



JSC JV "UZBEK LEASING INTERNATIONAL A.O."

**International Financial Reporting Standards
Financial Statements and
Independent Auditors' Report**

Year ended 31 December 2021

CONTENTS

Independent Auditors` Report

Financial Statements

Statement of Financial Position	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7

Notes to the Financial Statements

1	Introduction.....	8
2	Operating environment of the Company	8
3	Significant accounting policies	8
4	Critical accounting estimates, and judgements in applying accounting policies.....	16
5	New accounting pronouncements	17
6	Cash and cash equivalents	17
7	Due from banks	18
8	Lease receivables	19
9	Equipment for leasing	27
10	Prepayments to vendors for leasing equipment.....	28
11	Other assets	28
12	Borrowings	29
13	Lease liabilities	31
14	Reconciliation of liabilities arising from financing activities	31
15	Advances from lessees	32
16	Trade payables.....	32
17	Other liabilities.....	32
18	Share capital	33
19	Interest income and interest expenses on leases.....	33
20	Other interest expense	34
21	Other operating income.....	34
22	Administrative and other operating expenses.....	35
23	Dividends.....	35
24	Income taxes	35
25	Financial risk management	37
26	Contingencies and commitments	55
27	Fair value disclosures	55
28	Related party balances and transactions	57
29	Management of capital.....	58
30	Events after the end of reporting period.....	58



Audit Organization "KPMG Audit" LLC
Business Centre
107-B Amir Temur Ave., Block A
Tashkent, Republic of Uzbekistan, 100084
Telephone +998 78 147 77 44
Fax +998 78 147 77 45
E-mail info@kpmg.co.uz

Independent Auditors' Report

To the Shareholders and Supervisory Board of the Joint Stock Company Joint Venture "Uzbek Leasing International A.O."

Opinion

We have audited the financial statements of JSC JV "Uzbek Leasing International A.O." (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Audited entity: JSC JV "Uzbek Leasing International A.O."

Registration No. in the Register of entities and organizations on 20 March 1996 under #011884-08

Tashkent, Uzbekistan

Independent auditor: "KPMG Audit" LLC, a company incorporated under the Laws of the Republic of Uzbekistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Audit organization "KPMG Audit" LLC. Registered in the Unified State Register of entities and organizations on 22 March 2017 under #0111887-10

Registered address: International Business Center, 11 Floor, Amir Temur ave. 107B. Tashkent 100084. Republic of Uzbekistan



Other matter

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary USD amounts accompanying the financial statements, which are presented solely for the convenience of users as described in Note 3, do not form part of the financial statements.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner on the audit resulting in this independent auditors' report is:

Sanjarbek Saidov
General Director



Audit Organisation "KPMG Audit"
LLC Tashkent, Uzbekistan
17 June 2022

JSC JV "Uzbek Leasing International A.O."
Statement of Financial Position

	Note	31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
ASSETS					
Cash and cash equivalents	6	80,008,443	8,369,996	7,382	772
Due from banks	7	13,041,282	4,922,622	1,203	454
Lease receivables	8	471,654,767	387,415,333	43,520	35,747
Equipment for leasing	9	40,858,231	62,156,468	3,770	5,735
Prepayments to vendors for leasing equipment	10	63,665,096	32,350,033	5,874	2,985
Deferred income tax asset	24	5,041,638	3,558,026	465	328
Premises and equipment		1,324,253	1,096,730	124	103
Other assets	11	20,528,474	10,677,435	1,894	985
TOTAL ASSETS		696,122,184	510,546,643	64,232	47,109
LIABILITIES					
Borrowings	12	542,428,855	367,513,726	50,050	33,911
Lease liabilities	13	2,382,313	4,489,752	220	414
Bonds		-	4,186,475	-	386
Advances from lessees	15	23,348,125	12,581,004	2,154	1,161
Trade payables	16	2,569,971	6,498,752	237	600
Other liabilities	17	1,719,066	1,623,051	159	150
TOTAL LIABILITIES		572,448,330	396,892,760	52,820	36,622
EQUITY					
Share capital	18	9,113,589	9,113,589	841	841
Additional paid in capital	18	25,714,969	25,714,969	2,373	2,373
Retained earnings		88,845,296	78,825,325	8,198	7,273
TOTAL EQUITY		123,673,854	113,653,883	11,412	10,487
TOTAL LIABILITIES AND EQUITY		696,122,184	510,546,643	64,232	47,109

Approved for issue and signed on "17" June 2022.


Mustafaev Z.B.
Chief Executive Officer




Sagdullaeva Z.M.
Chief Accountant

JSC JV "Uzbek Leasing International A.O."
Statement of Profit or Loss and Other Comprehensive Income

	Note	2021 UZS'000	2020 UZS'000	2021 USD'000	2020 USD'000
Interest income on leases	19	89,899,151	84,648,957	8,295	7,811
Interest expense on leases	19	(2,893,518)	(1,408,112)	(267)	(130)
Other interest expense	20	(44,381,064)	(38,484,330)	(4,095)	(3,551)
Release of (charge for) provision for credit loss allowance of lease receivables	19	1,825,004	(6,384,946)	169	(589)
Other operating income	21	7,900,240	2,448,852	729	226
Administrative and other operating expenses	22	(27,643,408)	(18,685,489)	(2,551)	(1,724)
Release of credit loss allowance of other assets		734,863	569,556	68	53
Foreign exchange gains/ (losses), net		273,208	(7,688,234)	25	(709)
Profit before income tax		25,714,476	15,016,254	2,373	1,387
Income tax expense	24	(3,888,402)	(3,193,127)	(359)	(295)
Profit and total comprehensive income for the year		21,826,074	11,823,127	2,014	1,092

JSC JV "UZBEK LEASING INTERNATIONAL A.O."
Statement of Changes in Equity

	Note	Share capital UZS'000	Additional paid-in capital UZS'000	Retained earnings UZS'000	Total equity UZS'000	Share capital USD'000	Additional paid-in capital USD'000	Retained earnings USD'000	Total equity USD'000
Balance as at 1 January 2020		9,113,589	25,714,969	77,302,421	112,130,979	841	2,373	7,131	10,345
Profit for the year		-	-	11,823,127	11,823,127	-	-	1,092	1,092
<i>Total comprehensive income for the year</i>		-	-	11,823,127	11,823,127	-	-	1,092	1,092
Dividends declared	23	-	-	(10,300,223)	(10,300,223)	-	-	(950)	(950)
Balance as at 31 December 2020		9,113,589	25,714,969	78,825,325	113,653,883	841	2,373	7,273	10,487
Profit for the year		-	-	21,826,074	21,826,074	-	-	2,014	2,014
<i>Total comprehensive income for the year</i>		-	-	21,826,074	21,826,074	-	-	2,014	2,014
Dividends declared	23	-	-	(11,806,103)	(11,806,103)	-	-	(1,089)	(1,089)
Balance as at 31 December 2021		9,113,589	25,714,969	88,845,296	123,673,854	841	2,373	8,198	11,412

The notes set out on pages 8 to 58 form an integral part of these financial statements

