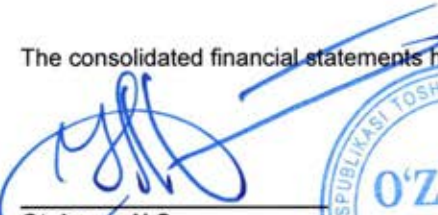

Kodirova Sh.Sh.
Chief Accountant

The figures in the consolidated statements of financial position should be read in conjunction with the notes on pages 11 to 66, which are an integral part of these consolidated financial statements.

«Uzagrolizing» Joint Stock Company
Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2021
(in thousands of Uzbek soums, unless otherwise indicated)

	Notes	Year 2021	Year 2020
Interest income	19	256 532 165	237 352 611
Interest expenses	20	(159 171 750)	(145 244 688)
Net interest income		97 360 414	92 107 923
Provision for impairment of finance lease receivables	21	2 252 539	(9 454 077)
Net interest income on finance leases after provision for impairment of finance lease receivables		99 612 953	82 653 846
Revenue from sales of agricultural machinery spare parts	22	8 121 444	9 110 637
Cost of goods sold		(3 609 256)	(6 207 794)
Net foreign exchange (loss)/gain		(1 487 913)	(2 343 013)
Net income / (expense) from initial recognition of financial instruments and loan modifications		(657 195)	(733 445)
Operating and administrative expenses	23	(90 015 287)	(63 227 626)
Net other operating income/(expenses)	24	12 359 219	10 763 252
PROFIT BEFORE INCOME TAX		24 323 965	30 015 858
Income tax expense/benefit	25	(3 253 984)	(3 676 092)
NET PROFIT FOR THE YEAR		21 069 981	26 339 765
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		21 069 981	26 339 765
Earning per share, in UZS	26	506	632

The consolidated financial statements have been approved 12 May 2022.


Otajonov N.S.
Chairman of the Board



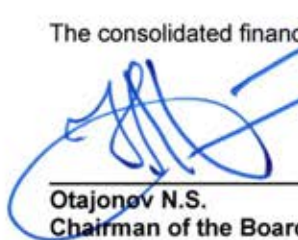

Kodirova Sh.Sh.
Chief Accountant

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«Uzagrolizing» Joint Stock Company
Consolidated Statement of Changes in Equity for 2021
(in thousands of Uzbek soums, unless otherwise indicated)

<i>(in thousands UZS)</i>	Note	Share capital	Retained earnings	Total equity
Balance at 01 January 2020		105 681 836	(65 966 783)	39 715 053
Net profit for the year		-	26 339 765	26 339 765
Dividends	18	-	(5 378 737)	(5 378 737)
Balance at 31 December 2020		105 681 836	(45 005 754)	60 676 081
Net profit for the year		-	21 069 981	21 069 981
Dividends	18	-	(11 473 653)	(11 473 653)
Balance at 31 December 2021		105 681 836	(35 409 426)	70 272 410

The consolidated financial statements have been approved 12 May 2022.


Otajonov N.S.
Chairman of the Board




Kodirova Sh.Sh.
Chief Accountant

The figures in the consolidated statements of financial position should be read in conjunction with the notes on pages 11 to 66, which are an integral part of these consolidated financial statements.

«Uzagrolizing» Joint Stock Company
Consolidated Statement of Cash Flows for 2021
(in thousands of Uzbek soums, unless otherwise indicated)

	Year 2021	Year 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income received on financial leasing	111 065 649	123 375 176
Interest paid on bank loans	(199 754 936)	(130 348 414)
Cash received from leasees (except for interest income received)	763 579 860	571 590 066
Cash paid to suppliers of equipment	(651 712 458)	(662 493 618)
Income tax paid	(1 765 116)	(1 897 789)
Cash flows used in operating activities	21 412 998	(99 774 579)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of equipment and intangible assets	498 419	757 865
Purchases of equipment and intangible assets	(2 917 778)	(2 445 568)
Purchase of investments held for trading	(2 600 000)	(1 785 000)
Selling of investments held for trading	315 600	-
Cash flows used in investing activities	(4 703 759)	(3 472 703)
Cash flows from financing activities:		
Loans repaid to the Banks	(171 092 984)	(114 246 987)
Loans received from Banks	168 112 398	238 298 160
Loans repaid to the Fund	(167 280 577)	(119 660 946)
Loans from the Fund	166 723 815	100 760 520
Dividends paid	(12 034 871)	(5 145 484)
Cash flow received from financing activities	(15 572 220)	100 005 263
Net cash flow	1 137 019	(3 242 019)
Cash and cash equivalents at the beginning of the year	3 696 397	6 946 735
Effect of changes in ECL on cash and cash equivalents	(10 867)	(8 319)
Cash and cash equivalents at the end of the year	4 822 549	3 696 397

The consolidated financial statements have been approved 12 May 2022.


Otajonov N.S.
 Chairman of the Board




Kodirova Sh.Sh.
 Chief Accountant

The figures in the consolidated statements of financial position should be read in conjunction with the notes on pages 11 to 66, which are an integral part of these consolidated financial statements.

1. Introduction

The joint-stock leasing company "Uzkishlokhuzhalikmasheasing" was established on the basis of the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 486 dated 30 October 1999. The company was renamed into Joint Stock Company "Uzagroleasing" on the basis of the Decree of the President of the Republic of Uzbekistan No. UP-4857 dated 17 November 2016.

These consolidated financial statements of Uzagroleasing Joint Stock Company (the "Company") and its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2021.

Main activity. The main activity of the Company is the provision of financial leasing services to agricultural companies (farms, clusters, etc.) operating in the territory of the Republic of Uzbekistan.

Registered address and place of business. The company is registered at the following address: 42"A" Babur street, Yakkasaroy district, Tashkent, Uzbekistan.

Shareholders	Year 2021	Year 2020
State Assets Management Agency of the Republic of Uzbekistan	90.25%	89.14%
«SILK Kapital» JSC	2.34%	2.34%
Other shareholders	7.41%	8.52%
Total	100%	100%

The Company's shares are traded on the Republican Stock Exchange "Tashkent" under the symbol QXML.

Subsidiaries. These consolidated financial statements include the performance of the following subsidiaries as at 31 December 2021 and 31 December 2020:

Subsidiary company	Ownership share 2021	Ownership share 2020	Country of registration	Type of activity
«Uzmashlizing» LLC	100%	100%	Uzbekistan	Leasing services
«Lizing Texnika Servis» LLC	100%	100%	Uzbekistan	Repair of agricultural machinery
«Lizing Axborot Texnologiyalari» LLC	100%	100%	Ўзбекистан	Repair of computers and peripheral equipment

"Uzmashleasing" LLC was registered in Tashkent on 31 March 2010. The main activity of the Company is the provision of financial leasing services to agricultural companies of the Republic of Uzbekistan at the expense of loans received from the State Support Fund for Agriculture under the Ministry of Finance of the Republic of Uzbekistan. Since its creation, the sole founder of the Company is JSC "Uzagroleasing".

"Lizing Texnika Servis" LLC was registered in Tashkent on 12 March 2015. The company's activities include the repair of agricultural machinery. The company has been a subsidiary of Uzagroleasing JSC since its inception.

"Lizing Axborot texnologiyalari" LLC was registered in Tashkent on 5 August 2013. The company's activities include the repair of computers and peripheral equipment. This company is also a subsidiary of Uzagroleasing JSC since its inception.

Conditions of economic activity in Uzbekistan. The Group operates in the Republic of Uzbekistan. Accordingly, the Group's business is influenced by the economy and financial markets of the Republic of Uzbekistan, which are characterized by the peculiarities of the developing market. The legal, tax and administrative systems continue to develop, however, they are associated with the risk of ambiguity in the interpretation of their requirements, which are also subject to frequent changes, which, together with other legal and fiscal barriers, creates additional problems for enterprises doing business in the Republic of Uzbekistan.

During 2017-2019, significant reforms initiated by the President took place in Uzbekistan as part of the implementation of the Action Strategy for the Further Development of the Republic of Uzbekistan in 2018-2021. For example, the main restrictions on currency conversion and the mandatory sale of foreign currency received as a result of export sales were lifted, the billing period for export operations was extended, a unified system of public services was introduced, and other positive changes were implemented.

The presented consolidated financial statements reflect management's view of the impact of the business environment in the Republic of Uzbekistan on the Group's operations and financial position. The actual impact of future business conditions may differ from the estimates of their management.

The financial condition of the Group and the results of its operating activities will continue to be influenced by political and economic transformations in the Republic of Uzbekistan, including the application of current and future legislation and tax regulation, which have a significant impact on the financial markets of the Republic of Uzbekistan and the economy as a whole. The Group's management is unable to predict all the transformations that could affect the leasing sector in general and the financial position of the Group in particular.

- The following main economic indicators for 2021 were observed in Uzbekistan:
- Inflation: 9.5% (2020: 11.1%);
- Official exchange rate: 31 December 2021: 1 US dollar = 10,837.66 UZS (31 December 2020: 1 US dollar = 10,476.92 UZS)
- GDP growth: 7.4% (2020: 1.6%);

The refinancing rate of the Central Bank of Uzbekistan: 14% (2020: 14%).

In February 2020, S&P Global Ratings agency for the first time assigned the Republic of Uzbekistan a long-term sovereign rating at the level of "BB-", with a stable outlook.

In April 2021, the Fitch Ratings agency assigned the Republic of Uzbekistan a long-term sovereign rating at the level of "BB-", with a stable outlook.

Going concern

These financial statements have been prepared on the assumption that the Group will continue to operate in the foreseeable future.

As indicated below, the Group receives preferential financing from the State to conduct its core business. Since the Group is the main source of agricultural machinery for farmers and other producers of agricultural products in the Republic of Uzbekistan, the management of the Group believes that the state will support the activities of the Group in the foreseeable future.

2. Principles of preparation of consolidated financial statements

Applicable standards

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").

The Group maintains accounts in accordance with the requirements of the current legislation of the Republic of Uzbekistan. These consolidated financial statements have been prepared on the basis of these accounting records with adjustments necessary to bring them into compliance with IFRS in all material aspects.

Use of estimates and judgments

In preparing these consolidated financial statements, management has used professional judgments, assumptions and estimates that affect the application of the Group's accounting policies and the amount of assets and liabilities, income and expenses presented in the consolidated financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Adjustments to estimates are recognized in the reporting period in which the relevant estimates were revised, and in any subsequent periods that they affect.

Judgments

Information about the judgments used in the application of accounting policies that had the most significant impact on the amounts recognized in the consolidated financial statements is disclosed in the following notes:

- classification of financial assets: assessment of the business model under which financial assets are held and assessment of whether the contractual terms of the financial asset provide for the payment of only the principal amount and interest on the outstanding balance of the principal amount - Note 4.
- establishing criteria for assessing whether there has been a significant increase in credit risk for a financial asset since its initial recognition, determining the methodology for including forward-looking information in the assessment of the ECL, as well as the selection and approval of models used to assess the ECL - Note 4.

Determination of the fair value of assets whose conditions differ from market conditions

The financial leasing agreements concluded by the Group in accordance with the orders of the authorities do not have similar financial instruments on the market, were concluded within the framework of state programs and, due to their uniqueness, as well as the specifics of the state program itself for the provision of financial leasing and the category of lessees, form a separate market segment. Therefore, management believes that the contractual interest rates are the market rates for such leases, and therefore the Group makes an initial recognition in the accounting of leases at fair value, which is equal to the nominal value.

Determination of the fair value of financial liabilities attracted on terms other than market conditions

The Group's activities are mainly financed by loans from the State Fund for Agricultural Support under the Ministry of Finance of the Republic of Uzbekistan with preferential interest rates aimed at providing modern agricultural machinery and equipment for leasing on preferential terms. In connection with the direct use of borrowed funds for the leasing of equipment, the Group believes that the contractual rates set for these loans are market rates and recognizes such loans initially at fair value, which is equal to the nominal value.

Assumptions and uncertainty of estimates

Information on assumptions and estimates related to uncertainty, for which there is a significant risk that they may cause a material adjustment of the data in the consolidated financial statements for the year ended 31 December 2021, is disclosed in the following notes:

- impairment of financial instruments: determination of the initial data for the ECL valuation model, including the inclusion of forward-looking information - Note 6.
- impairment of financial instruments – Note 4.
- fair value measurement of financial assets and liabilities – Note 29.
- recognition of deferred tax assets – Note 25.

Functional currency and presentation currency of financial statements

The national currency of the Republic of Uzbekistan is the Uzbek sum (here in after – UZS), and the same currency is the functional currency of the Group, as well as the currency in which these consolidated financial statements are presented. All numerical indicators presented in soums are rounded to the (nearest) thousands, unless otherwise specified.

3. Changes in the essential principles of accounting policy

The amendments to the standards listed below became applicable to the Group starting from 1 January 2020, but did not have a significant impact on the Group.

- Amendments to the Conceptual Framework of the Financial Statements (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- "Definition of Business" – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions for annual periods beginning on or after 1 January 2020).
- "Determination of Materiality" – amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- "Basic Interest Rate Reform" – amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

4. Basic principles of accounting policy

The accounting policies applied in the preparation of these consolidated financial statements are in full compliance with the accounting policies applied in the preparation of the consolidated financial statements for the year ended 31 December 2021.

Subsidiaries

Subsidiaries are enterprises controlled by the Group. The Group controls a subsidiary when the Group is exposed to risks associated with variable income from participation in an investment object or has rights to receive such income, and has the opportunity to use its powers in relation to this enterprise in order to influence the amount of this income. The financial statements of subsidiaries are reflected in the consolidated financial statements from the date of receipt of control until the date of its termination. The accounting policies of subsidiaries were subject to changes in cases where it was necessary to bring them into line with the accounting policies adopted by the Group.

Operations excluded (eliminated) during consolidation

Intra-group balances and transactions, as well as unrealized income and expenses from intra-group transactions are eliminated. Unrealized gains on transactions with investment objects accounted for by the equity method are eliminated by reducing the value of the investment within the limits of the Group's interest in the relevant investment object. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that they are not evidence of impairment.

Transactions in foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the Group's entities at the exchange rates on the dates of these transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect at that reporting date. The positive or negative exchange difference on monetary items is the difference between the amortized cost of the corresponding item in the functional currency at the beginning of the reporting period, adjusted for interest accrued at the effective interest rate and payments for the reporting period, and the amortized cost of this item in foreign currency, recalculated at the exchange rate at the end of this reporting period.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated into the functional currency at the exchange rate prevailing at the date of determination of the fair value. Non-monetary items that are valued based on the initial cost in a foreign currency are recalculated at the exchange rate at the date of the relevant transaction.

Offsetting of assets and liabilities

Financial assets and liabilities are offset and recorded in the consolidated statement of financial position in a collapsed form if there are legal grounds for this and the intention of the parties to settle the debt on a net basis or to realize the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash, current accounts and short-term deposits with banks. Deposits with banks are classified as cash and cash equivalents if their initial contractual maturities are less than three months.

Lease

In accordance with IAS 17 "Lease", the Group's leasing operations are classified from the initial date of leasing as financial or operational leasing. Leasing is classified as financial if practically all the risks and benefits associated with ownership are transferred to the lessee. Leasing is classified as operational if the risks and benefits associated with ownership are not transferred.

The initial date of leasing is considered to be the earlier of the date of conclusion of the lease agreement or the date of acceptance by the parties of obligations with respect to the main terms of leasing. At the initial date of the lease, the amounts that will need to be reflected at the date of initial recognition are determined.

The date of initial recognition of the lease is the date from which the lessee is able to exercise its right to use the asset received in leasing.

Financial Leasing - Group as a lessor

Gross investment in leasing is a set of minimum lease payments determined according to the financial leasing agreement from the point of view of the lessor. Minimum lease payments are payments that the lessee must or will have to make during the entire lease term, with the exception of conditional lease payments, as well as expenses for services and taxes that will have to be paid or reimbursed to the lessor.

Net investment in leasing represents gross investment in leasing less unearned financial income and is recorded in the statement of financial position as "net investment in leasing". Unearned finance income is amortized and charged to interest income from finance leasing over the entire lease term in order to maintain a constant level of return on net investment in leasing. Any provision for possible losses under finance lease agreements is expensed and recorded as a decrease in the amount of net investment in leasing by creating an allowance for impairment.

The interest rate assumed under the lease agreement is the discount rate, which, upon recognition of the lease, leads to the fact that the aggregate present value of the minimum lease payments is equal to the sum of the fair value of the leased asset and the lessor's direct expenses.

If the Group finances the purchase of equipment (by making advance payments to the equipment supplier) for leasing purposes during the period between the initial date of leasing and the date of initial recognition of the lease, interest income from financial leasing begins to be recognized in the consolidated statement of profit or loss and other comprehensive income from the date of initial recognition of the lease.

Any advance payments made by the lessee prior to the initial recognition of the lease are recorded as advances received, which subsequently adjust the financial lease receivables at the time of the initial recognition of the lease.

Operational Leasing – The Group as a lessor

The Group reflects in the consolidated statement of financial position an asset transferred under an operating lease agreement in accordance with the type of this asset. Operating lease income is recognized in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Operational leasing – The Group as a lessee

In cases where the Group is a lessee under a lease agreement that does not transfer to the Group virtually all the risks and benefits associated with the ownership of the asset, the total amount of lease payments is reflected in profit or loss for the year on a straight-line basis over the entire lease term. Assets transferred under operating lease agreements are not reflected in the consolidated statement of financial position of the Group.

Income tax

The amount of income tax includes the amount of current tax for the year and the amount of deferred tax. Income tax is recognized in profit or loss in full, except for amounts related to transactions recorded in other comprehensive income or transactions with owners recorded directly in equity accounts, which, respectively, are recorded in other comprehensive income or directly in equity.

The current income tax is calculated based on the estimated amount of taxable profit for the reporting period, taking into account the income tax rates that were in effect as of the reporting date, as well as the amount of liabilities incurred as a result of clarifying the amounts of income tax for previous reporting periods.

Deferred tax is recorded in respect of temporary differences arising between the carrying amount of assets and liabilities determined for the purposes of their reflection in the financial statements and their tax base. Deferred tax is not recognized at the initial recognition of assets and liabilities that do not affect either accounting or taxable profit. The amount of deferred tax is determined based on the tax rates that will be applied in the future, at the time of restoration of temporary differences, based on the laws in force or substantially enacted as of the reporting date.

Deferred tax claims are recognized to the extent that it is probable that taxable profit will be received in the future sufficient to cover temporary differences, unrecognized tax expenses and unused tax benefits. The amount of deferred tax claims is reduced to the extent that there is no

longer a probability that a corresponding benefit will be obtained from the implementation of tax claims.

Other operating taxes

In the Republic of Uzbekistan, there are various operating taxes that apply to the Group's activities. These taxes are reflected in other operating expenses.

Equipment purchased for leasing purposes

The equipment purchased for leasing purposes consists of new equipment, which represents acquired assets and equipment seized by the Group under lease agreements terminated as a result of non-payment of lease payments by the lessee.

New equipment for leasing is initially accounted for at the cost of acquisition. The Group capitalizes the costs associated with the acquisition of equipment in the cost of acquisition.

Equipment seized under terminated contracts, if necessary, is subject to major repairs, all expenses related to this repair relate to the cost of this equipment. At the time of termination of the leasing agreements by the Group, the leasing object is estimated in the amount of accounts receivable less the provision for expected credit losses at the date of transfer to the Equipment purchased for leasing purposes. Subsequently, it is estimated at the lowest of two values: the actual costs, which correspond to the net investment in leasing and the net value of a possible sale. In assessing the net realisable value, the Group makes assumptions to determine the market value depending on the type of asset to be assessed, and then applies adjustments to the market value of the sale to certain types of assets, taking into account the expected discounts for obsolescence, illiquidity and trading. Changes in the above estimates may affect the loss from depreciation to net realisable value.

At each reporting date, the Group analyzes the net realisable value of this equipment and writes off the cost that exceeds the net realisable value.

Fixed Assets

Items of property, plant and equipment are recorded in the consolidated financial statements at cost less accumulated depreciation and impairment losses. If an item of fixed assets consists of several components with different useful lives, such components are recorded as separate items of fixed assets and assets leased out for operating lease.

Depreciation

Depreciation is accrued on a straight-line basis over the estimated useful lives of the assets and is reflected in the consolidated statement of profit or loss and other comprehensive income.

Depreciation is accrued from the date of acquisition of the asset. Depreciation of objects under construction and objects not put into operation is accrued from the date of putting these assets into operation. The useful life of various items of fixed assets can be presented as follows.

	Useful life, years
Building	20
Furniture and accessories	6-7
Computers and office equipment	5
Vehicles	5
Others	6-7

Assets in the form of right of use and lease obligations

A lease is recognized as an asset in the form of a right of use and a corresponding liability on the date when the leased asset is available for use by the Group. Each lease payment is distributed between the obligation and financial expenses. Finance costs are recognized in profit or loss over the lease term to ensure a constant periodic interest rate on the remaining lease liability for each period. An asset in the form of a right of use is amortized on a straight-line basis over the shorter of the terms, the useful life of the asset and the lease term.

Assets in the form of right of use are disclosed under the line "Fixed assets and assets in the form of right of use" in the statement of financial position, lease liabilities are disclosed under the line "Other liabilities" in the statement of financial position. Financial expenses are disclosed under the line "Interest expenses calculated at the effective interest rate" in the income statement, depreciation of assets in the form of right of use is disclosed under the line "Staff costs and administrative expenses" in the income statement. The total cash outflow from lease obligations is disclosed in the section "Cash from financing activities" in the statement of cash flows.

Assets and liabilities arising from leases are initially measured at their current present value. Lease obligations include the net present value of the following lease payments:

- fixed payments (including direct fixed payments), less any incentive lease payments to be received under cancellable and non-cancellable operating leases;
- variable rental payments that depend on the price index or interest rate;
- amounts expected to be paid by the lessee under liquidation value guarantees;
- the exercise price of the purchase option, if the lessee has sufficient confidence in the exercise of this option, and
- payment of penalties for early termination of the lease, if the lease term reflects the potential exercise by the lessee of an option for early termination of the lease.

Lease payments are discounted using the lessee's additional borrowing interest rate, which is the rate that the lessee will have to pay to raise the funds necessary to obtain an asset of similar value in a similar economic environment with similar conditions.

Assets in the form of a right of use are valued at their original cost, which includes the following components:

- the amount of the initial cost of the lease obligation;
- any lease payments made on or before the start date of the lease, less any incentive payments received on the lease;
- any initial direct costs incurred by the lessee and
- estimated recovery costs.

Payments related to short-term leases and leases of low-value assets are recognized on a straight-line basis as expenses in profit or loss. A short-term lease is a lease with a lease term of twelve months or less.

Reserves

Provisions are recognized if, as a result of a certain event in the past, the Group has legal or voluntarily assumed obligations, the settlement of which is likely to require an outflow of resources embodying future economic benefits, and which can be estimated with a sufficient degree of reliability.

Interest income and expenses

Effective interest rate

Interest income and expenses are recorded in profit or loss using the effective interest method. The "effective interest rate" is the rate discounting estimated future cash payments or receipts over the expected life of a financial instrument exactly up to:

- the gross carrying amount of the financial asset; or
- amortised cost of the financial liability.

When calculating the effective interest rate on financial instruments that are not acquired or created credit-impaired assets, the Group estimates future cash flows, taking into account all contractual terms of this financial instrument, but excluding expected credit losses. For acquired or created credit-impaired financial assets, the effective interest rate adjusted for credit risk is calculated using the amount of expected future cash flows, including expected credit losses.

The calculation of the effective interest rate includes transaction costs, as well as fees and amounts paid or received, which are an integral part of the effective interest rate. Transaction costs include additional costs directly related to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross book value

The "amortised cost" of a financial asset or financial liability is the amount at which a financial asset or financial liability is measured at initial recognition, minus payments against the principal amount of debt, plus or minus the amount of accumulated depreciation of the difference between the specified initial amount and the amount payable at maturity, calculated using the effective interest method, and in relation to financial assets, adjusted for the estimated provision for losses (or provision for impairment before 1 January 2018).

The "gross carrying amount of a financial asset" measured at amortised cost is the amortised cost of a financial asset before adjusting for the amount of the estimated loss allowance.

Calculation of interest income and expense

The effective interest rate on a financial asset or financial liability is calculated at the initial recognition of a financial asset or financial liability.

When calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or the amortized cost of the liability.

The effective interest rate is reviewed as a result of periodic revaluation of cash flows on instruments with a floating interest rate in order to reflect changes in market interest rates.

However, for financial assets that have become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the financial asset is no longer credit-impaired, then the calculation of interest income is again carried out on the basis of gross book value.

For financial assets that were credit-impaired at initial recognition, interest income is calculated by applying the effective interest rate adjusted for credit risk to the amortized cost of the financial asset. Interest income on such assets is not calculated on the basis of gross book value, even if the credit risk on them subsequently decreases.

Information on when financial assets are credit-impaired is provided in the Note below.

Presentation of information

Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss and other comprehensive income includes:

- interest income on financial assets measured at amortised cost;
- interest income on net investments in leasing.

Interest expense presented in the consolidated statement of profit or loss and other comprehensive income includes:

- interest expense on financial liabilities measured at amortised cost.

Financial assets and financial liabilities

Classification of financial instruments

Financial assets

Upon initial recognition, a financial asset is classified as measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.

A financial asset is measured at amortised cost only if it meets both of the following conditions and is not classified at the Group's discretion as measured at fair value through profit or loss:

- the asset is held within the framework of a business model, the purpose of which is to hold assets in order to receive the cash flows provided for in the contract; and
- the contractual terms of the financial asset provide for the occurrence of cash flows in due time, which are exclusively the payment of the principal amount of the debt and interest accrued on the outstanding part of the principal amount.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not classified at the Group's discretion as measured at fair value through profit or loss:

- the asset is held within the framework of a business model, the purpose of which is achieved both through the receipt of contractual cash flows and through the sale of financial assets; and
- the contractual terms of the financial asset provide for the occurrence of cash flows in due time, which are exclusively the payment of the principal amount of the debt and interest accrued on the outstanding part of the principal amount.

For debt financial assets measured at fair value through other comprehensive income, gains and losses are recognized in other comprehensive income, except for the following items, which are recognized in profit or loss in the same way as for financial assets measured at amortised cost:

- interest income calculated using the effective interest rate method;
- expected credit losses and recovered amounts of impairment losses; and
- gains or losses from changes in exchange rates.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, at initial recognition, the Group may, at its sole discretion, classify, without the right of subsequent reclassification, a financial asset that meets the criteria for measurement at amortised cost or at fair value through other comprehensive income, into the category of measurement at fair value through profit or loss, if this will eliminate or significantly reduce the accounting discrepancy, which would otherwise have arisen.

Business model evaluation

The Group evaluates the purpose of the business model under which the asset is held at the level of the portfolio of financial instruments, as this best reflects the way the business is managed and how the information is presented to management. The Group analyzes the following information:

- Policies and objectives set for portfolio management, as well as the implementation of these policies in practice. In particular, whether the management strategy is focused on obtaining the interest income provided for by the contract, maintaining a certain structure of interest rates, ensuring that the maturities of financial assets correspond to the maturities of financial liabilities used to finance these assets, or the realization of cash flows through the sale of assets.
- How the performance of the portfolio is assessed and how this information is brought to the attention of the Group's management.
- Risks affecting the performance of the business model (and financial assets held within this business model), and how these risks are managed.
- How the remuneration of managers responsible for portfolio management is carried out (for example, whether this remuneration depends on the fair value of the specified assets or on the cash flows received from the assets provided for in the contract).
- The frequency, volume and timing of sales in past periods, the reasons for such sales, as well as expectations regarding the future level of sales. However, information on sales levels is not considered in isolation, but within the framework of a single holistic analysis of how the Group's stated goal of managing financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading, or that are managed and the performance of which is measured on the basis of fair value, are measured at fair value through profit or loss, since they are not held either for the purpose of obtaining contractual cash flows, or for the purpose of both obtaining contractual cash flows and selling financial assets.

Reclassification

The classification of financial assets after initial recognition does not change, except in the period following the change in the Group's business model for the management of financial assets.

Financial obligations

The Group classifies financial liabilities, other than financial guarantee agreements and loan commitments, as measured at amortised cost or at fair value through profit or loss.

Reclassification

The classification of financial liabilities after their initial recognition is not subject to change.

Termination of recognition

Financial assets

The Group derecognises a financial asset when the contractual rights to cash flows from that asset expire or when it transfers the rights to receive cash flows from that asset as a result of a transaction in which virtually all risks and benefits associated with ownership of that financial asset are transferred to the other party, or in which the Group neither transfers nor retains substantially all the risks and rewards associated with ownership of this financial asset, and does not retain control of this financial asset.

Upon derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the part of the asset derecognized) and the amount of the consideration received (including the amount of the new asset received less the amount of the new liability assumed) and any accumulated profit or loss that has been recognized in other comprehensive income is recognized in profit or loss.

The Group enters into transactions under the terms of which it transfers assets recognized in the consolidated statement of financial position, but at the same time either retains all or substantially all of the risks and benefits associated with ownership of the transferred assets, or part of them. In such cases, the transferred assets are not derecognized.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and retains control of the transferred asset, it continues to recognize the asset to the extent that it retains a continuing interest in the asset, defined as the extent to which the Group is exposed to the risk of changes in value transferred asset.

Financial obligations

The Group derecognises a financial liability when its contractual obligations are fulfilled, cancelled or terminated.