JSC JV "UZBEK LEASING INTERNATIONAL A.O."
Statement of Cash Flows

	Note	2021 UZS'000	2020 UZS'000	2021 USD'000	2020 USD'000
Cash flows from operating activities					
Interest income received on lease receivables		84,531,695	78,862,419	7,800	7,277
Interest paid		(42,387,497)	(37,078,120)	(3,911)	(3,421)
Other operating income received		1,786,058	968,296	165	89
Administrative and other operating expenses paid		(12,468,416)	(8,476,988)	(1,150)	(782)
Staff costs paid		(13,514,615)	(10,806,982)	(1,247)	(997)
Income tax paid		(4,926,798)	(4,737,077)	(455)	(437)
Cash flows from operating activities before changes in operating assets and liabilities		13,020,427	18,731,548	1,202	1,729
<i>Changes in:</i>					
Due from banks		(8,118,660)	17,568,800	(749)	1,621
Lease receivables		(67,882,037)	21,971,713	(6,264)	2,027
Equipment for leasing		21,298,237	(33,622,191)	1,965	(3,102)
Prepayments made to vendors for leasing equipment		(7,786,785)	(6,691,050)	(718)	(617)
Other assets		(4,697,320)	5,361,033	(433)	495
Advance received from lessees		11,330,403	7,520,584	1,045	694
Trade payables		(3,921,598)	(8,679,173)	(362)	(801)
Other liabilities		1,679,764	512,642	155	47
Net cash used in/ from operating activities		(45,077,569)	22,673,906	(4,159)	2,093
Cash flows from investing activities					
Purchase of premises and equipment		(662,114)	(144,420)	(61)	(13)
Loans issued to employees		(3,754,900)	(1,392,077)	(346)	(128)
Net cash used in investing activities		(4,417,014)	(1,536,497)	(407)	(141)
Cash flows from financing activities					
Dividends paid		(11,806,103)	(10,300,223)	(1,089)	(950)
Repayment of lease liabilities		(2,107,439)	(1,191,157)	(194)	(110)
Proceeds from borrowings		328,597,981	94,008,900	30,320	8,674
Repayment of borrowings		(188,365,092)	(106,856,677)	(17,381)	(9,860)
Proceeds from bonds		-	4,000,000	-	369
Repayment of bonds		(4,000,000)	-	(369)	-
Net cash from/(used in) financing activities		122,319,347	(20,339,157)	11,287	(1,877)
Effect of exchange rate changes on cash and cash equivalents		(1 186 317)	129,478	(109)	12
Net increase in cash and cash equivalents		71,638,447	927,730	6,610	87
Cash and cash equivalents at the beginning of the year	6	8,369,996	7,442,266	772	685
Cash and cash equivalents at the end of the year	6	80,008,443	8,369,996	7,382	772
Non-cash transactions					
Borrowing from AKA AUSFUHRKREDIT-GESELSCHAFT		3,313,705	12,994,415	306	1,199
Borrowing from KDB Bank Uzbekistan (UzKDB)		23,673,994	-	2,184	-

1 Introduction

These financial statements of Joint Stock Company Joint Venture "Uzbek Leasing International A.O." (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2021.

The Company was incorporated and domiciled in the Republic of Uzbekistan. The Company is a joint stock company limited by shares and was established on 20 March 1996 in accordance with the Decree of the Cabinet of Ministers of Uzbekistan dated 5 January 1995.

The shareholders of the Company are as follows:

	31 December 2021	31 December 2020
National Bank for Foreign Economic activity of Uzbekistan (National Bank of Uzbekistan - NBU)	41.6%	41.6%
Uzbek-Oman Investment Company LLC	38.7%	38.7%
Malayan Banking Berhad	19.7%	19.7%
Total	100%	100%

Principal activity. The Company's principal activity is providing leases to entities within the Republic of Uzbekistan. The Company had 58 employees as at 31 December 2021 (31 December 2020: 59 employees).

Registered address and place of business. The Company's registered address and principal place of business is: 88A, Amir Temur street, Tashkent, 100084, Republic of Uzbekistan.

2 Operating environment of the Company

Republic of Uzbekistan. The Uzbekistan economy continues to display characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Also, the financial sector in Uzbekistan is particularly impacted by local political, legislative, fiscal and regulatory developments.

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

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

Uzbekistan experienced the following key economic indicators in 2021:

- Inflation: 9.98%¹ (2020: 11.1%);
- GDP growth: 7.4%¹ (2020: 1.6%);
- Official exchange rates: 31 December 2021: USD 1 = UZS 10,837.66² (31 December 2020: USD 1 = UZS 10,476.92);
- Refinancing rate of the Central Bank of Uzbekistan ("CBU") – 14.0%² (2020: 15.0%).

3 Significant accounting policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

¹ Source: The State Committee of the Republic of Uzbekistan on Statistics (www.stat.uz)

² Source: Central Bank of Uzbekistan (www.cbu.uz)

3 Significant accounting policies (Continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Foreign currency translation. The functional currency of the Company, being the currency of the primary economic environment in which the entity operates, is the national currency of the Republic of Uzbekistan, Uzbekistan Soums ("UZS"). These financial statements are presented in Uzbek Soums ("UZS"), unless otherwise stated.

Foreign currency monetary assets and liabilities are translated into the functional currency at the official exchange rate of the CBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

At 31 December 2021 the principal rates of exchange used for translating foreign currency balances were USD 1 = UZS 10,837.66 and EUR 1 = UZS 12,224.88 (2020: USD 1 = UZS 10,476.92 and EUR 1 = UZS 12,786.03). Exchange restrictions and controls exist over the conversion of UZS into other currencies. At present, the UZS is not a freely convertible currency outside of the Republic of Uzbekistan.

Convenience translation into United States Dollar (USD) amounts

In addition to presenting the financial statements in UZS, supplementary information in USD has been presented for the convenience of users of the financial statements.

All amounts in the financial statements, including comparatives, are translated from UZS to USD at the closing exchange rate at 31 December 2021.

Financial instruments - key measurement terms. *Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

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

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

3 Significant accounting policies (Continued)

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

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

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

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

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

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

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

3 Significant accounting policies (Continued)

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

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

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

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 25 for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 25. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 25 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include bankruptcy of the counterparty, final decision of the court that eliminates outstanding amount due from counterparty and significant delays in payments. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

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

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

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

3 Significant accounting policies (Continued)

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

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include placements with banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Due from banks. Amounts due from banks are recorded when the Company advances money to counterparty banks. Amounts due from banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Lease receivable. Where the Company is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a lease receivable and carried at the present value of the future lease payments. Lease receivables are initially recognised at commencement using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income on lease in profit or loss for the year.

Inception of the lease. The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall specifically set forth the principal terms of the transaction.

Commencement of the lease term. The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

Unguaranteed residual value. Unguaranteed residual value is that portion of the residual value of the leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor.

Equipment for leasing. Equipment for leasing represents equipment purchased to be subsequently transferred into leasing and is stated at cost. If there is a difference between cost and fair value of the equipment at the date of inception of the lease, a gain or loss is recognised when the equipment is reclassified into lease receivables on the date of commencement of the lease term.

3 Significant accounting policies (Continued)

Prepayments. Prepayments are carried at cost less provision for impairment. Any advances made to suppliers, for an equipment to be subsequently transferred to lessee, after the date of the inception of the lease and before the date of commencement of the lease term are recorded as "Prepayments to vendors for lease equipment". Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. The prepayments in foreign currency to purchase non-financial assets are recognised at the exchange rate prevailing on their recognition date with no subsequent revaluations.

Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Repossessed collateral. Repossessed collateral represents non-financial assets acquired by the Company in settlement of overdue leases. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Company's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At the end of each reporting date the management assess whether there is any indication of impairment of premises and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the statement of profit or loss and other comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Depreciation on items of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Category of premises and equipment	Useful lives in years
<i>Office equipment:</i>	
Furniture and equipment	7-15
Computer equipment	5
<i>Vehicles</i>	5
<i>Other</i>	7-15

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

Impairment of non-financial assets. Impairment losses are recognised in profit or loss when there is an indication that a non-financial asset may be impaired after the initial recognition. The following criteria are used to determine that there is objective evidence that an impairment loss has occurred:

- evidence is available of obsolescence or physical damage of an asset;
- a vendor does not refund prepayments/advances for goods and/or services in case of termination of a procurement contract due to non-delivery of goods and/or provision of services by the vendor within agreed contractual terms;
- the value of repossessed equipment and building significantly decreases as a result of deteriorating market conditions; and

3 Significant accounting policies (Continued)

- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Borrowings. Borrowings are recorded initially at fair value less transaction costs incurred. Subsequently, borrowings are stated at AC using the effective interest method.

Lease liabilities. Where the Company is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Company, the assets leased are capitalised in premises and equipment at the commencement of the lease at the lower of the fair value of the leased asset, and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the lease balance outstanding. The corresponding rental obligations, net of future finance charges, are included in lease liabilities. The interest cost is charged to profit or loss for the year over the lease period using the effective interest method. The assets acquired under leases are depreciated over their useful life, or the shorter lease term if the Company is not reasonably certain that it will obtain ownership by the end of the lease term. The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Advances from lessees. Payments received by the Company from the lessee before the commencement of the lease term are recorded as advances from lessees. Such amounts are adjusted against lease receivables on the date of commencement of the lease term.

Trade payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at AC.

Share capital. Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Uzbekistan legislation identifies the basis of distribution as the statutory retained earnings.

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

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

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

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

3 Significant accounting policies (Continued)

Income and expense recognition. Interest income and expense are recorded in the statement of profit or loss and other comprehensive income for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the Company relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Commitment fees received by the Company to originate leases at market interest rates are integral to the effective interest rate if it is probable that the Company will enter into a specific lending arrangement and does not expect to sell the resulting leases shortly after origination.

Other fee and commission income are recognised at a point in time when the Company satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received, or receivable represents the transaction price for the services identified as distinct performance obligations. All other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Staff costs and related contributions. Wages, salaries, contributions to the Uzbekistan state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Presentation of statement of financial position in order of liquidity. The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 25 for analysis of financial instruments by expected maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 25.

	2021			2020		
	Amounts expected to be recovered or settled		Total	Amounts expected to be recovered or settled		Total
	Within 12 months after the reporting period	Beyond 12 months after the reporting period		Within 12 months after the reporting period	Beyond 12 months after the reporting period	
<i>In thousands of UZS</i>						
ASSETS						
Equipment for leasing	40,858,231	-	40,858,231	62,156,468	-	62,156,468
Prepayments to vendors for leasing equipment	63,665,096	-	63,665,096	32,350,033	-	32,350,033
Deferred income tax asset	-	5,041,638	5,041,638	-	3,558,026	3,558,026
Premises and equipment	-	1,324,253	1,324,253	-	1,096,730	1,096,730
Other non-financial assets	15,298,890	-	15,298,890	7,255,486	-	7,255,486
LIABILITIES						
Other non-financial liabilities	24,798,025	-	24,798,025	13,944,629	-	13,944,629

3 Significant accounting policies (Continued)

	2021		Total	2020		Total
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
	Within 12 months after the reporting period	Beyond 12 months after the reporting period		Within 12 months after the reporting period	Beyond 12 months after the reporting period	
<i>In thousands of USD</i>						
ASSETS						
Equipment for leasing	3,770	-	3,770	5,735	-	5,735
Prepayments to vendors for leasing equipment	5,874	-	5,874	2,985	-	2,985
Deferred income tax asset	-	465	465	-	328	328
Premises and equipment	-	124	124	-	103	103
Other non-financial assets	1,413	-	1,413	670	-	670
LIABILITIES						
Other non-financial liabilities	2,288	-	2,288	1,287	-	1,287

4 Critical accounting estimates, and judgements in applying accounting policies

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

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 25. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Company used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Company compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Company considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. Refer to Note 25.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

5 New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Company has not early adopted.

The Company is currently assessing the impact of the following amendments on its financial statements:

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Definition of Accounting Estimates (Amendments to IAS 8) (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (issued on 7 May 2021 and effective for annual periods beginning on or after 1 Jan 2023).

The new standards and interpretations are not expected to affect significantly the Company's financial statements.

6 Cash and cash equivalents

	31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
Current account in USD	71,177,354	32,275	6,568	3
Current account in UZS	8,795,484	8,280,211	811	764
Current account in EUR	35,605	57,510	3	5
Total cash and cash equivalents	80,008,443	8,369,996	7,382	772

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Company did not recognise any credit loss allowance for cash and cash equivalents. Refer to Note 25 for the ECL measurement approach.

6. Cash and cash equivalents (Continued)

The credit quality of cash and cash equivalents balances, was as follows:

		31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
Financial institution	Rating				
Neither past due nor impaired					
National Bank of Uzbekistan	Moody's B1	79,161,558	7,995,123	7,304	738
UzKDB Bank	S&P BB-	670,002	374,408	62	34
Davr Bank	S&P B	176,737	-	16	-
Sanoat Qurilish Bank	S&P BB-	4	365	-	-
Tenge Bank	Moody's B3	70	100	-	-
Ipak Yo'li Bank	Fitch B	72	-	-	-
Total cash and cash equivalents		80,008,443	8,369,996	7,382	772

Geographical, currency and interest rate analysis of cash and cash equivalents are disclosed in Note 25. Information on cash and cash equivalents held with related parties is disclosed in Note 28.

7 Due from banks

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	UZS'000	UZS'000	USD'000	USD'000
Restricted cash by letter of credit in EUR	4,858,849	4,922,622	448	454
Restricted cash by letter of credit in USD	8,182,433	-	755	-
Total due from banks	13,041,282	4,922,622	1,203	454

Restricted cash represents a cash cover for letters of credit issued by the National Bank of Uzbekistan under import contracts to acquire equipment for leasing.

For the purpose of ECL measurement due from banks balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Company did not recognise any credit loss allowance for due from banks balances. Refer to Note 25 for the ECL measurement approach.

The credit quality of due from banks balances, was as follows:

		31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
Financial institution	Rating				
<i>Neither past due nor impaired</i>					
National Bank of Uzbekistan	Moody's B1	13,041,282	4,922,622	1,203	454
Total due from banks		13,041,282	4,922,622	1,203	454

Geographical, currency and interest rate analysis of due from banks are disclosed in Note 25.

8 Lease receivables

	31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
Lease receivables	488,794,080	404,735,116	45,101	37,345
Less credit loss allowance	(17,139,313)	(17,319,783)	(1,581)	(1,598)
Total lease receivables, net	471,654,767	387,415,333	43,520	35,747

As at 31 December 2021 there are 508 (31 December 2020: 428) lease contracts, which expire over the next 1-7 years. The normal contractual lease arrangements of the Company include the following main terms and conditions:

- Lease term (1-7 years);
- Finance income computed using effective interest rate method;
- Lessee is required to make payments in advance of lease period of one or three months depending on a level of credit risk of a lessee. These advance lease payments are treated as advances from lessees and recognised as Company's liability until the commencement date of those leases;
- Lessee insures risks related to the leased assets such as damage caused by various reasons, theft and other with an insurer approved by the Company and keeps it insured throughout the term of the lease. Insurance fees are paid by the Lessee;
- The Company is entitled to possession of the equipment if certain terms of the agreement are not fulfilled;
- Initial direct costs are initially borne by the Company and are reimbursed by lessees prior to the inception of the lease; and
- Lessee is entitled for the option to be the first to purchase leased equipment upon expiry of the lease agreement. In that case the sale value of the equipment after the lease period should not exceed 10% of the monthly rentals.