Modification of the terms of financial assets and financial liabilities

Financial assets

If the terms of a financial asset change, the Group assesses whether the cash flows of such a modified asset differ significantly. If the cash flows differ significantly ("significant modification of the terms"), then it is considered that the rights to the contractual cash flows for the original financial asset have expired. In this case, the initial financial asset is derecognized and the new financial asset is recognized at fair value plus the corresponding transaction costs. The received commission amounts incurred as part of the modification are recognized in the accounting as follows:

- commission amounts that are taken into account in determining the fair value of a new asset, as well as commission amounts representing the reimbursement of related transaction costs, are included in the initial measurement of this asset; and
- other commission amounts are recognized in profit or loss as part of the gain or loss from derecognition.

Changes in the amount of cash flows on existing financial assets or financial liabilities are not considered a modification of the terms if they are a consequence of the current terms of the agreement, for example, changes in interest rates by the Group due to changes in the refinancing rate of the Central Bank of the Republic of Uzbekistan, if the relevant agreement provides for the Group's ability to change interest rates.

The Group performs a quantitative and qualitative assessment of whether the modification of the terms is significant, i.e. whether the cash flows of the original financial asset and the cash flows of the modified or replaced financial asset differ significantly. The Group conducts a quantitative and qualitative assessment for the significance of the modification of conditions, analyzing qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors. If the cash flows differ significantly, it is considered that the rights to the contractual cash flows for the original financial asset have expired. In making this assessment, the Group is guided by the guidelines for derecognition of financial liabilities by analogy.

The Group concludes that the modification of the conditions is significant based on the following qualitative factors:

- change in the currency of a financial asset;
- changing the type of collateral or other means of improving the quality of the asset.

If the modification is caused by the counterparty's financial difficulties, then the purpose of such modification, as a rule, is to recover the maximum possible amount of the value of the asset according to the original terms of the contract, and not to create (issue) a new asset on terms significantly different from the original ones. If the Group plans to modify a financial asset in such a

way that it would lead to the forgiveness of part of the cash flows provided for in the current contract, it should analyze whether it should write off part of this asset before the modification (see below is the policy regarding write-offs). This approach has an impact on the outcome of the quantitative assessment and leads to the fact that the criteria for derecognition of the relevant financial asset in such cases are usually not met. The Group also conducts a qualitative assessment of whether the modification of conditions is significant.

If the modification of the terms of a financial asset measured at amortised cost or at fair value through other comprehensive income does not result in derecognition of this financial asset, the Group recalculates the gross carrying amount of this asset using the original effective interest rate on this asset and recognizes the difference as a gain or loss from the modification in profit or loss. For financial assets with a floating interest rate, the initial effective interest rate used in calculating the profit or loss from the modification is adjusted to reflect current market conditions at the time of the modification. The costs incurred or commissions paid and commissions received arising under such modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining life of the modified financial asset.

If such modification is due to the counterparty's financial difficulties, the corresponding profit or loss is presented as part of impairment losses. In other cases, the corresponding profit or loss is presented as part of interest income calculated using the effective interest rate method (Note 4).

Financial obligations

The Group derecognises a financial liability when its terms change in such a way that the amount of cash flows from the modified liability changes significantly. In this case, a new financial liability with modified terms is recognized at fair value. The difference between the carrying amount of the previous financial liability and the value of the new financial liability with modified terms is recognized in profit or loss. The consideration paid includes transferred non-financial assets, if any, and assumed liabilities, including a new modified financial liability.

The Group conducts a quantitative and qualitative assessment for the significance of the modification of conditions, analyzing qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors. The Group concludes that the modification of the conditions is significant, based on the following qualitative factors:

- change in the currency of the financial obligation;
- changing the type of collateral or other means of improving the quality of the obligation;
- adding a conversion condition;
- change of subordination of the financial obligation.

For the purposes of quantification, the terms are considered significantly different if the present value of cash flows under the new terms, including commission payments less commission received, discounted at the original effective interest rate, differs by at least 10% from the discounted present value of the remaining cash flows under the original financial liability.

If the modification of the terms of a financial liability does not result in derecognition, the amortised cost of the liability is restated by discounting the modified cash flows at the original effective interest rate and the resulting difference is recognized as a gain or loss from the modification in profit or loss. For financial liabilities with a floating interest rate, the initial effective interest rate used in calculating the profit or loss from the modification is adjusted to reflect current market conditions at the time of the modification. The costs incurred or fees paid incurred as part of the modification are recognized as an adjustment to the carrying amount of the liability and are amortized over the remaining term of the modified financial liability by recalculating the effective interest rate on the instrument.

Impairment

See also Note 6.

The Group recognizes an estimated allowance for expected credit losses on the following financial instruments not measured at fair value through profit or loss:

- cash and cash equivalents;
- financial assets that are debt instruments;

- net investment in finance leases.

The Group recognizes estimated provisions for expected credit losses in an amount equal to expected credit losses for the entire term, with the exception of the following instruments, for which the amount of the provision will be equal to 12-month expected credit losses (see Note 6).

12-month expected credit losses ("12-month ECL") are part of the expected credit losses due to default events on a financial instrument that are possible within 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are "Stage 1" financial instruments.

Expected credit losses for the entire term ("full-term ECL") are defined as the ECL as a result of all possible default events on a financial instrument throughout its expected life. Financial instruments that are not acquired or created credit-impaired assets, for which ECL is recognized for the entire term, belong to "Stage 2" financial instruments (if the credit risk on a financial instrument has increased significantly since its initial recognition, but the financial instrument is not credit-impaired) and "Stage 3" (if the financial instrument is credit-impaired).

Assessment of expected credit losses

Expected credit losses are a calculated estimate of credit losses weighted by the probability of default. They are evaluated as follows:

- for financial assets that are not credit-impaired as at the reporting date: as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group under the agreement and the cash flows that the Group expects to receive);
- for financial assets that are credit-impaired as of the reporting date: as the difference between the gross carrying amount of assets and the present value of estimated future cash flows.

Restructured financial assets

In case of revision of the terms of a financial asset by agreement of the parties or modification of the terms of a financial asset, or replacement of an existing financial asset with a new one due to financial difficulties of counterparties, an assessment is made for the need to derecognize this financial asset (see Note 4), and expected credit losses are estimated as follows:

- If the expected restructuring does not result in derecognition of the existing asset, the expected cash flows for the modified financial asset are included in the calculation of the amounts of cash shortfall for the existing asset (see Note 6).
- If the expected restructuring results in derecognition of an existing asset, the expected fair value of the new asset is treated as the final cash flow of the existing asset at the time of its derecognition. This amount is included in the calculation of cash shortfalls on an existing financial asset, which are discounted for the period from the expected date of derecognition to the reporting date using the original effective interest rate on the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group evaluates financial assets carried at amortised cost and debt financial assets carried at fair value through other comprehensive income, as well as net investments in finance leases for their credit impairment. A financial asset is "credit impaired" when one or more events occur that have a negative impact on the estimated future cash flows of such a financial asset.

Evidence of credit impairment of a financial asset is, in particular, the following observable data:

- significant financial difficulties of the counterparty;
- violation of the terms of the contract, such as default or late payment;
- restructuring by the Group of a financial instrument or an advance payment on terms that it would not otherwise consider;
- the occurrence of the probability of bankruptcy or other financial reorganization of the counterparty.

A financial instrument whose terms have been revised as a result of a deterioration in the counterparty's financial condition is generally considered to be credit-impaired, unless there is evidence that the risk of non-receipt of contractual cash flows has significantly decreased and there are no other signs of impairment.

Presentation of the estimated allowance for expected credit losses in the consolidated statement of financial position

The amounts of the estimated allowance for expected credit losses are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost: how to reduce the gross book value of these assets

Write-downs

Financial instruments are subject to write-off (in part or in full) when there are no reasonable expectations of recovery of a financial asset in full or in part. As a rule, this is the case when the Group determines that the counterparty does not have assets or sources of income that can generate cash flows in an amount sufficient to repay the amounts of debt to be written off. This assessment is performed for each asset separately.

The recovery of amounts previously written off is reflected in the item "impairment losses on debt financial assets" in the consolidated statement of profit or loss and other comprehensive income.

In respect of written-off financial assets, the Group may continue to carry out debt collection activities in accordance with the policy on the recovery of amounts due.

Equity

Ordinary shares and non-redeemable preferred shares with rights to discretionary dividends are reflected in equity. The costs of paying for services to third parties directly related to the issue of new shares, except in cases of business combinations, are reflected in equity as a decrease in the amount received as a result of this issue. The amount of excess of the fair value of the funds received over the nominal value of the issued shares is recorded as additional capital.

Dividends

Dividends are recognized as liabilities and deducted from the amount of equity at the reporting date only if they were declared before the reporting date inclusive. Information about dividends is disclosed in the consolidated financial statements if they were recommended before the reporting date, as well as recommended or declared after the reporting date, but before the date of approval of the consolidated financial statements for issue.

Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to the owners of the Group's common shares by the weighted average number of shares outstanding during the reporting year.

Contingent assets and liabilities

Contingent liabilities are not reflected in the consolidated statement of financial position, while information about them is disclosed in the financial statements, except in cases when the outflow of resources in connection with their repayment is unlikely. Contingent assets are not recognized in the consolidated statement of financial position, while information about them is disclosed in the financial statements when it is probable that economic benefits associated with them will be received.

Remuneration of employees and contributions to social insurance funds

On the territory of the Republic of Uzbekistan, the Group makes deductions on a single social payment. These deductions are also reflected on the accrual basis. The single social payment includes contributions to the Pension Fund. The Group does not have its own pension scheme. Salary expenses, contributions to the State pension fund and social insurance fund, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued as the relevant services are provided by the Group's employees.

Segment reporting

Operating segments are allocated on the basis of internal reports on the components of the Group, regularly reviewed by the chief executive responsible for making decisions on operational activities, in order to allocate resources to the segments and evaluate the results of their activities.

The Group evaluates information about the reporting segments in accordance with the National Accounting Standards. The reporting operating segment is allocated when one of the following quantitative requirements is met:

- its revenue from sales to external customers and from operations with other segments is at least 10 percent of the total revenue - external and internal — of all operating segments; or
- the absolute profit or loss is at least 10 percent of the largest of (i) the total profit of all operating segments that did not show a loss, and (ii) the total loss of all operating segments that showed a loss; or
- its assets account for at least 10 percent of the total assets of all operating segments;
- its assets and liabilities amount to at least 10 percent of the total capital.

If the total revenue from external sales shown by operating segments is less than 75 percent of the Group's revenue, additional operating segments are allocated as reportable (even if they do not meet the quantitative criteria given above) until at least 75 percent of revenue is included in the segments presented in the consolidated financial statements Groups.

5. New standards and clarifications not yet accepted for use

Some new standards have entered into force for the Group's reporting periods beginning on or after 1 January 2022, and have not been prematurely adopted by the Group.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which allowed companies to apply the existing practice of accounting for insurance contracts. Consequently, it was difficult for investors to compare and contrast the financial results of otherwise similar insurance companies. IFRS 17 is a single, principles-based accounting standard for all types of insurance contracts, including reinsurance contracts held by the insurer. According to this standard, the recognition and evaluation of groups of insurance contracts should be carried out at (i) the present value of future cash flows (cash flows for the performance of contracts), adjusted for risk, which takes into account all available information on cash flows for the performance of contracts, corresponding to the observed market information, to which is added (if the value is a liability) or from which is deducted (if the value is an asset) (ii) the amount of retained earnings for a group of contracts (service margin for contracts). Insurers will reflect the profits from a group of insurance contracts for the period during which they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes unprofitable, the organization will immediately reflect the loss.

Amendments to IFRS 17 and amendments 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 designed to simplify the implementation of IFRS 17, simplify some of the requirements of the standard and the transition. The amendments relate to eight areas of IFRS 17 and are not intended to change the fundamental principles of the standard.

Amendments to IFRS 10 and IAS 28 – "Sale or Contribution of Assets in Transactions between an Investor and its Associate or Joint Venture" (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments eliminate the discrepancy between the requirements of IFRS 10 and IAS 28 concerning the sale or contribution of assets to an associate or joint venture by an investor. The main consequence of applying the amendments is that profit or loss is recognized in full if the transaction concerns a business. If the assets are not a business, even if the assets are owned by a subsidiary, only a portion of the profit or loss is recognized.

Classification of Liabilities as Short-term and Long-term - Amendments to IAS 1 (issued on 23 January 2020 and 15 July 2020, effective for annual periods beginning on or after 1 January 2023). These limited-scope amendments clarify that liabilities are classified as short-term or long-term, depending on the availability of rights at the end of the reporting period. Obligations are considered long-term if, at the end of the reporting period, the organization has a real right to postpone their settlement for at least twelve months. The unconditionality of such a right is no longer a mandatory requirement. Management's expectations as to whether the right to delay settlement will subsequently be exercised do not affect the classification of obligations. The right to delay exists only if the organization complies with the applicable conditions at the end of the reporting period. The obligation is classified as short-term if any condition was violated on or before the reporting date, even if at the end of the reporting period the creditor refused to comply with the requirement. On the other hand, a loan is considered long-term if the mandatory condition for such a loan is violated only after the reporting date. In addition, the amendments include clarification of the requirements for the classification of debt, which the company can settle by converting it into equity. "Settlement" is defined as the repayment of an obligation in cash, other resources representing economic benefits, or the organization's own equity instruments. There is an exception for convertible instruments that can be converted into equity, but only with respect to those instruments for which the conversion option is classified as an equity instrument as a separate component of a combined financial instrument.

Revenue before intended use, Onerous contracts - Contract execution costs, Reference to the conceptual framework – minor amendments to IFRS (IAS) 16, IFRS (IAS) 37 and IFRS (IFRS) 3, Annual improvements to IFRS, 2018-2020 - amendments to IFRS (IFRS) 1, IFRS (IFRS) 9, IFRS IFRS 16 and IAS 41 (issued on May 14, 2020 and effective for annual periods beginning on or after 1 January 2022).

Amendments to IAS 1 and Practical Recommendations No. 2 on the Application of IFRS "Formation of Judgments on Materiality" (issued on February 12, 2021 and effective for annual periods beginning on or after 1 January 2023). IFRS (IAS) 1 has been supplemented with requirements for companies to disclose material information about accounting policies instead of disclosing significant accounting policies. The amendments defined the concept of material information about accounting policy. The amendments clarify that information about accounting policies is material if and only if, in its absence, the user of the financial statements will not be able to understand any other material information in the financial statements. The amendments provide illustrative examples of accounting policy information that may be considered material to the company's financial statements. Further, amendments to IAS 1 clarify that non-essential information about accounting policies may not be disclosed. However, if such information is disclosed, it should not interfere with the perception of material information about accounting policies. To support these amendments, Practical Recommendations No. 2 on the Application of IFRS "Formation of Judgments on Materiality" have also been supplemented to provide guidance on how to apply the concept of materiality in relation to accounting policy information.

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

Deferred taxes relating to assets and liabilities arising from a single transaction – Amendment to IAS 12 (issued on May 7, 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 12 clarifies how to report deferred taxes on transactions such as leases and decommissioning obligations. In certain circumstances, organizations are exempt from the obligation to recognize deferred tax when they recognize assets or liabilities for the first time. Previously, there was some uncertainty as to whether this exception applies to lease transactions and decommissioning obligations, whereas for both of these types of transactions, an asset and a liability are recognized. The amendment clarifies that the exception does not apply, and organizations are required to recognize deferred tax on such transactions. According to this amendment, organizations are required to recognize deferred tax on transactions

that, upon initial recognition, lead to the occurrence of equal amounts of temporary differences that increase and decrease the tax base.

Options for the transition of insurance companies to the application of IFRS 17 – Supplement to IAS17 (issued on December 9, 2021 and effective for annual periods beginning on or after 1 January 2023). This addition to the transition period requirements set out in IAS17 provides an opportunity for insurance companies to improve the usefulness of information for investors during the initial application of IAS 17. This supplement is relevant only to the requirements for the transition to IFRS 17 and does not affect other requirements of IFRS 17. The requirements for the transition to IFRS 17 and IFRS 9 are applicable on different dates, which leads to the following classification differences in the comparative information provided at the initial application of IFRS 17: accounting discrepancy between obligations under insurance contracts measured at present value and related financial assets measured at amortised cost; and also, if the company chooses to recalculate comparative information for IFRS 9, classification differences between financial assets disposed during the comparative period (to which IFRS 9 is not applicable) and other financial assets (to which IFRS 9 will be applicable). The supplement will help insurance companies to avoid these accounting inconsistencies and, thus, will increase the usefulness of comparative information for investors. This is done because it is possible to present comparative information about financial assets. In the initial application of IFRS 17, companies will be allowed, for the purposes of presenting comparative information, to apply a classification amendment to financial assets for which the company does not recalculate comparative data for IFRS 9. This possibility of a transition period will be provided for use at the level of a separate tool; this will allow the company to present comparative information as if the classification and measurement requirements of IFRS 9 were applied to this financial instrument, but does not prescribe the application of impairment requirements in accordance with IFRS 9; and requires the company that applies the classification amendment to the financial asset to use reasonable and verifiable information available at the date. For example, to determine the company's expectations regarding the future classification of a financial asset in accordance with IFRS 9.

The Group is currently studying the provisions of these standards, their impact on the Group and the timing of their application.

The reform of the base interest rate – Phase 2 – Changes in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The IASB has published the final document "Base Interest Rate Reform - Phase 2" of its reform program, which includes amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

After the adoption by international regulatory authorities of the decision to replace interbank offer rates (IBOR, Interbank Offered Rates) with alternative near-risk-free rates (RFR, Risk-free Rates), the IASB began work on adapting financial statements to the IBOR reform. The IASB has divided its work into two phases:

- At the first stage (Phase 1), issues affecting the financial statements in the period before the replacement of the existing reference interest rates with RFR were considered.
- In the second stage (Phase 2), the main focus was on issues arising when replacing existing base interest rates with RFRS.

1. *Simplification of a practical nature to account for changes in contracts.* The amendments include a simplification of a practical nature, requiring that changes in the contract or changes in cash flows that are directly required by the IBOR reform are considered as changes in a floating interest rate equivalent to a change in the market interest rate. A prerequisite for using this simplification is the requirement that the transition from the IBOR base rate to the RFR takes place on an economically equivalent basis without changing the cost. When applying simplification, the organization must first identify and reflect changes in the financial instrument (contract) that directly relate to the IBOR reform by updating the effective interest rate (EIR, Effective interest rate) without adjusting the book

value.

2. *Exemption from termination of the hedging relationship.* The amendments make it possible to make changes required by the IBOR reform to the definition of hedging and the hedging documentation, in accordance with IFRS 9 and IAS 39, without terminating the hedging relationship.

3. *Separately identifiable risk components.* IFRS 9 and IAS 39 require that the hedged risk component (or a certain part of it) was "separately identifiable". The amendments provide organizations with a temporary exemption from the need to comply with the requirement of separately identifiable risk when an instrument with an RFR rate is defined as a hedging of a risk component. This simplification allows the company to assume that the requirement of separately identifiable risk has been met when determining the hedged object, provided that the company reasonably expects that the RFR risk component will become separately identifiable within the next 24 months.

4. *Additional disclosure of information.* IFRS 7 "Financial Instruments: Disclosure of Information" is supplemented by the following disclosure requirements:

- How the organization manages the transition to RFR, its progress and the risks it is exposed to in connection with the IBOR reform related to financial instruments.
- Quantitative information on financial instruments that have not yet switched to RFR, broken down by each significant IBOR rate.
- If the IBOR reform has led to changes in the risk management strategy of the organization, a description of these changes is disclosed.

The amendments are mandatory and come into force for annual periods beginning on or after 1 January 2021, with early application allowed.

"10 percent test" in case of write-off of financial obligations. Amendments to IFRS 9 "Financial Instruments".

The amendments clarify which costs are taken into account when assessing whether the terms of a new or modified financial liability differ significantly from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of another person. They are applied for annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 37 "Estimated Liabilities, Contingent Liabilities and Contingent Assets".

The amendments clarify what costs are included in the assessment of the costs of fulfilling obligations under the contract in order to determine it as burdensome. Costs that are directly related to a contract for the supply of goods or services include both additional costs (for example, labor and materials costs) and the allocation of costs directly related to the contract (for example, depreciation of equipment used to fulfill the contract, as well as the costs of contract management and supervision). General and administrative expenses are not directly related to the contract and are excluded if they are not explicitly attributed to the counterparty under the contract. They are applied for annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 16 "Fixed Assets" 2.

The amendments prohibit deducting from the initial cost of fixed assets the amounts received from the sale of products produced during the preparation of the asset for its intended use. Instead, such sales revenue and related costs are recognized in profit or loss. They are applied for annual reporting periods beginning on or after 1 January 2022.

A subsidiary applying the standard for the first time (amendments to IFRS 1 "First application of IFRS").

The amendment allows a subsidiary that decides to apply paragraph D16 (a) of IFRS 1 to measure accumulated exchange differences using amounts reported by the parent company based on the date of transition of the parent company to IFRS. This amendment also applies to associates or joint ventures that decide to apply paragraph D16 (a) of IFRS 1. The amendment applies for annual reporting periods beginning on or after 1 January 2022. Early application is allowed.

Taxation in the assessment of fair value (amendments to IFRS (IAS) 41 "Agriculture").

The amendment to IAS 41 removed the requirement to exclude cash flows from taxation when assessing fair value, thereby bringing the requirements for the measurement of fair value in IAS 41 into line with the requirements of other IFRS standards. The amendment applies to the fair value measurement from the beginning or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Early application is allowed.

Updating the references to the conceptual framework (amendments to IFRS 3 "Business Combinations").

The amendments updated IFRS 3 "Business Combinations", replacing the reference from the old version of the Conceptual Framework of Financial Statements with the latest version released in March 2018. Amendments to IFRS 3 come into force for business combinations occurring in accounting periods beginning on or after 1 January 2022. Early application is allowed.

Amendments to IFRS 17 "Insurance Contracts".

The IASB has issued amendments to IFRS 17 "Insurance Contracts" designed to help companies implement the standard and simplify the explanation of financial results. The changes make it possible to: reduce the costs of companies by simplifying some of the requirements of the standard; simplify the explanation of financial indicators; make it easier to switch to the standard, since its effective date is postponed to 2023, and companies are granted an additional exemption when first applying IFRS 17. It is applied for annual periods beginning no earlier than January 1 2023.

Document of International Financial Reporting Standards "Classification of Liabilities as Short-term or long-term (Amendments to IFRS (IAS) 1)".

The amendments are intended to facilitate the understanding that an obligation is classified as long-term if the organization expects and has the authority to refinance the obligation or postpone its maturity for at least 12 months after the reporting period under an existing credit line with the previous lender, on equivalent or similar terms. The amendments make a change only in the part of the presentation of liabilities in the statement of financial position, i.e. not in the part of the amount, the moment of recognition or disclosure of information. The amendments clarify that the classification should be based on the existence at the end of the reporting period of the right to postpone the repayment of the obligation for at least 12 months. Thus, the amendments explicitly indicate that only those rights that take place "at the end of the reporting period" should have an impact on the classification of the obligation. At the same time, the classification does not depend on expectations as to whether the organization will use the right to postpone the repayment of the obligation, which means the transfer of funds, equity instruments, or other assets or services to the counterparty. The amendments apply for annual periods beginning on or after 1 January 2023.

The Group is currently studying the provisions of these standards, their impact on the Group and the timing of their application.

5.1 Transition to new or revised standards and interpretations

The amendments to the standards listed below became applicable to the Group starting from 1 January 2021, but did not have a significant impact on the Group.

Amendment to IFRS 16 on Accounting for Lease assignments related to COVID-19 (issued on May 28, 2020 and effective for annual periods beginning on or after June 1, 2020). The amendment provides tenants with a benefit in the form of an optional exemption from assessing whether a lease assignment related to COVID-19 is a lease modification. Lessees may choose to account for lease concessions in such a way as if such concessions were not a modification of the lease. This practical solution applies only to lease concessions granted directly in connection with the COVID-19 pandemic, and only if all of the following conditions are met: a change in lease payments leads to a revision of the lease refund in such a way that it will not exceed the amount of the lease refund immediately prior to the change; any reduction in lease payments affects only for payments due no later than June 30, 2021; and no significant changes in other lease terms. On March 31, 2021, due to the continuation of the pandemic, the IASB issued additional amendments including assignment dates from June 30, 2021 to June 30, 2022 (effective for annual periods beginning on or after April 1, 2021). The Group decided not to accept the aforementioned amendment.

Basic Interest Rate Reform (IBOR) - Amendments to IFRS (IFRS) 9, IFRS (IAS) 39, IFRS (IFRS) 7, IFRS (IFRS) 4 and IFRS (IFRS) 16 – Stage 2 (issued on August 27, 2020 and effective for annual periods beginning on 1 January 2021 year or after this date). The amendments of Stage 2 are aimed at resolving issues arising from the results of the implementation of reforms, including those related to the replacement of one base interest rate with an alternative one. The Group decided not to accept the aforementioned amendment.

6. Significant accounting judgments, estimates and assumptions

In preparing these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), management has used professional judgments, estimates and assumptions regarding the policies applied, the presentation of assets and liabilities, income and expenses. Estimates and related assumptions are based on historical experience and other factors that management believes are reasonably applicable in the specific circumstances. On their basis, judgments are formed about the book value of assets and liabilities in cases where such a value is not obvious, based on other sources of information. Despite the fact that these estimates are based on the most accurate information about current events and actions that management has, the actual results may ultimately differ from them.

Estimates and related assumptions are reviewed on a regular basis. Adjustments to estimates are recognized in the reporting period in which the corresponding estimates were revised, if these adjustments affect the indicators of this period only, or are recognized in this period and subsequent periods if they affect both current and future periods.

The Group assesses impairment and calculates a provision for expected credit losses on:

- financial assets that are measured at amortised cost and financial assets that are measured at fair value with revaluation recognized through other comprehensive income (FVOCI), namely:
- funds placed on deposit bank accounts;
- lease receivables (finance lease);
- debt securities;
- other financial receivables.

The model of estimation of expected credit losses

The Group evaluates the decrease in utility and calculates a provision for expected credit losses on financial instruments in a manner reflecting:

- unbiased and weighted by a probable amount determined by assessing the range of possible results;
- the cost of money in time;
- sufficient and relevant information, available without excessive expenditure or effort at the reporting date, regarding past events, current conditions and forecasts regarding future economic conditions.

The Company applies a general approach to assessing the expected credit losses of all financial instruments, except for other financial receivables, which do not contain a significant element of financing. The assessment of expected credit losses on such receivables is carried out using a simplified approach.

As part of the general approach, the Group evaluates expected credit losses on financial assets and calculates a provision for expected credit losses in the amount of:

- expected credit losses on the horizon of 12 months – for financial instruments for which there is no significant increase in credit risk from the comparison date, which is determined separately for each financial instrument and there are no impairment events (default);
- expected credit losses during the entire term – for financial instruments for which there is a significant increase in credit risk from the comparison date, which is determined separately for each financial instrument or there are impairment events (default).

All financial instruments of the Group and off-balance sheet liabilities to which the general approach is applied, at least once a quarter, starting from the next reporting date after the date of their initial recognition, are subject to verification for the presence of:

- events of a significant increase in credit risk (SICR) in comparison with the comparison date;
- events of impairment (default);
- fulfillment of the recovery criteria from Stage 2;
- fulfillment of the criteria for recovery from default.

Based on the analysis of the presence of events of a significant increase in credit risk (SICR) and events of impairment (default), the Group distributes financial instruments into three Stages of the credit quality level.

The Company's assessment of the presence of a significant increase in credit risk in comparison with the level of credit risk at the comparison date is based on an assessment of the change in default risk at the reporting date compared to the comparison date. At the same time, the change in the amount of expected credit losses is not taken into account.

In Stage 1 are classified:

- Financial instruments at initial recognition for which there are no impairment (default) events at the date of their initial recognition (which in this case is the date of comparison)
- Financial instruments classified as Stage 1 at initial recognition for which the criteria for a significant increase in credit risk have never been met from the date of comparison to the current date inclusive (SICR) and impairment (default) events
- Instruments with low credit risk if there are no impairment (default) events for them

- Other assets for which the criteria for restoration to Stage 1 are met, as described below:

Restoration to Stage 1 of a financial instrument assigned to Stage 2 on the previous reporting date is possible provided that:

- compliance at the current reporting date with the criterion(s) of restoration to Stage 1 for the SICR event(s) for which, at the previous reporting date, the financial instrument was assigned to Stage 2
- absence of other SICR events for such a financial instrument
- absence of impairment events (default).

Restoration to Stage 1 of a financial instrument assigned to Stage 3 on the previous reporting date is possible provided that:

- absence of impairment (default) events at the current reporting date
- absence of SICR events
- fulfillment of recovery criteria from default
- fulfillment of recovery criteria to Stage 1.

Stage 2 classifies financial instruments for which, at the reporting date, there are criteria for a significant increase in credit risk (SICR), and at the same time there are no impairment events (default). At the same time, a financial instrument assigned to Stage 1 at the previous reporting date is assigned to Stage 2 if there is at least one of the signs of a significant increase in credit risk (SICR).

Restoration to Stage 2 of a financial instrument assigned to Stage 3 on the previous reporting date is possible only if all the criteria for recovery from default are met simultaneously and one or more of the SICR signs are present.