The Company holds title to the leased assets during the lease term.

Economic sector risk concentrations within the customer lease portfolio are as follows:

	31 December 2021			31 December 2020		
	Amount UZS'000	Amount USD'000	%	Amount UZS'000	Amount USD'000	%
Construction	82,788,043	7,639	16.9%	73,005,498	6,736	18.0%
Construction materials production	66,802,407	6,164	13.7%	76,106,016	7,022	18.8%
Food production and processing	57,142,588	5,273	11.7%	18,589,049	1,715	4.6%
Chemical	39,574,431	3,652	8.1%	34,126,275	3,149	8.4%
Medicine	37,401,926	3,451	7.7%	49,824,483	4,597	12.3%
Paper production and printing	34,082,817	3,145	7.0%	37,034,823	3,417	9.2%
Oil & gas industry	32,908,479	3,036	6.7%	9,181,965	847	2.3%
Trade	30,150,478	2,782	6.2%	19,396,490	1,790	4.8%
Agriculture	22,275,226	2,055	4.6%	27,636,003	2,550	6.8%
Textile	19,565,325	1,805	4.0%	12,887,468	1,189	3.2%
Business and other services	14,799,941	1,366	3.0%	3,745,272	346	0.9%
Transport	14,263,582	1,316	2.9%	16,870,713	1,557	4.2%
Tourism & catering	6,832,692	630	1.4%	646,597	60	0.2%
Pharmaceutical	4,076,549	376	0.8%	212,676	20	0.1%
Other	26,129,596	2,411	5.3%	25,471,788	2,350	6.2%
Total lease receivables (before credit loss allowance)	488,794,080	45,101	100%	404,735,116	37,345	100%

The following table discloses the changes in the credit loss allowance and gross carrying amount for lease receivables carried at amortised cost between the beginning and the end of the reporting period:

JSC JV "UZBEK LEASING INTERNATIONAL A.O."
Notes to the financial statements – year ended 31 December 2021

8 Lease receivables (Continued)

	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In thousands of UZS</i>							
Lease receivables							
at 1 January 2021	3,450,936	1,454,304	12,414,543	248,501,110	18,451,139	137,782,867	404,735,116
<i>Movements with impact on credit loss allowance charge for the period:</i>							
Transfers:							
- to lifetime (from Stage 1 to Stage 2)	(193,380)	193,380	-	(6,559,343)	6,559,343	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(86,459)	(180,301)	266,760	(10,512,308)	(10,950,016)	21,462,324	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	4,685,186	(695,777)	(3,989,409)	35,244,913	(3,660,697)	(31,584,216)	-
- partially cured (from Stage 3 to Stage 2)		1,367,702	(1,367,702)	-	18,576,590	(18,576,590)	-
Newly originated	2,584,253	542,165	497,016	190,352,237	5,092,353	7,723,932	232,083,716
Changes to ECL measurement model assumptions and repayments	(5,481,403)	(1,272,068)	(138,107)	(105,384,367)	(8,808,211)	(32,227,311)	(146,419,889)
Termination	-	-	37,849	-	-	(4,461,609)	-
Unwinding of discount on present value of ECLs	-	-	1,644,534	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	1,508,197	(44,899)	(3,049,059)	103,141,132	6,809,362	(57,663,470)	81,202,218
<i>Movements without impact on credit loss allowance charge for the period:</i>							
FX and other movements	1,088	-	38,756	1,626,072	501,471	729,203	2,856,746
At 31 December 2021	4,960,221	1,409,405	9,404,240	353,268,314	25,761,972	80,848,600	488,794,080

8 Lease receivables (Continued)

	Credit loss allowance			Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In thousands of USD</i>								
Lease receivables	318	134	1,146	1,598	22,929	1,703	12,713	37,345
at 1 January 2021								
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(18)	18	-	-	(605)	605	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(8)	(17)	25	-	(970)	(1,010)	1,980	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	432	(64)	(368)	-	3,252	(338)	(2,914)	-
- partially cured (from Stage 3 to Stage 2)	-	126	(126)	-	-	1,714	(1,714)	-
Newly originated	240	50	44	459	17,564	470	713	21,415
Changes to ECL measurement model assumptions and repayments	(506)	(117)	(12)	(635)	(9,724)	(813)	(2,973)	(13,510)
Termination	-	-	3	3	-	-	(412)	(412)
Unwinding of discount on present value of ECL	-	-	152	152	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	140	(4)	(282)	(21)	9,517	628	(5,320)	7,493
<i>Movements without impact on credit loss allowance charge for the period:</i>								
FX and other movements	-	-	4	4	150	46	67	263
At 31 December 2021	458	130	868	1,581	32,596	2,377	7,460	45,101

8 Lease receivables (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for lease receivables carried at amortised cost between the beginning and the end of 2020:

	Credit loss allowance			Gross carrying amount		
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)
<i>In thousands of UZS</i>						
Lease receivables						
at 1 January 2020	5,696,834	412,427	2,734,554	8,843,815	385,631,102	12,222,042
<i>Movements with impact on credit loss allowance charge for the period:</i>						
Transfers:						
- to lifetime (from Stage 1 to Stage 2)	(471,068)	471,068	-	-	(18,182,355)	18,182,355
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,895,463)	(325,835)	2,221,298	-	(129,733,039)	(5,400,121)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	522,543	(21,926)	(500,617)	-	2,042,126	(267,272)
- partially cured (from Stage 3 to Stage 2)	-	57,732	(57,732)	-	57,732	(1,774,854)
Newly originated	1,295,332	163,695	1,156,688	2,615,715	55,477,470	(57,732)
Changes to ECL measurement model					4,719,663	5,828,947
assumptions and repayments				3,701,315	(5,988,969)	(18,807,490)
Unwinding of discount on present value of ECL	(1,709,978)	693,100	4,718,193	2,091,022	-	-
Total movements with impact on credit loss allowance charge for the period	(2,258,634)	1,037,834	9,628,852	8,408,052	(145,968,408)	11,303,388
<i>Movements without impact on credit loss allowance charge for the period:</i>						
FX and other movements	12,736	4,043	51,137	67,916	8,838,416	5,238,794
At 31 December 2020	3,450,936	1,454,304	12,414,543	17,319,783	248,501,110	18,451,139
						137,782,867
						404,735,116

8 Lease receivables (Continued)

	Credit loss allowance			Gross carrying amount				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In thousands of USD</i>								
Lease receivables								
at 1 January 2020	526	38	252	816	35,584	598	1,128	37,310
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(43)	43	-	-	(1,678)	1,678	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(175)	(30)	205	-	(11,971)	(498)	12,469	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	47	(1)	(46)	-	188	(25)	(164)	(1)
- partially cured (from Stage 3 to Stage 2)	-	5	(5)	-	-	5	(5)	-
Newly originated or purchased	120	15	107	242	5,119	435	538	6,092
Changes to ECL measurement model assumptions and repayments	(158)	64	435	341	(5,128)	(553)	(1,735)	(7,416)
Unwinding of discount on present value of ECL	-	-	193	193	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	(209)	96	889	776	(13,470)	1,044	11,103	(1,325)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
FX and other movements	1	-	5	6	815	61	482	1,360
At 31 December 2020	318	134	1,146	1,598	22,929	1,703	12,713	37,345

8 Lease receivables (Continued)

The credit loss allowance for lease receivables from customers recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 25. Below, main movements in the table are described:

- Transfers between Stage 1, 2 and 3 are due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes to model assumptions, including changes in PDs, EADs and LGDs in the period, arising from update of inputs to ECL models;
- Unwinding of discount due to the passage of time because ECL is measured on a present value basis;
- Foreign exchange translations of assets denominated in foreign currencies and other movements; and
- Write-offs of allowances related to assets that were written off during the period.

The following table contains an analysis of the credit risk exposure of lease receivables from customers measured at amortised cost and for which an ECL allowance is recognised. The carrying amount of lease receivables from customers below also represents the Company's maximum exposure to credit risk on these lease receivables.

The credit quality of lease receivables from corporate customers carried at amortised cost is as follows at 31 December 2021:

	Stage 1	Stage 2	Stage 3	POCI	
<i>In thousands of UZS</i>	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)		Total
Lease receivables					
Non overdue	290,745,481	2,492,505	19 930 250	28 915 194	342,083,430
Less than 30 days overdue	62,522,833	11,394,235	20,512,338	-	94,429,406
31 to 90 days overdue	-	11,875,232	4,844,010	-	16,719,242
91 to 365 days overdue	-	-	21,875,692	-	21,875,692
Over 365 days overdue	-	-	13,686,310	-	13,686,310
Gross carrying amount	353,268,314	25,761,972	80 848 600	28 915 194	488,794,080
Credit loss allowance	(4,960,221)	(1,409,405)	(9 404 240)	(1 365 447)	(17,139,313)
Carrying amount	348,308,093	24,352,567	71 444 360	27 549 747	471,654,767

	Stage 1	Stage 2	Stage 3	POCI	
<i>In thousands of USD</i>	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)		Total
Lease receivables					
Non overdue	26,827	230	1 839	2 668	31,564
Less than 30 days overdue	5,769	1,051	1,893	-	8,713
31 to 90 days overdue	-	1,096	447	-	1,543
91 to 365 days overdue	-	-	2,018	-	2,018
Over 365 days overdue	-	-	1,263	-	1,263
Gross carrying amount	32,596	2,377	7 460	2 668	45,101
Credit loss allowance	(458)	(130)	(868)	(125)	(1,581)
Carrying amount	32,138	2,247	6 592	2 543	43,520

8 Lease receivables (Continued)

The credit quality of lease receivables from corporate customers carried at amortised cost is as follows at 31 December 2020:

	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of UZS</i>				
	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	
Lease receivables				
Non overdue	222 231 104	6 032 416	52 998 457	281 261 977
Less than 30 days overdue	26 270 006	4 687 892	39 468 478	70 426 376
31 to 90 days overdue	-	7 730 831	7 919 002	15 649 833
91 to 365 days overdue	-	-	35 440 995	35 440 995
Over 365 days overdue	-	-	1 955 935	1 955 935
Gross carrying amount	248,501,110	18,451,139	137,782,867	404,735,116
Credit loss allowance	(3,450,936)	(1,454,304)	(12,414,543)	(17,319,783)
Carrying amount	245,050,174	16,996,835	125,368,324	387,415,333

	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of USD</i>				
	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	
Lease receivables				
Non overdue	20,505	557	4,890	25,952
Less than 30 days overdue	2,424	433	3,642	6,499
31 to 90 days overdue	-	713	731	1,444
91 to 365 days overdue	-	-	3,270	3,270
Over 365 days overdue	-	-	180	180
Gross carrying amount	22,929	1,703	12,713	37,345
Credit loss allowance	(318)	(134)	(1,146)	(1,598)
Carrying amount	22,611	1,569	11,567	35,747

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

8 Lease receivables (Continued)

The effect of collateral at 31 December 2021 is presented for all leases, whether impaired or not, as follows:

<i>In thousands of UZS</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying value of assets	Fair value of collateral	Carrying value of assets	Fair value of collateral
Lease receivables collateralised by:				
- equipment	120,991,770	120,991,770	54,987,523	47,775,011
- motor vehicle	140,584,143	140,584,143	4,542,033	3,946,271
- non-residential real estate	150,123,520	150,123,520	17,565,091	15,261,143
Total lease receivables	411,699,433	411,699,433	77,094,647	66,982,425

As at 31 December 2021 the Company held collateral in the amount of UZS 107,336,153 thousand (USD 9,904 thousand) as security for financial assets that are credit-impaired.

<i>In thousands of USD</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying value of assets	Fair value of collateral	Carrying value of assets	Fair value of collateral
Lease receivables collateralised by:				
- equipment	11,164	11,164	5,074	4,408
- motor vehicle	12,972	12,972	419	364
- non-residential real estate	13,852	13,852	1,620	1,407
Total lease receivables	37,988	37,988	7,113	6,179

The effect of collateral at 31 December 2020 is presented for all leases, whether impaired or not, as follows:

<i>In thousands of UZS</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying value of assets	Fair value of collateral	Carrying value of assets	Fair value of collateral
Lease receivables collateralised by:				
- equipment	113,828,061	113,828,061	28,568,973	24,036,408
- motor vehicle	126,000,172	126,000,172	2,160,233	1,817,505
- non-residential real estate	110,452,137	110,452,137	23,725,540	19,961,402
Total lease receivables	350,280,370	350,280,370	54,454,746	45,815,315

<i>In thousands of USD</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying value of assets	Fair value of collateral	Carrying value of assets	Fair value of collateral
Lease receivables collateralised by:				
- equipment	10,503	10,503	2,636	2,218
- motor vehicle	11,626	11,626	199	168
- non-residential real estate	10,192	10,192	2,189	1,842
Total lease receivables	32,321	32,321	5,024	4,228

The Company obtains collateral valuation at the time of granting leases and generally updates it every two to three years, depending on the significance of the lease exposure. The values of collateral considered in this disclosure are after a valuation haircut of 20-50% applied to consider liquidity and quality of the pledged assets.

8 Lease receivables (Continued)

Reconciliation between gross investment in leases and the present value of minimum lease payments receivables at 31 December 2021 and 2020 are as follows:

<i>In thousands of UZS</i>	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Lease payments receivable at 31 December 2021	286,374,756	371,716,689	532,465	658,623,910
Unearned finance income	(92,181,845)	(77,559,222)	(88,763)	(169,829,830)
Credit loss allowance	(5,146,776)	(11,992,537)	-	(17,139,313)
Present value of lease payments receivable at 31 December 2021	189,046,135	282,164,930	443,702	471,654,767
Lease payments receivable at 31 December 2020	236,592,899	301,876,496	-	538,469,395
Less unearned finance income	(74,052,651)	(59,681,628)	-	(133,734,279)
Less impairment loss provision	(3,659,936)	(13,659,847)	-	(17,319,783)
Present value of lease payments receivable at 31 December 2020	158,880,312	228,535,021	-	387,415,333

<i>In thousands of USD</i>	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Lease payments receivable at 31 December 2021	26,423	34,299	49	60,771
Unearned finance income	(8,506)	(7,156)	(8)	(15,670)
Credit loss allowance	(474)	(1,107)	-	(1,581)
Present value of lease payments receivable at 31 December 2021	17,443	26,036	41	43,520
Lease payments receivable at 31 December 2020	21,831	27,854	-	49,685
Less unearned finance income	(6,833)	(5,507)	-	(12,340)
Less impairment loss provision	(338)	(1,260)	-	(1,598)
Present value of lease payments receivable at 31 December 2020	14,660	21,087	-	35,747

Geographical, currency, maturity and interest rate analysis of lease receivables are disclosed in Note 25.

9 Equipment for leasing

Equipment for leasing represents equipment purchased for leasing purposes and yet to be transferred to the lessees.