When switching to IFRS 9 in Stage 2, financial instruments are also classified for which, at the date of transition, the Group is unable to assess the existence of an event of a significant increase in credit risk 1 without excessive costs and efforts. Such financial instruments, until the moment of termination of their recognition, cannot be restored to Stage 1.

Financial instruments are classified in Stage 3 if at least one of the impairment events (default) is met and/or the criteria for recovery from default are not met.

If a financial asset has signs of impairment (default) at the date of initial recognition, that is, it is an acquired or created impaired financial asset (POCI), then such an asset belongs to Stage 3. Transition from Stage 3 to Stage 1 or 2 for acquired or created impaired financial assets during the life of such financial assets is not possible.

In general, if at least one financial instrument of the Debtor has an impairment event (default) at the reporting date, the Group recognizes an impairment event (default) for all other financial instruments for this counterparty. However, if the only event of impairment (default) on the counterparty is a delay in payment obligations for a period of more than 90 days (for banks – 7 days) for financial receivables, the recognition of an impairment event (default) on all other financial assets of the borrower is carried out only if the amount of overdue financial receivables (in total for all financial receivables) exceeds the equivalent, which is equal to 5% of the amount of outstanding debt on lease payments of the corresponding Debtor-a legal entity or individual entrepreneur at the date of assessment of the provision for expected credit losses.

Inclusion of forward-looking information

The Group includes forward-looking information both in the assessment for a significant increase in credit risk since the initial recognition of a financial instrument and in the assessment of expected credit losses.

The Group uses expert judgment to evaluate forward-looking information. This assessment is also based on information received from external sources.

Modified financial assets

The conditions stipulated in the contract may be modified for a number of reasons, including changes in market conditions, customer retention and other factors not caused by the current or possible deterioration of the borrower's creditworthiness. An existing asset whose terms have been modified may be derecognized and a new lease agreement with modified terms may be recognized at fair value in accordance with the accounting policy described in Note 4.

If the terms of a financial asset change and the modification of the terms does not result in derecognition of the financial asset, the determination of whether there has been a significant increase in credit risk for the financial asset is carried out by comparing:

- the probability of default for the remainder of the entire term as of the reporting date based on the modified terms of the contract; and
- the probability of default for the remainder of the entire term, calculated with respect to this point in time at the initial recognition of the financial asset based on the original terms of the contract.

When a modification of the terms of a financial instrument results in its derecognition, the newly recognized loan belongs to Stage 1 (provided that it is not credit-impaired at the date of recognition).

The Group renegotiates the lease terms of lessees experiencing financial difficulties (the "practice of renegotiating lease agreements") in order to maximize the amount of debt repayable and minimize the risk of default. In accordance with the Group's policy on renegotiation of lease agreements, renegotiation is carried out with respect to each individual lessee in the event that a default event occurs or there is a high risk of default, and there is evidence that the debtor has made all necessary efforts to make payments in accordance with the original terms of the contract, and it is expected that he will be able to fulfill his obligations to the Group on revised terms.

Renegotiation usually includes an extension of the repayment period, a change in the terms of payment of payments.

The assessment of the probability of default on financial assets modified under the contract renegotiation policy reflects whether the modification of the terms has led to an improvement or restoration of the Group's ability to receive payments, as well as the Group's previous experience with such renegotiation. As part of this process, the Group evaluates the quality of servicing counterparty payments in relation to the modified terms of the contract and considers various behavioral factors.

In general, the revision of the terms of the agreements is a qualitative indicator of a significant increase in credit risk and the intention to revise the terms of the agreements may be evidence that the position exposed to credit risk is credit-impaired and there is a default event. The counterparty will need to make timely payments on an ongoing basis for a certain period of time before the position exposed to credit risk will no longer be considered credit impaired/for which a default event has occurred or the probability of default of which will be considered to have decreased so much that the estimated loss reserve will again be estimated at an amount equal to 12 months expected credit losses.

Assessment of expected credit losses

The main initial data for estimating expected credit losses is the time structure of the following variables:

- probability of default (PD indicator);
- the amount of loss in case of default (LGD indicator);
- the amount at risk in case of default (EAD value).

The ECL for Stage 1 positions exposed to credit risk is calculated by multiplying the 12-month PD indicator by the LGD indicator and the EAD value.

The methodology for evaluating PD indicators is described above in the section "Creating a temporary default probability structure".

Evaluation of PD indicators is an assessment of indicators carried out on a certain date, which are calculated on the basis of statistical rating models using evaluation tools adapted to various categories of counterparties and positions exposed to credit risk. These statistical models are based on the accumulated data available to the Group, including both quantitative and qualitative factors. If the credit quality rating of a counterparty or a position exposed to credit risk changes, this will lead to a change in the assessment of the corresponding PD indicators. PD indicators are evaluated taking into account the contractual maturities of positions exposed to credit risk.

The Group evaluates LGD indicators based on information about the cashback coefficients as a result of the sale of the leased item withdrawn under the lease agreements. LGD valuation models take into account the type of leased item, production date, market value, withdrawal costs, storage, and sales period. LGD indicators are adjusted taking into account various economic scenarios and, taking into account possible price changes in relation to leasing agreements secured by leasing equipment, taking into account possible changes in equipment prices. They are calculated based on discounted cash flows using the effective interest rate as a discount factor.

The amount at risk in case of default is a calculated estimate of the amount exposed to credit risk at the date of default. This indicator is calculated by the Group based on the current value at the reporting date, taking into account the expected changes in this value according to the terms of the contract, including depreciation. For a financial asset, the value of EAD is the gross book value at the time of default.

As described above, subject to the use of a maximum 12-month PD indicator for financial assets for which credit risk has not increased significantly since their initial recognition, the Group estimates expected credit losses taking into account the risk of default during the maximum period under the contract during which it is exposed to credit risk, even if for risk management purposes The Group is considering a longer period. The maximum period under the agreement extends up to the date when the Group has the right to demand repayment of the provided financial instrument.

7. Cash and cash equivalents

<i>In thousands of UZS</i>	31 December 2021	31 December 2020
UZS	4 832 216	3 704 717
Estimated reserve for expected credit losses	(10 867)	(8 319)
Total cash and cash equivalents	4 822 549	3 696 397

<i>In thousands of UZS</i>	31 December 2021	31 December 2020
Banks with a BB range credit rating-	4 825 225	3 702 190
Banks with a B-band credit rating	8 191	-
Banks with a B-band credit rating-	-	2 526
Estimated reserve for expected credit losses	(10 867)	(8 319)
Total cash and cash equivalents	4 822 549	3 696 397

The ratings shown in the table above represent the classification according to the long-term credit rating used by the S&P rating agency. In certain cases, when the S&P rating agency did not assign a rating to the counterparty, the rating of another generally recognized international rating agency was used, translated into a similar rating of the S&P agency.

Information on the Group's exposure to interest rate risk and sensitivity analysis with respect to financial assets and liabilities are disclosed in Note 28.

8. Net investment in leasing

Below is an analysis of gross and net investments in financial leasing by maturity as of 31 December 2021:

<i>In thousands of UZS</i>	Commercial leasing	Non- commercial leasing	Total
With a maturity of less than 1 year	56 971 091	23 991 946	80 963 038
With a maturity of 1 to 5 years	1 097 622 451	593 878 222	1 691 500 673
With a maturity of more than 5 years	84 803 542	647 028 242	731 831 784
Gross investment in leasing	1 239 397 084	1 264 898 410	2 504 295 495
With a maturity of less than 1 year	(3 364 771)	(1 380 516)	(4 745 287)
With a maturity of 1 to 5 years	(255 977 472)	(97 167 513)	(353 144 985)
With a maturity of more than 5 years	(17 407 400)	(123 258 317)	(140 665 717)
Unearned income	(276 749 642)	(221 806 346)	(498 555 988)
With a maturity of less than 1 year	53 606 320	22 611 431	76 217 751
With a maturity of 1 to 5 years	841 644 980	496 710 709	1 338 355 688
With a maturity of more than 5 years	67 396 142	523 769 925	591 166 068
Net investment in leasing before estimated provision for expected credit losses	962 647 442	1 043 092 065	2 005 739 507
Estimated reserve for expected credit losses	(57 859 903)	(33 326 941)	(91 188 245)
Net investment in leasing	904 787 539	1 009 765 123	1 914 551 262

Below is an analysis of gross and net investments in financial leasing by maturity as of 31 December 2020:

<i>In thousands of UZS</i>	Commercial leasing	Non- commercial leasing	Total
With a maturity of less than 1 year	51 955 243	23 640 829	75 596 072
With a maturity of 1 to 5 years	816 560 276	573 192 934	1 389 753 210
With a maturity of more than 5 years	341 022 644	716 618 815	1 057 641 459
Gross investment in leasing	1 209 538 162	1 313 452 578	2 522 990 741
With a maturity of less than 1 year	(3 216 996)	(621 918)	(3 838 914)
With a maturity of 1 to 5 years	(219 814 572)	(94 230 217)	(314 044 789)
With a maturity of more than 5 years	(70 873 644)	(139 192 357)	(210 066 000)
Unearned income	(293 905 212)	(234 044 491)	(527 949 703)
With a maturity of less than 1 year	48 738 246	23 018 911	71 757 158
With a maturity of 1 to 5 years	596 745 704	478 962 717	1 075 708 421
With a maturity of more than 5 years	270 149 000	577 426 459	847 575 459
Net investment in leasing before estimated provision for expected credit losses	915 632 950	1 079 408 088	1 995 041 038
Estimated reserve for expected credit losses	(59 856 390)	(33 801 984)	(93 658 374)
Net investment in leasing	855 776 560	1 045 606 103	1 901 382 663

The Group retains ownership of the leased assets during the entire lease term. The ownership rights to the leased assets are transferred to the lessees at the end of the lease agreement. The risks associated with the leased equipment, such as damage and theft, are insured by the lessee. The beneficiary in accordance with the insurance policy for most leasing agreements is the Group.

Net investments in leasing are secured by assets transferred to leasing.

The Group provides its clients with two types of financial leasing services: commercial and non-commercial leasing. These types of services do not have any differences in the procedure for assessing the client's solvency, analyzing the transaction and the decision-making procedure. The risk management policy adopted by the Group is uniform and under no circumstances depends on the type of financial leasing service provided.

Commercial leasing

Commercial leasing is a standard leasing program, according to which leasing agreements are concluded on market terms. The commercial leasing program has no special requirements for lessees, with the exception of requirements for their financial situation and solvency. There are also no special requirements regarding leased assets. These types of leasing agreements are financed by borrowed funds received from commercial banks of the Republic of Uzbekistan. The lease term under commercial leasing agreements, as a rule, varies from 3 to 10 years.

Non-commercial leasing

Non-commercial leasing programs are programs / projects implemented by the Group within the framework of its core activities, the purpose of which is to implement state policy in order to stimulate the equipping of agriculture with modern high-performance agricultural machinery, the formation of the necessary conditions for the development of agricultural machinery, including with the participation of leading foreign companies, improving the payment mechanism for tractors and harvesting equipment supplied to the village.

Non-commercial leasing programs are financed from funds provided on a loan basis by the State Support Fund for Agriculture under the Ministry of Finance of the Republic of Uzbekistan in the amount and amounts established in state programs. The procedure for financing these programs is regulated by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 424 of November 2, 2000 "On measures to provide the village with agricultural machinery on leasing terms" and/or regulatory legal acts of the Republic of Uzbekistan. Non-commercial leasing is provided subject to the following conditions of the lease agreement:

- if there is a property risk insurance policy for the received equipment for the entire leasing period;
- the preferential interest rate of the leasing company is not higher than 50 percent of the refinancing rate of the Central Bank of the Republic of Uzbekistan.

The lease term under non-commercial leasing contracts varies from 7 to 12 years, depending on the location of farms in the regions of the Republic of Uzbekistan.

Below is an analysis of changes in the gross book value of net investments in 2021:

In thousands of UZS	Gross book value			
	Stage 1	Stage 2	Stage 3	Total
1 January 2021	280 044 277	111 274 265	1 603 722 496	1 995 041 038
Transfer to Stage 1	127 404 279	(15 690 838)	(111 713 441)	-
Transfer to Stage 2	(18 856 714)	70 926 286	(52 069 572)	-
Transfer to Stage 3	(80 938 865)	(68 766 919)	149 705 784	-
Net change in gross value	(44 132 220)	(18 305 672)	(207 427 857)	(269 865 749)
Newly created or acquired financial assets	229 090 856	97 747 595	432 084 333	758 922 784
Financial assets derecognized	(44 213 528)	(15 820 289)	(418 324 749)	(478 358 566)
31 December 2021	448 398 085	161 364 428	1 395 976 994	2 005 739 507

The analysis of changes in the gross book value of net investments in leasing for 2020 is presented below:

In thousands of UZS	Gross book value			
	Stage 1	Stage 2	Stage 3	Total
1 January 2020	379 978 332	161 013 190	1 227 316 303	1 768 307 825
Transfer to Stage 1	94 192 615	(45 386 197)	(48 806 418)	-
Transfer to Stage 2	(28 739 552)	45 364 496	(16 624 944)	-
Transfer to Stage 3	(199 089 733)	(87 038 159)	286 127 892	-
Net change in gross value	(47 058 770)	(21 792 950)	(94 480 825)	(163 332 545)
Newly created or acquired financial assets	126 518 057	65 910 815	597 258 027	789 686 899
Financial assets derecognized	(45 756 672)	(6 796 930)	(347 067 539)	(399 621 141)
31 December 2020	280 044 277	111 274 265	1 603 722 496	1 995 041 038

Estimated reserve for credit losses of net investments in leasing

The table below shows an analysis of the change in the provision for credit losses on net leasing investments for 2021:

In thousands of UZS	For 2021			
	Stage 1	Stage 2	Stage 3	Total
1 January 2021	1 512 897	1 574 239	90 571 238	93 658 374
Transfer to Stage 1	2 450 176	(131 948)	(2 318 228)	-
Transfer to Stage 2	(120 874)	2 969 575	(2 848 701)	-
Transfer to Stage 3	(763 051)	(1 057 673)	1 820 724	-
Net change in gross value	2 575 961	1 594 988	(5 971 535)	(1 800 586)
Newly created or acquired financial assets	2 000 126	2 014 800	26 245 240	30 260 166
Financial assets derecognized	(5 124 831)	(3 991 390)	(21 814 889)	(30 931 110)
31 December 2021	2 530 404	2 972 591	85 683 849	91 186 844

The table below shows an analysis of the change in the provision for credit losses on net leasing investments for 2020:

In thousands of UZS	For 2020			
	Stage 1	Stage 2	Stage 3	Total
1 January 2020	4 896 177	4 811 583	75 070 782	84 778 542
Transfer to Stage 1	2 887 696	(1 315 686)	(1 572 010)	-
Transfer to Stage 2	(316 333)	1 031 982	(715 649)	-
Transfer to Stage 3	(3 003 523)	(2 721 622)	5 725 145	-
Net change in gross value	6 374 710	(501 494)	(11 897 217)	(6 024 001)
Newly created or acquired financial assets	1 195 677	1 234 979	39 402 729	41 833 385
Financial assets derecognized	(10 521 507)	(965 503)	(15 442 542)	(26 929 552)
31 December 2020	1 512 897	1 574 239	90 571 238	93 658 374

9. Equipment purchased for leasing purposes

In thousands of UZS	31 December 2021	31 December 2020
Withdrawed equipment for leasing	38 004 795	36 513 345
New equipment for leasing	4 119 411	2 043 107
Total equipment purchased for leasing purposes	42 124 206	38 556 452

The property seized under terminated leasing agreements is transferred to new lessees after the necessary modification or configuration.