	2021 UZS'000	2020 UZS'000	2021 USD'000	2020 USD'000
Equipment at 1 January (at cost)	62,156,468	28,534,277	5,736	2,633
Equipment acquired during the year	250,766,881	110,569,362	23,138	10,202
Equipment transferred to finance leases	(272,065,118)	(76,947,171)	(25,104)	(7,100)
Equipment at 31 December (at cost)	40,858,231	62,156,468	3,770	5,735

At 31 December 2021, the outstanding balance of equipment for leasing mainly consisted of compressor, high speed pipe extrusion line, tractor trailer, weaving machine, chocolate production line and other equipment on lease projects.

10 Prepayments to vendors for leasing equipment

	31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
Foreign vendors	41,157,199	23,315,387	3,797	2,151
Domestic vendors	22,507,897	9,034,646	2,077	834
Total prepayments to vendors for leasing equipment	63,665,096	32,350,033	5,874	2,985

11 Other assets

	31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
Other financial assets				
Loans to employees	4,133,627	3,286,345	381	303
Claims receivables	48,220	11,567	4	1
Other	1,198,055	419,113	110	39
Less: credit loss allowance	(150,318)	(295,076)	(14)	(27)
Total other financial assets	5,229,584	3,421,949	481	316
Other non-financial assets				
Prepaid taxes and other contributions	3,666,274	3,006,811	338	277
Repossessed assets	7,787,374	1,978,115	719	183
Prepaid expenses	2,338,652	1,947,387	216	180
Prepayment to suppliers	1,277,204	632,200	118	58
Other	229,386	281,078	22	25
Less: Provision for impairment of other assets	-	(590,105)	-	(54)
Total other non-financial assets	15,298,890	7,255,486	1,413	669
Total other assets	20,528,474	10,677,435	1,894	985

Loans to employees are long term loans provided to Company's employees at the interest rate of 14%-16% per annum (31 December 2020: 14-16% per annum). At 31 December 2021 no collateral was obtained for loans to employees and no provision was recorded (31 December 2020: no collateral was obtained for loans to employees and no provision was recorded).

Geographical, currency and maturity analysis of other assets are disclosed in Note 25. The information on related party balances is disclosed in Note 28.

12 Borrowings

Borrowing were provided by the following parties:

	31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
National Bank of Uzbekistan	141,269,853	122,070,316	13,035	11,264
Asian Development Bank	103,115,553	104,932,378	9,515	9,682
KDB Bank Uzbekistan	64,201,874	44,091,653	5,924	4,068
BLUEORCHARD COVID-19 EMERGING & FRONTIER MARKETS MSME SUPPORT FUND	53,752,118	-	4,960	-
BLUEORCHARD MICROFINANCE FUND	32,251,272	-	2,976	-
European Bank for Reconstruction and Development	30,470,784	14,497,398	2,812	1,338
AGRIF COOPERATIF U.A.	27,214,137	-	2,511	-
Uzbek-Oman Investment Company LLC	25,000,000	20,285,156	2,307	1,872
AKA AUSFUHRKREDIT-GESELSCHAFT	23,542,754	31,234,908	2,172	2,882
INCOFIN CVSO CVBA-SO	20,479,382	-	1,890	-
INCOFIN INCLUSIVE FINANCE FUND SA	16,842,937	-	1,554	-
DAVR - BANK PJSCB	2,723,191	-	251	-
ARIA SUG'URTA TASHKILOT LLC	1,000,000	-	92	-
Asia Power LLC	565,000	565,000	51	52
Islamic Corporation of Development of Private Sector	-	22,436,070	-	2,070
International Finance Corporation	-	7,400,847	-	683
Total borrowings	542,428,855	367,513,726	50,050	33,911

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

	31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
Borrowings denominated in:				
- USD	288,853,217	180,278,066	26,653	13,599
- UZS	192,710,565	156,000,752	17,782	17,364
- EUR	60,865,073	31,234,908	5,616	2,948
Total borrowings	542,428,855	367,513,726	50,050	33,911

As at 31 December 2021 loan facilities borrowed comprised the following:

- Borrowings from National Bank of Uzbekistan (NBU) are credit lines with a credit limit to the amount equivalent to USD 20 million, currency equivalent of UZS 216,753,200 thousand (at FX rate as at 31 December 2021), which was obtained for financing purchases of lease objects. The credit line can be drawn both in UZS and USD. The loan term does not exceed three years for each individual project. The repayment of the loan principal is in equal monthly instalments. The interest rate on this loan facility ranges between 14%-22% per annum for UZS denominated credit lines and 8% per annum for USD denominated credit lines.
- In accordance with the loan agreement dated 3 March 2017 between the Ministry of Finance of the Republic of Uzbekistan and Asian Development Bank (ADB), ADB issued a loan to the Republic of Uzbekistan for the purpose of the project named "Small Business Finance Project" provided that the Republic of Uzbekistan issues a sub-loan to the Company based on the project agreement dated 3 March 2017 between ADB and the Company and a sub-loan agreement dated 17 May 2017 between the Ministry of Finance of the Republic of Uzbekistan and the Company. Borrowings under the sub-loan agreement amounts to USD 10 million. The repayment of the principal loan amount commenced in November 2021 and is payable in 20 equal instalments of USD 500 thousand each. The interest rate on this loan facility is at LIBOR + 1% per annum. Though the interest rate on this borrowing is lower than the average market rate, based on the Company's assessment the interest rate of the borrowing from ADB reflects a market rate, as the direct purpose of this borrowing is financing of new leases. The Company must comply with financial covenants as stipulated in Note 26.

12 Borrowings (Continued)

- Borrowings from KDB Bank Uzbekistan are UZS and USD denominated loans, which were obtained for financing purchases of lease objects. The loan term does not exceed three years for each individual project. The repayment of the loan principal is in equal monthly instalments. The interest rate on this loan facility ranges between 15%-20% per annum for UZS denominated loans and 8% per annum for USD denominated loans.
- Borrowing from BLUEORCHARD COVID-19 EMERGING & FRONTIER MARKETS MSME SUPPORT FUND (BO COVID-19) on the basis of the loan agreement signed in December 2021 amounts to USD 5 million. The repayment of principal loan amount shall commence in June 2023 and is payable in 4 equal instalments of USD 1,250 thousand each. The interest rate on this loan facility is fixed at 6.7% per annum. The Company must comply with financial covenants as stipulated in Note 26.
- Borrowing from BLUEORCHARD MICROFINANCE FUND (BO MF) on the basis of loan agreement signed in December 2021 amounts to USD 3,000 thousand. The repayment of principal loan amount shall commence in June 2023 and is payable in 4 equal instalments of USD 750 thousand each. The interest rate on this loan facility is fixed at 6.7% per annum. The Company must comply with financial covenants as stipulated in Note 26.
- Borrowing from European Bank for Reconstruction and Development (EBRD) on the basis of loan agreement signed in May 2019 constitutes loan facility totalling USD 4 million. The disbursement will be in two tranches (Tranche 1, Tranche 2). The repayment of the principal loan amount (Tranche 1) commenced in May 2020 and is payable in 13 equal quarterly instalments of USD 154 thousand each. The interest rate on this loan facility is 12.3% per annum. The repayment of the principal loan (Tranche 2) shall commence in August 2022 and is payable in 13 equal quarterly instalments of USD 154 thousand each. The interest rate on this loan facility is 19.15% per annum. The Company must comply with financial covenants as stipulated in Note 26.
- Borrowing from AGRIF COOPERATIF U.A.. (Agrif C.) on the basis of loan agreement signed in April 2021 amounts to USD 3 million. The repayment of principal loan amount shall commence in January 2022 and is payable in 12 equal instalments of USD 250 thousand each. The interest rate on this loan facility is fixed at 6.3% per annum. The Company must comply with financial covenants as stipulated in Note 26.
- Borrowings from Uzbek-Omon Investment Company LLC (UOIC) on the basis of loan agreement signed in December 2019 for UZS 20 billion which is payable in December 2022. The interest rate on these loan facilities is 22% per annum.
- Borrowings from UOIC on the basis of 2 loan agreements signed in March 2021 constitutes UZS 5 billion which is payable in February 2022. The interest rate on these loan facilities is 22% per annum.
- Borrowings from AKA AUSFUHRKREDIT-GESELSCHAFT (AKA AG) on the basis of the loan agreement signed in June 2017 amount to EUR 3,607 thousand. The repayment of the principal loan amount commenced in March 2018 and is payable in 10 equal instalments of EUR 361 thousand each. The interest rate on this loan facility is fixed at CIRR + 0.9% per annum. Maturity date of the loan is September 2022.
- Borrowings from AKA AG on the basis of the loan agreement signed in March 2020 amount to EUR 1,446 thousand. The repayment of the principal loan amount commenced in June 2021 and is payable in 10 equal instalments of EUR 144 thousand each. The interest rate on this loan facility is fixed at EURIBOR +1.85 % per annum. Maturity date of the loan is March 2025.
- Borrowing from INCOFIN CVSO CVBA-SO (Incofin CVSO) on the basis of loan agreement signed in May 2021 amounts to EUR 2 million. The repayment of principal loan amount shall commence in February 2022 and is payable in 12 equal instalments of EUR 167 thousand each. The interest rate on this loan facility is fixed at 5.6% per annum. The Company must comply with financial covenants as stipulated in Note 26.
- Borrowing from INCOFIN INCLUSIVE FINANCE FUND SA (Incofin IFF SA) on the basis of the loan agreement signed in April 2021 amounts to EUR 1,700 thousand. The repayment of principal loan amount shall commence in January 2022 and is payable in 11 equal instalments of EUR 155 thousand each. The interest rate on this loan facility is fixed at 5.6% per annum. The Company must comply with financial covenants as stipulated in Note 26.
- Borrowing from Davr-Bank PJSCB is USD denominated loan, which was obtained for financing purchase of lease object on the basis of loan agreement signed in January 2021 and constitutes USD 330 thousand. The repayment of principal loan commenced in May 2021 and is payable in 32 equal instalments of USD 10 thousand each. The interest rate on this loan facility is fixed at 8% per annum.

12 Borrowings (Continued)

- Borrowing from ARIA SUG'URTA TASHKILOT LLC is on the basis of 2 loan agreements signed in October 2021, amounting to UZS 1 billion. The interest rate on this loan facility is fixed at 21% per annum.
- Borrowing from Asia Power LLC on the basis of loan agreement signed in December 2019 amounts to UZS 565 million. The loan term has been extended till March 2022. The loan is interest free.

Geographical, currency, maturity and interest rate analysis of borrowings are disclosed in Note 25. The information on related party balances is disclosed in Note 28.

13 Lease liabilities

Lease liabilities at 31 December 2021 and 2020 were as follows:

	31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
Lease liabilities	2,382,313	4,489,752	220	414
Total lease liabilities	2,382,313	4,489,752	220	414

Lease liability is due to KDB Bank Uzbekistan on the basis of lease agreement signed in 2019. The lease facility is for the period of three years with annual interest rate of 20%. Principal and interest are payable on a monthly basis. The lease liability is to be repaid fully in 2022.

The asset received under this lease agreement was subsequently subleased to a third party. The sublease arrangement is appropriately accounted for as lease receivable (Note 8).

14 Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of net debt and the movements in the Company's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows.

	Note	Liabilities from financing activities	
		Borrowings, lease liabilities and bonds UZS'000	Borrowings, lease liabilities and bonds USD'000
Liabilities from financing activities at 1 January 2020		349,922,453	32,288
Net cash flows from borrowings		(12,847,777)	(1,186)
Repayment of lease liabilities		(1,191,157)	(110)
Proceeds from bonds		4,000,000	369
Interest paid		(37,078,120)	(3,421)
Interest accrued		38,484,330	3,551
Foreign exchange adjustments		21,905,809	2,021
Borrowing in a form of non-cash transaction		12,994,415	1,199
Liabilities from financing activities at 31 December 2020	12,13	376,189,953	34,711
Net cash flows from borrowings		140,232,889	12,939
Repayment of lease		(2,107,439)	(194)
Repayment of bonds		(4,000,000)	(369)
Interest paid		(42,387,497)	(3,911)
Interest accrued		44,381,064	4,095
Foreign exchange adjustments		5,514,499	510
Borrowing in a form of non-cash transaction		26,987,699	2,490
Liabilities from financing activities at 31 December 2021	12,13	544,811,168	50,270

15 Advances from lessees

	31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
Advances from lessees as				
- Lease prepayments	19,583,955	6,632,333	1,807	612
- Equipment cost prepayments	3,764,170	5,948,671	347	549
Total advances from lessees	23,348,125	12,581,004	2,154	1,161

Advances from lessees represent part of equipment cost and lease payments for leases which had not commenced as at the year end. According to the Company's policy on issue of a new lease, lessees must deposit certain amounts with the Company prior to commencement of the lease. On commencement of the lease, these deposits are adjusted against lessee's future lease payments.

16 Trade payables

	31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
Trade payables for lease equipment and services	2,569,971	6,454,158	237	596
Trade payables for other services and products	-	44,594	-	4
Total trade payables	2,569,971	6,498,752	237	600

Trade payables mainly consist of amounts payable for purchased leased equipment to foreign suppliers on lease objects.

17 Other liabilities

	31 December 2021 UZS'000	31 December 2020 UZS'000	31 December 2021 USD'000	31 December 2020 USD'000
Other financial liabilities				
Other payables	269,166	259,426	25	24
Total other financial liabilities	269,166	259,426	25	24
Other non-financial payables				
Tax payable	636,642	695,701	59	64
Salary related tax payable	962	638	-	-
Salary payables	812,296	667,286	75	62
Total other non-financial liabilities	1,449,900	1,363,625	134	126
Total other liabilities	1,719,066	1,623,051	159	150

18 Share capital

Authorized and paid in capital at 31 December 2021 consisted of 6,023,522 shares with a nominal value of UZS 1,513 per share, issued and fully paid in UZS (2020: 6,023,522 shares with a nominal value of UZS 1,513 per share, issued and fully paid in UZS). Additional paid in capital is attributed to National Bank of Uzbekistan and Uzbek-Oman Investment Company LLC after 1,316,761 additional shares were purchased by both parties in 2015.

	Number of outstanding shares in thousands	Issued share capital UZS'000	Additional paid in capital UZS'000	Total share and paid in capital UZS'000
As at 31 December 2020	6,024	9,113,589	25,714,969	34,828,558
As at 31 December 2021	6,024	9,113,589	25,714,969	34,828,558

	Number of outstanding shares in thousands	Issued share capital USD'000	Additional paid in capital USD'000	Total share and paid in capital USD'000
As at 31 December 2020	6,024	841	2,373	3,214
As at 31 December 2021	6,024	841	2,373	3,214

Dividends declared during 2021 and 2020 are disclosed in Note 23. In accordance with the Charter of the Company, distribution was in direct proportion to the percentage of charter capital contributed.