10. Advances paid to suppliers

In thousands of UZS	31 December 2021	31 December 2020
Advances issued for leasing equipment	1 990 378	1 371 617
Other advances issued	216 334	350 806
Total advances paid to suppliers	2 206 713	1 722 423

Advances paid to suppliers represent advances for leased assets related to the purchase of equipment.

As of 31 December 2021, advances issued to the two largest suppliers of leasing equipment, in general, amount to 40% of the total amount (2020: 43%).

11. Other accounts receivable

In thousands of UZS	31 December 2021	31 December 2020
Penalty to be received	2 120 484	2 291 843
Agency fees from insurance companies	806 200	590 629
The lessee's debt on advance payments for the delivered equipment	464 291	993 011
Settlements with personnel on loans granted	340 096	286 172
Accounts receivable for claims	49 558	3 017
Other accounts receivable	3 462 974	1 364 572
Total other accounts receivable	7 243 602	5 529 245

12. Other Assets

Other assets include:

In thousands of UZS	31 December 2021	31 December 2020
Inventory	3 919 710	9 370 007
Advances on taxes other than income tax	2 234 055	932 880
Prepaid expenses	196 267	322 320
Total other assets	6 350 032	10 625 207

13. Fixed assets and intangible assets

In thousands of UZS	Building	Vehicles	Computers	Assets in the form of right of use	Others	Construction in progress	Total
<i>Initial cost</i>							
1 January 2020	21 840 763	4 032 521	1 774 005	1 340 227	4 805 021	14 187 101	47 979 638
Addition	-	1 559 255	293 581	-	210 918	381 814	2 445 568
Transfers	17 830	-	-	-	-	(17 830)	-
Disposals	-	(582 552)	-	-	(175 313)	-	(757 865)
31 December 2020	21 858 593	5 009 223	2 067 586	1 340 227	4 840 627	14 551 086	49 667 341
Addition	677 374	643 465	370 627	-	17 558	1 208 754	2 917 778
Transfers	15 651 834	-	-	-	-	(15 651 834)	-
Disposals	-	(177 069)	(172 215)	-	(149 135)	-	(498 419)
31 December 2021	38 187 801	5 475 619	2 265 998	1 340 227	4 709 050	108 006	52 086 700
<i>Accumulated depreciation</i>							
1 January 2020	(3 014 529)	(1 629 668)	(937 329)	(67 011)	(1 202 540)	-	(6 851 077)
Depreciation for the reporting year	(1 078 539)	(115 274)	(297 837)	(67 011)	(684 934)	-	(2 243 595)
Disposals	-	627 324	-	-	26 297	-	653 621
31 December 2020	(4 093 068)	(1 117 618)	(1 235 166)	(134 022)	(1 861 177)	-	(8 441 051)
Depreciation for the reporting year	(1 621 087)	(1 580 900)	(618 746)	(67 012)	(668 433)	-	(4 556 178)
Disposals	-	376 742	168 828	-	189 829	-	735 399
31 December 2021	(5 714 155)	(2 321 776)	(1 685 084)	(201 034)	(2 339 781)	-	(12 261 830)
<i>Book value</i>							
31 December 2020	17 765 525	3 891 605	832 420	1 206 205	2 979 449	14 551 086	41 226 290
31 December 2021	32 473 646	3 153 843	580 914	1 139 193	2 369 268	108 006	39 824 870

14. Loans and borrowings

	31 December 2021	31 December 2020
Borrowings from Fund	856 079 217	858 060 501
Borrowings from Banks and other organizations	809 204 959	851 547 620
Lease obligation	1 294 471	1 311 888
Total loans	1 666 578 647	1 710 920 009

One of the Group's sources of financing for leasing activities is loans received from the State Fund for Agricultural Support under the Ministry of Finance of the Republic of Uzbekistan (hereinafter referred to as the Fund) with preferential interest rates aimed at providing modern agricultural machinery and equipment for leasing on preferential terms. The rates under leasing agreements do not exceed half of the refinancing rate of the Central Bank of the Republic of Uzbekistan on the date of receipt of the lease on the basis of PCM No. 424 dated 02.11.2000 for farms, tractor parks and agricultural enterprises of Uzbekistan. All loan agreements with the Fund are based on a tripartite General Agreement concluded between the Group, the Fund and Agrobank, the latter acting as a financial agent. Contractual interest rates on these loans are lower than the market average. Due to the direct use of the borrowed funds for the leasing of equipment, the Group believes that the contractual rates set for loans are market rates.

Loans from the Fund are listed below:

In thousands of UZS

Year of receipt	Repayment year	Rate, %	31 December 2021
2010	2020	4,00	32 730
2010	2020	3,00	163 848
2011	2021	3,00	2 078 119
2012	2022	3,00	11 432 542
2013	2023	3,00	12 787 334
2013	2023	3,50	13 364 388
2014	2021	3,00	1 175 625
2014	2024	3,00	34 632 396
2015	2022	2,75	3 168 694
2015	2025	2,75	44 172 080
2016	2023	2,75	357 299
2016	2026	2,75	51 032 970
2017	2024	3,50	30 108 159
2017	2027	3,50	49 461 337
2017	2029	3,50	2 952 811
2018	2025	3,50	19 951 651
2018	2025	3,90	17 536 397
2018	2028	3,50	89 175 495
2018	2028	3,90	58 273 757
2018	2030	3,50	12 951 733
2018	2030	3,90	9 419 754
2019	2026	4,00	75 731 040
2019	2029	4,00	58 707 666
2019	2031	4,00	3 300 552
2020	2027	3,68	15 603 492
2020	2027	3,90	29 395 279
2020	2030	3,68	24 651 800
2020	2030	3,90	18 935 182
2021	2028	3,54	106 951 185
2021	2028	3,68	7 230 847
2021	2030	3,54	35 472 100
2021	2030	3,68	15 870 955
			856 079 217

Loans and borrowings of banks and other organizations:

In thousands of UZS

Lender	Year of receipt	Repayment year	Rate, %	31 December 2021
Asia Alliance Bank	2018	2023	19.00	10 119 604
JSCB Asakabank	2017	2022	18.00	6 154 361
JSCB "Agrobank"	2016	2021	11.00	604 216
JSCB "Agrobank"	2017	2022	18.00	4 954 571
JSCB "Agrobank"	2017	2022	19.00	10 320 876
JSCB "Agrobank"	2017	2022	16.00	20 524 562
JSCB "Agrobank"	2018	2023	20.00	48 229 796
JSCB "Agrobank"	2019	2024	16.00	242 000 000
JSCB "Agrobank"	2019	2024	24.00	12 901 561
JSCB "Agrobank"	2020	2025	15.00	56 193 586
JSCB "Agrobank"	2020	2025	24.00	11 569 945
JSCB "Agrobank"	2021	2021	10.00	8 015 245
JSC XALQ BANK	2019	2026	6.00	150 752 553
JSC XALQ BANK	2020	2025	15.00	54 511 740
JSC XALQ BANK	2021	2026	20.00	97 556 740
Uz Case Mash	2018	2019	8.00	1 243 393
JSCB "Mikrokreditbank"	2019	2026	6.00	60 028 375
LLC "Uz Claas Agro"	2021	2022	25.00	11 123 835
LLC "UzAuto Trailer"	2021	2021	14.00	2 400 000
				809 204 959

Reconciliation of changes in liabilities and cash flows from financing activities

In thousands of UZS

	Loans and borrowings received
1 January 2020	1 589 718 925
Changes in cash flows from financing activities	
Borrowings	339 058 680
Payments	(233 907 933)
Other changes	
Interest expense	145 086 863
Interest paid	(130 348 414)
31 December 2020	1 709 608 121
Changes in cash flows from financing activities	
Attraction	334 836 213
Payments	(338 373 561)
Other changes	
Interest expense	158 968 339
Interest paid	(199 754 936)
31 December 2021	1 665 284 176

15. Advances received from lessees

<i>In thousands of UZS</i>	31 December 2021	31 December 2020
Advances for equipment	47 940 375	31 389 144
Prepaid lease payments	84 609 597	39 263 320
Total advances from lessees	132 549 972	70 652 463

Advance payments for equipment are those payments made by the lessee before the initial recognition of the lease. Prepaid lease payments are payments made by the lessee outside the lease payment schedule, which, according to the terms of the lease agreements, do not reduce the net investment in leasing ahead of schedule.

16. Trade payables

<i>In thousands of UZS</i>	31 December 2021	31 December 2020
Trade payables for purchase of lease equipment	141 025 644	149 046 640
Other trade payables	9 066 189	11 818 718
Total trade payables	150 091 833	160 865 357

17. Other payables

<i>In thousands of UZS</i>	31 December 2021	31 December 2020
Obligation on the reserve for the issued Guarantee	6 502 596	6 286 152
Settlements with personnel	1 936 124	4 412 473
Accounts payable on taxes, other than income tax	1 546 361	1 329 412
Dividends payable	648 446	352 434
Other settlements with different creditors	2 378 927	1 699 054
Total other payables	13 012 454	14 079 525

18. Equity

The total number of declared ordinary shares is 41,699,087 shares (there were no changes in the number of ordinary shares during 2021), with a par value of 2,535 UZS per share. All issued ordinary shares have been fully paid for.

The total number of preferred shares is 20,000 shares (there were no changes in the number of preferred shares during 2021), with a nominal value of 2,535 UZS per share. Dividends on preferred shares are set at 25% (2020: 25%) of the nominal value of these shares. Thus, the amount of annual dividends for one preferred share is 633.75 soums.

Holders of ordinary shares have the right to receive dividends declared from time to time, and also have the right to vote at the general meeting of Shareholders based on the "one share – one vote" rule.

All ordinary shares give the same rights in relation to the residual assets of the Company.

Preferred shares entitle their owners to receive dividends on a priority basis, as well as funds invested in shares during the liquidation of the Company, as well as to receive certain dividends regardless of the Company's profit.

The accrual and payment of dividends are shown below:

<i>In thousands of UZS</i>	Ordinary shares	Preferred shares	Total
Dividends payable as of 31 December 2019	406 799	20 554	427 353
Dividends declared during the year	5 366 062	12 675	5 378 737
Taxes withheld at the source of payment	(272 461)	(634)	(273 095)
Dividends attributed to income	(35 077)	-	(35 077)
Dividends paid	(5 138 695)	(6 788)	(5 145 484)
Dividends payable as of 31 December 2020	326 627	25 807	352 434
Dividends declared during the year	11 460 978	12 675	11 473 653
Taxes withheld at the source of payment	899 226	(634)	898 592
Dividends attributed to income	(41 363)	-	(41 363)
Dividends paid	(12 031 729)	(3 141)	(12 034 870)
Dividends payable as of 31 December 2021	613 739	34 707	648 446

The amount of dividends per common share was 275.05 soums during 2021.

19. Interest income

<i>In thousands of UZS</i>	2021	2020
Interest income from leasing	256 532 165	237 352 611
Total interest income	256 532 165	237 352 611

20. Interest expense

<i>In thousands of UZS</i>	2021	2020
Interest expenses on bank loans	130 695 130	116 814 724
Interest expenses on Fund loans	24 776 374	24 330 401
Interest expenses on Financial agent	3 496 835	3 941 737
Interest expense on lease obligations	203 411	157 826
Total interest expense	159 171 750	145 244 688

21. Estimated reserve/(recovery of reserve) for expected credit losses

The analysis of changes in estimated reserves for expected credit losses is presented below:

<i>In thousands of UZS</i>	2021	2020
ECL on finance lease receivables	(2 471 530)	8 879 833
ECL on cash and cash equivalents	2 548	(7 371)
ECL on credit commitments	216 444	581 616
Total estimated reserve/(recovery of reserve) for expected credit losses	(2 252 539)	9 454 077

22. Revenue from sales of spare parts of agricultural machinery and services

<i>In thousands of UZS</i>	2021	2020
Sale of agricultural equipments	6 416 003	7 957 211
Computer services	178 449	627 601
Repair services	1 427 832	378 833
Transportation services	67 370	126 801
Other	31 790	20 191
Total	8 121 444	9 110 637

23. Operating and administrative expenses

<i>In thousands of UZS</i>	2021	2020
Wages and Salaries	68 913 254	52 002 005
Depreciation	4 465 891	1 678 043
Charity	2 790 575	32 639
Fines and penalties	1 811 214	1 179 143
Executive and office expenses	1 527 237	814 564
Business trip expenses	1 468 249	664 416
Write-off Inventory	1 376 914	958 978
Taxes	1 285 145	1 360 469
Professional service	1 113 089	1 097 450
Bank commission	893 071	573 233
Rental expenses	198 057	420 172
Withholding tax on dividends	-	361 122
Other expenses	4 172 590	2 085 392
Total operating and administrative expenses	90 015 287	63 227 626

24. Total other operating income

<i>In thousands of UZS</i>	2021	2020
Penalties, fines and penalties	4 030 817	5 035 829
Agency fees from insurance companies	615 558	755 423
Income from the provision of commission services	21 217	-
Other income	7 691 627	4 971 999
Total other operating income	12 359 219	10 763 252

25. Income from income tax

In accordance with paragraph 14 of the Decree of the President of the Republic of Uzbekistan dated 17 November 2016 No. PP-2658 "On measures to organize the activities of Uzagrotehsanoatholding JSC, Uzagroleasing JSC and Uzmashleasing LLC are exempt from paying income tax and a single tax payment on income received from leasing operations until 1 January 2022 years. The Group has recognized deferred tax assets for temporary differences expected to be realized after 1 January 2022.

a) Amounts recognized in profit or loss

The applicable tax rate for the Group is 15% and represents the income tax rate for legal entities of the Republic of Uzbekistan. The Group calculated deferred tax at the rate of 15%, according to Article 159 of the Tax Code of the Republic of Uzbekistan. This article comes into force on 1 January 2020.

<i>In thousands of UZS</i>	2021	2020
Current income tax	(2 925 785)	(1 543 578)
Changes in deferred tax assets due to recovery and occurrence of temporary differences	(328 199)	(2 132 514)
Total income tax	(3 253 984)	(3 676 092)

Deferred taxes are recognized for future tax consequences related to the difference between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, using effective tax rates in those years in which the temporary difference is expected to be restored.

Below is a comparison of theoretical tax expenses/reimbursements with actual tax expenses/income:

<i>In thousands of UZS</i>		
	2021	2020
Profit/ (Loss) before taxation	24 323 965	30 015 858
Theoretical tax refunds at the legally established rate (2021: 15%; 2020: 15%)	(3 648 595)	(4 502 379)
Income exempt from taxation	19 165 516	10 067 539
Non-deductible expenses	(18 770 905)	(9 241 253)
Total income from Income tax	(3 253 984)	(3 676 093)

Recognized deferred tax assets and liabilities

Differences between IFRS and the tax legislation of the Republic of Uzbekistan lead to temporary differences between the carrying amount of assets and liabilities for the purpose of preparing financial statements and for the purpose of calculating income tax. The tax effects of the movement of these temporary differences, reflected at the rate of 15% (2020: 15%), are presented in detail below.

<i>In thousands of UZS</i>			
	1 January 2021	Recorded in profit or loss	31 December 2021
Cash and cash equivalents	1	(1)	-
Fixed assets	(168 975)	164 984	(3 991)
Net investment in leasing	11 492 584	(396 761)	11 095 822
Other investments	89 431	(24 231)	65 200
Other accounts receivable	-	5 824	5 824
Loans and borrowings	318 794	41 575	360 369
Advances received from lessees	105 000	-	105 000
Other liabilities	942 923	29 364	972 287
Equity capital	(653 361)	(148 954)	(802 314)
Tax assets/(liabilities)	12 126 396	(328 199)	11 798 197

<i>In thousands of UZS</i>	1 January 2021	Recorded in profit or loss	31 December 2021
Cash and cash equivalents	9 106	(9 105)	1
Fixed assets	(75 973)	(93 002)	(168 975)
Net investment in leasing	13 497 508	(2 004 924)	11 492 584
Other investments	-	89 431	89 431
Other accounts receivable	440 338	(121 544)	318 794
Loans and borrowings	105 000	-	105 000
Advances received from lessees	855 680	87 242	942 923
Other liabilities	(572 749)	(80 612)	(653 361)
Tax assets/(liabilities)	14 258 910	(2 123 409)	12 126 396

26. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the shareholders – owners of ordinary shares by the weighted average number of ordinary shares outstanding during the year.

The Group does not have dilutive potential ordinary shares, therefore, diluted earnings per share equals basic earnings per share.

<i>In thousands of UZS</i>	2021	2020
NET PROFIT FOR THE YEAR	21 069 981	26 339 765
Weighted average number of ordinary shares	41 669 087	41 669 087
EPS in UZS	506	632

27. Segment analysis

Operating segments are the components of the Group that are involved in activities from which the Group can generate revenue or incur expenses, the operational results of which are regularly reviewed by the management making operational decisions, and for which discrete financial information is available. The management making operational decisions may be a person or a group of persons involved in the allocation of resources and the evaluation of the Group's performance. The management functions that make operational decisions are performed by the Management Board.

(a) A description of the products and services that are the source of revenue of the reporting segments

The Group's operations are organized into two main business segments (by segment groups):

- Uzmashleasing – carries out similar operations, as well as branches, provides financial leasing services to agricultural companies of the Republic of Uzbekistan at the expense of loans received from the State Support Fund for Agriculture under the Ministry of Finance of the Republic of Uzbekistan.
- Branches – provide financial leasing services. Branches are located in the regions of the Republic of Uzbekistan.

(b) Factors used by management to determine reportable segments

The Group's segments are strategic business units focused on various lessees. They are managed separately, since each business unit needs its own marketing strategy and level of service. Management monitors the results of the operational activities of its business units separately, in order to make decisions about the allocation of resources and the evaluation of indicators. Segment indicators, as indicated in the table below, are estimated on the basis of profit and loss in the consolidated financial statements. Income tax is managed at the Group level and is not allocated to operating segments.

(c) Estimation of profit or loss, assets and liabilities of operating segments

The management making operational decisions analyzes the financial information prepared by the branches and Uzmashleasing. This financial information differs in some aspects from the information prepared in accordance with IFRS:

- deferred taxes are not calculated and are not taken into account;
- income taxes are not allocated to segments;
- lease provisions are recognized on the basis of management's professional judgment and availability of information, and not on the basis of the expected credit loss assessment model in accordance with IFRS 9;
- according to the legislation of the Republic of Uzbekistan, fixed assets are subject to mandatory revaluation on January 1 of each year.

«Uzagrolizing» Joint Stock Company
Notes to the consolidated Financial Statements for 2021

The table below shows segment information by reportable segments for the year ended 31 December 2021:

<i>in millions of UZS</i>	Karakal- pakhstan	Andijan	Bukhara	Jizzakh	Kash- khadyo	Navai	Naman- gan	Samar- khand	Surkhan- darya	Sirdar- ya	Tash- kent	Fergana	Xorezm	Uzagro- lizing	Uzmash- lizing	Total:	IFRS
Interest income	18 189	15 221	19 859	22 346	26 761	9 224	20 916	20 675	15 523	14 465	20 566	23 653	10 621	4 606	20 245	262 870	256 532
Commission income	315	116	281	628	308	113	248	403	883	675	256	220	156	2 095	1 293	7 990	12 358
Total revenue	18 504	15 337	20 140	22 974	27 069	9 337	21 164	21 078	16 406	15 140	20 822	23 873	10 777	6 701	21 538	270 860	268 890
Interest expense on bank loans	(10 082)	(8 526)	(10 888)	(11 893)	(18 075)	(5 383)	(7 747)	(12 018)	(7 106)	(5 470)	(10 982)	(12 751)	(4 732)	-	(6 797)	(132 450)	(130 695)
Interest expense on loans of the Fund and financial agent	(823)	(1 418)	(1 500)	(1 447)	(914)	(767)	(2 780)	(1 028)	(1 245)	(3 275)	(3 227)	(2 070)	(1 279)	-	(6 112)	(27 885)	(28 273)
Operating and administrative expenses	(4 200)	(3 060)	(4 807)	(3 204)	(4 462)	(2 735)	(3 976)	(3 903)	(4 145)	(3 736)	(4 293)	(4 233)	(3 030)	(26 724)	(7 220)	(83 728)	(90 015)
Total expenses	(15 105)	(13 004)	(17 195)	(16 544)	(23 451)	(8 885)	(14 503)	(16 949)	(12 496)	(12 481)	(18 502)	(19 054)	(9 041)	(26 724)	(20 129)	(244 063)	(248 984)
((Loss)/profit before reserve	3 399	2 333	2 945	6 430	3 618	452	6 661	4 129	3 910	2 659	2 320	4 819	1 736	(20 023)	1 409	26 797	19 907
Provision for impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	1 395	-	1 395	2 253
((Loss)/profit before tax according to management accounting data (unaudited data)	3 399	2 333	2 945	6 430	3 618	452	6 661	4 129	3 910	2 659	2 320	4 819	1 736	(18 628)	1 409	28 192	22 159

The table below shows segment information by reportable segments for the year ended 31 December 2020:

<i>in millions of UZS</i>	Karakal- pakhtan	Andijan	Bukha- ra	Jizzakh	Kash- khadyo	Navai	Naman- gan	Samar- khand	Surkha n-darya	Sirdar- ya	Tash- kent	Fergana	Xorezm	Uzagro- lizing	Uzmash -lizing	Total:	IFRS
Interest income	14 254	12 530	20 140	22 725	23 652	6 713	18 788	18 836	17 121	15 703	17 943	20 788	7 856	-	23 579	240 628	237 353
Commission income	162	138	243	746	336	87	337	254	828	797	531	328	389	678	1 819	7 673	10 763
Total revenue	14 416	12 668	20 383	23 471	23 988	6 800	19 125	19 090	17 949	16 500	18 474	21 116	8 245	678	25 398	248 301	248 116
Interest expense on bank loans	(7 644)	(7 467)	(9 966)	(12 087)	(16 771)	(3 221)	(7 479)	(11 039)	(8 441)	(4 400)	(7 700)	(10 417)	(3 054)	-	(8 348)	(118 034)	(116 815)
Interest expense on loans of the Fund and financial agent	(915)	(1 254)	(1 094)	(1 235)	(841)	(734)	(2 427)	(944)	(1 292)	(3 034)	(3 311)	(1 838)	(1 121)	-	(7 656)	(27 696)	(28 272)
Operating and administrative expenses	(3 281)	(2 148)	(4 054)	(2 348)	(3 370)	(1 993)	(3 349)	(3 068)	(3 352)	(2 731)	(3 001)	(3 224)	(3 071)	(40 126)	(4 455)	(83 571)	(63 228)
Total expenses	(11 840)	(10 869)	(15 114)	(15 670)	(20 982)	(5 948)	(13 255)	(15 051)	(13 085)	(10 165)	(14 012)	(15 479)	(7 246)	(40 126)	(20 459)	(229 301)	(208 314)
((Loss)/profit before reserve	2 576	1 799	5 269	7 801	3 006	852	5 870	4 039	4 864	6 335	4 462	5 637	999	(39 448)	4 939	19 000	39 801
Provision for impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	(22 603)	-	(22 603)	(9 454)
((Loss)/profit before tax according to management accounting data (unaudited data)	2 576	1 799	5 269	7 801	3 006	852	5 870	4 039	4 864	6 335	4 462	5 637	999	(62 051)	4 939	(3 603)	30 347

28. Financial risk management

The Group's risk management is carried out in relation to financial, operational and legal risks. Financial risks include credit risk, liquidity risk and market risk (consisting of currency risk, interest rate risk). The main task of financial risk management is to determine the risk limits and further ensure compliance with the established limits. Operational and legal risk management should ensure proper compliance with internal regulations and procedures in order to minimize operational and legal risks.

Basic principles of risk management

The Group applies the following basic principles of risk management that it faces while doing business:

- Compliance with qualitative and quantitative indicators that limit the risks associated with the Group's activities, and monitoring their compliance;
- Delineation of powers and responsibilities of each structural unit and compliance in practice with the principle of collegiality of decision-making in cases of leasing and other transactions;
- Constant monitoring of the state of risks taken by the Group, with appropriate frequency.

The process and organization of risk management.

Risk management is an ongoing and continuous process that includes four main elements: risk identification, risk measurement, risk control and risk monitoring.

The main methods of risk management in the Group are insurance, redundancy, regulation of operations (development of regulatory documents), setting limits on operations, distribution, diversification and minimization (asset and liability management) and avoidance.

The Group actively uses leasing equipment as collateral to reduce credit risk (See Note 8).

The organizational structure of the Group's risk management system is represented by the following

levels:

- The first level (or the highest) is represented by the Supervisory Board;
- Second level – risk management and control at the level of the Chairman of the Management Board and his deputies;
- The third level is risk management at the level of the Group's structural divisions (at the level of the Group's branches).

As part of the quantitative assessment of the Group's total risk, a risk management policy is developed, the daily risk management process is coordinated, interaction with the Group's structural divisions within the framework of risk management, and the results of risk assessment and management are brought to the attention of senior management.

Credit Risk

Credit risk is the possibility of losses as a result of the inability of lessees to fulfill their obligations to pay lease payments in accordance with the terms and conditions of the lease agreement.

Management periodically assesses the financial performance of lessees by monitoring the amount of debt and analyzing their financial statements.

The carrying amount of financial assets reflects the Group's maximum exposure to credit risk.

Credit risk management is carried out by the following methods:

- Ownership of leased equipment and sureties of companies under leasing agreements;
- Monitoring of financial and economic activities of lessees during the entire term of the contract;
- Monitoring of the physical condition of leasing items;
- Accounts receivable management. Accounting and control of payments for each lessee in the context of each contract;
- Collegiality of decisions is ensured by the coordinated work of structural units at all stages of the formation of a leasing transaction, as well as the work of the expert council in all transactions with a high degree of risk;
- Employees of the monitoring department monitor in two directions: changes in the financial position of the lessee (based on the analysis of regularly submitted reports) and arrears on lease payments (the amount and number of days overdue). Work with overdue debts was carried out in accordance with the methodology in which the following measures were fixed:
 - non-acceptance debiting of funds from the settlement accounts of the lessee;
 - partial withdrawal of equipment;
 - complete withdrawal of equipment;
 - receiving insurance indemnities under financial risk insurance contracts;
 - restructuring of the payment schedule (deferred payment, transfer from quarterly to annual or semi-annual payments);
 - transfer of the lessee's debt to the new lessee.
- Creation of an estimated reserve for expected credit losses on net investments in leasing.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet all of its obligations as they mature. The Group closely monitors and manages its liquidity position. In order to attract sufficient funds to fulfill its obligations, the Group carries out a detailed budgeting process and forecasting the availability of funds.

The Group has a coordinated strategy for operational liquidity management, communicated to all interested structural units of the Group.

The Group's liquidity management strategy reflects aspects such as the structure and ratio of assets and liabilities, liquidity and market attractiveness of assets.

The general management and control of the Group's liquidity compliance is carried out by the Deputy Chairman of the Management Board. The Risk Management Unit regularly monitors the diversification of funding sources (internal and external sources).

The table below shows the distribution of financial liabilities as of 31 December 2021 and as of 31 December 2020 by contractual terms remaining until maturity. The amounts of liabilities in the table represent contractual undiscounted cash flows, including the total amount of liabilities owed to equipment suppliers, the total amount of liabilities for loans and credits received.

<i>In thousands of UZS</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2021					
Loanings and borrowings	33 585 368	187 724 509	176 912 644	1 267 061 654	1 665 284 176
Accounts payable	150 091 833	-	-	-	150 091 833
Other financial liabilities	1 866 876	-	-	-	1 866 876
Total potential future payments on financial liabilities as of 31 December 2021	185 544 078	187 724 509	176 912 644	1 267 061 654	1 817 242 885
31 December 2020					
Loanings and borrowings	105 620 569	136 481 066	160 696 334	1 306 810 152	1 709 608 121
Accounts payable	160 865 357	-	-	-	160 865 357
Other financial liabilities	595 437	-	-	-	595 437
Total potential future payments on financial liabilities as of 31 December 2020	267 081 364	136 481 066	160 696 334	1 306 810 152	1 871 068 916

The Company uses maturity analysis without discounting to manage liquidity. The Company carries out a continuous process of assessing and monitoring liquidity by calculating short-term liquidity on a monthly basis and long-term planning of liquidity positions based on contractual maturities.

The table below presents an analysis of financial assets and financial liabilities by contractual maturities as of 31 December 2021:

<i>In thousands of UZS</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Financial assets					
Cash and cash equivalents	4 832 216	-	-	-	4 832 216
Net investment in leasing	12 150 550	30 323 488	33 743 714	1 929 521 755	2 005 739 507
Other accounts receivable	7 243 602	-	-	-	7 243 602
Total financial assets	24 227 568	30 323 488	33 743 714	1 929 521 755	2 017 816 525
Financial obligations					
Loans and borrowings	33 585 368	187 724 509	176 912 644	1 267 061 654	1 665 284 176
Accounts payable	150 091 833	-	-	-	150 091 833
Other financial liabilities	1 866 876	-	-	-	1 866 876
Total financial liabilities	185 544 078	187 724 509	176 912 644	1 267 061 654	1 817 242 885
Net (lack)/excess liquidity	(161 316 510)	(157 401 021)	(143 168 930)	662 460 101	
Total (shortfall)/excess of liquidity as of 31 December 2021	(161 316 510)	(318 717 531)	(461 886 461)	200 573 640	

The table below provides an analysis of financial assets and financial liabilities by contractual maturities as of 31 December 2020:

<i>In thousands of UZS</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Financial assets					
Cash and cash equivalents	3 704 717	-	-	-	3 704 717
Net investment in leasing	15 309 705	24 700 298	31 747 155	1 923 283 880	1 995 041 038
Other accounts receivable	5 529 245	-	-	-	5 529 245
Total financial assets	24 543 666	24 700 298	31 747 155	1 923 283 880	2 004 274 999
Financial obligations					
Loans and borrowings	105 620 569	136 481 066	160 696 334	1 306 810 152	1 709 608 121
Accounts payable	160 865 357	-	-	-	160 865 357
Other financial liabilities	595 437	-	-	-	595 437
Total financial liabilities	267 081 364	136 481 066	160 696 334	1 306 810 152	1 871 068 916
Net (lack)/excess liquidity	(240 806 409)	(111 780 768)	(128 949 179)	616 473 728	
Total (shortfall)/excess of liquidity as of 31 December 2021	(240 806 409)	(352 587 177)	(481 536 356)	134 937 372	

Market risk

Market risk is the risk of losses due to changes in exchange rates or interest rates. The impact of market risk leads to an impairment of the fair value of future payment flows on financial instruments owned by the Group.

Interest rate risk

The Group assumes the risk associated with the impact of fluctuations in market interest rates on its financial position and cash flows. Such fluctuations may increase the level of interest margin, but in the event of an unexpected change in interest rates, the interest margin may also decrease or lead to losses.

Interest rate risk arises from the ratio of interest on a bank loan taken to finance a leasing transaction and interest on a leasing agreement. To minimize the interest rate risk, the Group enters into loan agreements with the bank with a fixed interest rate.

Exposure to interest rate risk

The tables below provide a general analysis of the Group's interest rate risk. This table shows the aggregate amount of the carrying amount of the Group's financial assets and liabilities, broken down by the dates of interest rate revisions in accordance with contracts or maturities, depending on which of these dates is earlier.

<i>In thousands of UZS</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2021					
Total financial assets	24 227 568	30 323 488	33 743 714	1 929 521 755	2 017 816 525
Total financial liabilities	185 544 078	187 724 509	176 912 644	1 267 061 654	1 817 242 885
Net balancing position	(161 316 510)	(157 401 021)	(143 168 930)	662 460 101	200 573 640
31 December 2020					
Total financial assets	24 543 666	24 700 298	31 747 155	1 923 283 880	2 004 274 999
Total financial liabilities	267 081 364	136 481 066	160 696 334	1 306 810 152	1 871 068 916
Net balancing position	(242 537 697)	(111 780 768)	(128 949 179)	616 473 728	133 206 084

The Group monitors interest rates on financial instruments. The table below shows the interest rates for the corresponding reporting date based on the reports that were analyzed by the Group's key management personnel:

Groups:

<i>% per year</i>	2021	2020
Financial assets		
Net investment in leasing	4,5-28	4,5-28
Financial liabilities		
Loans and borrowings	2.25-25	2.25-24

29. Fair value of financial instruments

The fair value measurement is aimed at determining the price that would have been received upon the sale of an asset or paid upon the transfer of a liability in a normal transaction between market participants at the valuation date. However, given the uncertainty and the use of subjective judgments, the fair value should not be interpreted as being realized as part of an immediate sale of assets or transfer of liabilities.

The Group has established a control system with respect to the fair value measurement. Within this system, there is a group of valuation specialists who are generally responsible for overseeing all significant fair value assessments, including Level 3 assessments, and report directly to the group's management.

The Evaluation Team regularly reviews significant unobservable inputs and adjustments to estimates. If information obtained from third parties is used to assess fair value, the valuation team analyzes the confirmation received from third parties to substantiate the conclusion that this assessment meets the requirements of IFRS, including determining the level in the fair value hierarchy to which this assessment should be attributed.

Hierarchy of fair value estimates

In assessing the fair value of an asset or liability, the Group applies, to the extent possible, observable market data. Fair value estimates relate to different levels of the fair value hierarchy, depending on the source data used in the relevant valuation methods:

- Level 1: quoted (unadjusted) prices for identical assets and liabilities in active markets.
- Level 2: Inputs other than quoted prices used for Level 1 estimates that are observable either directly (i.e. such as prices) or indirectly (i.e. determined based on prices).

- Level 3: Inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability can be assigned to different levels of the fair value hierarchy, then the fair value measurement as a whole refers to the level of the hierarchy that corresponds to the lowest-level inputs that are significant for the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which this change took place.

The table below shows the carrying and fair values of financial assets and liabilities, as well as the corresponding levels of the fair value hierarchy as at 31 December 2021:

<i>In thousands of UZS</i>	Level 1	Level 2	Level 3	Total fair value	Balance sheet cost
Financial assets	-	4 832 216	-	4 832 216	4 832 216
Cash and cash equivalents	-				
Net investment in leasing	-	-	2 005 739 507	2 005 739 507	2 005 739 507
Other accounts receivable	-	-	7 243 602	7 243 602	7 243 602
Total financial assets	-	4 832 216	2 012 983 109	2 017 816 525	2 017 816 525
Financial liabilities					
Loans and borrowings	-	-	1 665 284 176	1 665 284 176	1 665 284 176
Accounts payable	-	-	150 091 833	150 091 833	150 091 833
Other financial liabilities	-	-	1 866 876	1 866 876	1 866 876
Total financial liabilities	-	-	1 817 242 885	1 817 242 885	1 817 242 885

The fair value of financial instruments as at 31 December 2020 can be presented as follows:

<i>In thousands of UZS</i>	Level 1	Level 2	Level 3	Total fair value	Balance sheet cost
Financial assets	-	3 704 717	-	3 704 717	3 704 717
Cash and cash equivalents	-				
Net investment in leasing	-	-	1 995 041 038	1 995 041 038	1 995 041 038
Other accounts receivable	-	-	5 529 245	5 529 245	5 529 245
Total financial assets	-	3 704 717	2 000 570 283	2 004 274 999	2 004 274 999
Financial liabilities					
Loans and borrowings	-	-	1 709 608 121	1 709 608 121	1 709 608 121
Accounts payable	-	-	160 865 357	160 865 357	160 865 357
Other financial liabilities	-	-	595 437	595 437	595 437
Total financial liabilities	-	-	1 871 068 916	1 871 068 916	1 871 068 916

30. Capital management

The main goal of the Group in capital management is to maximize shareholder returns, as well as maintain a reasonable level of financial risks. The Group does not have a target quantitative level of shareholder returns or capital adequacy ratios. In order to achieve the objectives of capital management while providing external financing for ordinary business activities and investment projects, the Group's management compares the expected profitability from these operations and projects with the cost of debt financing and maintains a reasonable level of financial risks, as described above.

31. Commitments made on leasing

In accordance with the Resolution of the Cabinet of Ministers No. 20 dated 11 January 2019, Asaka Bank allocated credit resources to Uz Klaas Agro LLC in the amount of 40 million US dollars, Uzagroleasing JSC acted as a guarantor to the bank for this loan. The loan was issued for a period of 7 years, taking into account a 2-year grace period.

The table below provides guarantees of proper performance of obligations:

	31 December 2021	31 December 2020
Guarantees issued	433 506 400	419 076 800
Total guarantee liabilities before deduction of provision for credit losses	433 506 400	419 076 800
Less allowance for credit losses	(6 502 596)	(6 286 152)
Total guarantee obligations	427 003 804	412 790 648

For the purposes of estimating expected credit losses, the guarantee balances are included in Stage 1.

The change in the provision for credit losses on guarantees is presented in Note 21.

32. Contingent assets and liabilities

Court proceedings

In the normal course of business, the Group is subject to legal actions and presentations. Management believes that the potential liabilities (if any) arising from such actions or claims will not have a material adverse effect on the future financial position or performance of the Group.

Tax risks

The tax system of Uzbekistan continues to develop and is characterized by frequent changes in legislative norms, official explanations and court decisions, which are contradictory, which allows for their ambiguous interpretation by various tax authorities.

Inspections and investigations regarding the correctness of the calculation of taxes are carried out by several regulatory bodies that have the right to impose large fines, charge penalties and collect interest. The correctness of the calculation of taxes in the reporting period can be verified within the next five calendar years.

All these circumstances can lead to high tax risks in the Republic of Uzbekistan. The management of the Group, based on its understanding of the applicable tax legislation of the Republic of Uzbekistan, official explanations and court decisions, believes that tax liabilities are reflected in full. However, the interpretation of these provisions by the tax authorities and the courts, especially as a result of the reform of the supreme courts that resolve tax disputes, may be different and if the tax authorities are able to prove the validity of their position, this may have a significant impact on these consolidated financial statements.

33. Transactions with related parties

In accordance with IAS 24 Related Party Disclosures, related parties are considered to be parties, one of which has the ability to control or significantly influence the operational and financial decisions of the other party. When deciding whether the parties are related, the content of the relationship between the parties is taken into account, and not only their legal form.

Related parties may enter into transactions that would not be conducted between unrelated parties. The prices and terms of such transactions may differ from the prices and terms of transactions between unrelated parties.

The ultimate controlling party of the Group is the Government of the Republic of Uzbekistan represented by the State Assets Management Agency of the Republic of Uzbekistan. Consequently, all government organizations are also related parties to the Group. The Group carries out transactions with enterprises and credit institutions that are directly and indirectly controlled by the state, for example, places funds and deposits, pays taxes, makes utility and other similar payments. However, not all such transactions have a significant impact on the Group's financial statements. Management has presented below settlements and transactions with companies under the control, joint control or significant influence of the state. These operations are carried out within the framework of normal activities and on conditions similar to those of transactions with other organizations not related to the State.

The Group's operations with state control include, but are not limited to the following:

- provision of equipment and machinery under leasing agreements;
- transactions with banks (loans, deposits and banking services);
- sale and purchase of equipment, machinery under trade agreements to state-controlled enterprises
- receipt of property under operating lease.

The Group has approved a procurement policy, a pricing strategy and a process for approving purchases and sales of products and services that do not depend on whether organizations are connected with the state or not.

Operations with senior management personnel

The remuneration received by senior management personnel in the reporting year amounted to the following amounts, reflected in personnel costs (see Note 23):

<i>In thousands of UZS</i>	2021	2020
Wages and bonuses	4 186 001	2 966 477
Single social payment	531 100	379 090
Remuneration to the Supervisory Board	239 833	192 603
Total	4 956 934	3 538 170

Other transactions with related parties

The balances as of 31 December 2021 for transactions with related parties are shown below:

<i>In thousands of UZS</i>	Shareholders	Government organizations	Key management personnel	Total
Assets				
Net investment in leasing	-	6 004 693	-	6 004 693
Advances paid to suppliers	-	1 061 670	-	1 061 670
Other accounts receivable	-	1 621	-	1 621
Liabilities				
Accounts payable	-	35 597 872	-	35 597 872
Other liabilities	669 127	-	24 373	693 500

The balances as of 31 December 2020 for transactions with related parties are shown below:

<i>In thousands of UZS</i>	Shareholders	Government organizations	Key management personnel	Total
Assets				
Net investment in leasing	-	3 440 778	-	3 440 778
Advances paid to suppliers	-	309 994	-	309 994
Other investments	-	1 000	-	1 000
Other accounts receivable	-	119 231	-	119 231
Liabilities				
Loans and borrowings	-	15 056 466	-	15 056 466
Accounts payable	-	59 872 540	-	59 872 540
Other liabilities	352 434	26 458	174 453	553 345

The items of income and expenses related to transactions with related parties are listed below:

<i>In thousands of UZS</i>	2021	2020
Interest income	268 041	704 125
Interest expense	-	2 865 887
Other operating income	1 077	-
Operating and administrative expenses	9 108	9 321

34. Events after the reporting date

On 11 March 2020, the World Health Organization announced that the spread of a new coronavirus infection had acquired the character of a pandemic. In response to the potentially serious threat posed to public health by the COVID-19 virus, the state authorities of the Republic of Uzbekistan have taken measures to curb the spread of coronavirus infection, including the introduction of restrictions on crossing the borders of the Republic of Uzbekistan, restrictions on the entry of foreign citizens, as well as recommendations to enterprises on the transfer of employees to remote work. During March 2020, state authorities gradually introduced additional measures to ensure social distancing, including the termination of schools, universities, restaurants, cinemas, theaters, museums, as well as sports facilities.

At the same time, no restrictions were imposed on the export of products produced in the Republic of Uzbekistan, food markets were not closed and restrictions on the movement of agricultural producers inside Uzbekistan were lifted earlier than other restrictive measures.

The Group operates in the agricultural sector, which has not been significantly affected by the rapid spread of coronavirus infection. Based on publicly available information as of the date of approval of these financial statements, management has analyzed possible scenarios for the development of the situation and the expected impact on the Group and the economic environment in which the Group operates, including measures already taken by the Government of the Republic of Uzbekistan.

Taking into account the Group's current operating and financial results, as well as the currently publicly available information, management does not expect a significant negative impact of the coronavirus pandemic on the financial position and financial results of the Group in the short term. At the same time, it is impossible to exclude the possibility that the extension of the self-isolation regime for a long time, further tightening of measures to prevent further spread of infection or the adverse impact of such measures on the economic conditions in which the Group operates will have a negative impact on the Group's activities in the medium and long term. In addition, the Group analyzes possible negative scenarios of the situation and is ready to adapt its operational plans accordingly. Management continues to closely monitor the development of the situation and will take the necessary measures to mitigate the consequences of possible negative events and circumstances as they arise.

In accordance with the new Tax Code of the Republic of Uzbekistan, approved by the Law of the Republic of Uzbekistan No. ZRU-599 dated 30 December 2019, which entered into force on 1 January 2020, the following amendments entered into the tax legislation:

- Changes in the terms of payment of income tax: The Company does not need to pay monthly prepaid tax based on the projected income tax. To make a prepayment, you must specify the actual amount of tax indicated in the previous quarter. At the same time, the deadline for filing annual tax returns is postponed to March 1 next year;
- Changes in VAT payment terms. Taxpayers are required to independently assess their VAT obligations and submit monthly tax returns by the 20th of the following month. Payment is also made monthly until the 20th of the previous month.