19 Interest income and interest expenses on leases

	2021 UZS'000	2020 UZS'000	2021 USD'000	2020 USD'000
Interest income on leases				
Interest income - UZS denominated leases	64,966,650	53,806,982	5,995	4,965
Interest income - USD denominated leases	18,740,791	24,219,722	1,729	2,235
Interest income - EUR denominated leases	6,191,710	6,622,253	571	611
Total interest income on leases	89,899,151	84,648,957	8,295	7,811
Interest expenses on leases				
Interest expenses - UZS denominated leases	(1,026,174)	(647,682)	(95)	(60)
Interest expenses - USD denominated leases	(794,440)	(615,359)	(73)	(57)
Interest expenses - EUR denominated leases	(1,072,904)	(145,071)	(99)	(13)
Total interest expenses on leases	(2,893,518)	(1,408,112)	(267)	(130)

Interest expenses on leases include interest accrued on advances received from lessees before lease commencement.

20 Other interest expense

	2021 UZS'000	2020 UZS'000	2021 USD'000	2020 USD'000
National Bank of Uzbekistan	23,219,373	18,241,042	2,142	1,683
Uzbek-Oman Investment Company LLC	5,626,603	5,202,636	519	480
KDB Bank Uzbekistan - loans	4,230,106	3,257,218	390	301
European Bank for Reconstruction and Development	3,196,864	2,179,364	295	201
AKA AUSFUHRKREDIT-GESELSCHAFT	1,373,008	1,420,184	127	131
AGRIF COOPERATIF U.A.	1,337,081	-	123	-
Asian Development Bank	1,302,009	2,153,308	120	199
Islamic Corporation for Development of Private Sector	907,430	2,582,943	84	238
INCOFIN CVSO CVBA-SO	788,637	-	73	-
INCOFIN INCLUSIVE FINANCE FUND SA	784,592	-	72	-
KDB Bank Uzbekistan - lease liabilities	667,048	991,061	62	91
International Finance Corporation	411,898	1,930,355	38	178
DAVR - BANK PJSCB	238,122	-	22	-
BLUEORCHARD COVID-19 EMERGING & FRONTIER MARKETS MSME SUPPORT FUND	100,850	-	9	-
BLUEORCHARD MICROFINANCE FUND	60,510	-	6	-
ARIA SUG'URTA TASHKILOT LLC	32,219	-	3	-
Other	104,714	526,219	10	49
Total other interest expenses	44,381,064	38,484,330	4,095	3,551

The information on related party transactions is disclosed in Note 28.

21 Other operating income

	2021 UZS'000	2020 UZS'000	2021 USD'000	2020 USD'000
Gain on disposal of equipment for lease	4,494,434	1,064,776	415	98
Other income	3,405,806	1,384,076	314	128
Total other operating income	7,900,240	2,448,852	729	226

Gain on disposal of equipment for lease mostly consists of gains realised from disposal of lease equipment to lessees.

22 Administrative and other operating expenses

	2021 UZS'000	2020 UZS'000	2021 USD'000	2020 USD'000
Wages and salaries	14,730,660	10,080,444	1,359	930
Rent expense	2,800,355	2,282,651	258	211
Professional services	1,225,423	294,887	113	27
Representative and office expenditure	1,000,201	999,984	92	92
Taxes	712,032	64,059	66	6
Bank charges	572,615	972,801	53	90
Vehicle maintenance	544,005	285,932	50	26
Supervisory board remuneration	516,389	248,036	48	23
Depreciation	434,591	371,322	40	34
Business trip expenses	277,554	129,728	26	12
Insurance	375,432	106,051	35	10
Charity	186,855	177,503	17	16
Advertising and marketing	116,290	274,165	11	25
Utilities	92,961	75,455	9	7
Communication	56,645	45,464	5	4
Training	37,409	29,826	3	3
Other expenses	3,963,991	2,247,181	366	208
Total administrative and other operating expenses	27,643,408	18,685,489	2,551	1,724

23 Dividends

	2021 UZS'000	2020 UZS'000	2021 USD'000	2020 USD'000
Dividends payable at 1 January	-	-	-	-
Dividends declared during the year	11,806,103	10,300,223	1,089	950
Dividends paid during the year	(11,806,103)	(10,300,223)	(1,089)	(950)
Dividends payable at 31 December	-	-	-	-
Dividends per share declared during the year	1,960	1,710	0.18	0.16

All dividends are declared and paid in UZS or in USD equivalent on the transaction date.

24 Income taxes

(a) Components of income tax

Income tax expense is comprised of the following:

	2021 UZS'000	2020 UZS'000	2021 USD'000	2020 USD'000
Current tax	5,372,014	4,837,788	496	447
Deferred tax benefit	(1,483,612)	(1,644,661)	(137)	(152)
Income tax expense for the year	3,888,402	3,193,127	359	295

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the income of the Company in 2021 is 15% (2020: 15%). A reconciliation between the expected and the actual taxation charge is provided below.

24 Income taxes (Continued)

	2021 UZS'000	2020 UZS'000	2021 USD'000	2020 USD'000
Profit before income tax	25,714,476	15,016,254	2,373	1,387
Theoretical tax charge at statutory rate (2021: 15%; 2020: 15%)	3,857,171	2,252,438	356	208
Non-deductible expenses	31,231	614,430	3	57
Change in tax rate from 12% to 15% in 2020	-	326,259	-	30
Income tax expenses for the year	3,888,402	3,193,127	359	295

(c) Deferred taxes analysed by type of temporary difference

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

	1 January 2021 UZS'000	Credited/ (charged) to profit or loss UZS'000	31 December 2021 UZS'000	1 January 2021 USD'000	Credited/ (charged) to profit or loss USD'000	31 December 2021 USD'000
Provision for credit loss allowance	1,913,091	695,790	2,608,881	177	64	241
Deferral of lease origination fee income	896,123	443,409	1,339,532	83	41	124
Deferral of loan origination fee expense	(297,809)	196,877	(100,932)	(27)	18	(9)
Accrual of interest on leases using effective interest rate method	912,533	420,110	1,332,643	85	39	123
Other	134,088	(272,574)	(138,486)	12	(25)	(13)
Net deferred tax asset	3,558,026	1,483,612	5,041,638	329	137	466

	1 January 2020 UZS'000	Credited/ (charged) to profit or loss UZS'000	31 December 2020 UZS'000	1 January 2020 USD'000	Credited/ (charged) to profit or loss USD'000	31 December 2020 USD'000
Provision for credit loss allowance	1,047,383	865,708	1,913,091	97	80	177
Deferral of lease origination fee income	857,453	38,670	896,123	79	4	83
Deferral of loan origination fee expense	(448,129)	150,320	(297,809)	(41)	14	(27)
Accrual of interest on leases using effective interest rate method	298,570	613,963	912,533	28	57	85
Other	158,088	(24,000)	134,088	15	(3)	12
Net deferred tax asset	1,913,365	1,644,661	3,558,026	177	152	329

25 Financial risk management

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

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's leasing and other transactions with counterparties giving rise to financial assets and off-balance sheet credit-related commitments.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one lease, or groups of leases. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Company has Supervisory Board which is responsible for approving leases above a certain credit limit for individual borrowers:

- Leases of USD 600,000 (or its equivalent in other currencies) or less are approved by the resolution of General Director and the Investment Committee of the Company.
- Leases greater than USD 600,000 (or its equivalent in other currencies) are approved by the Supervisory Board, subject to the recommendation of the General Director and the Investment Committee of the Company.

Lease applications originated by the Investment Department are passed on to the Investment Committee for approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. In order to monitor credit risk exposures, regular reports are produced by the Monitoring and Risks Department's officers based on a structured analysis focusing on the customer's business and financial performance. Any significant exposure from customers with deteriorating creditworthiness is reported to, and reviewed by, Investment Committee. The Company does not use formalised internal credit ratings to monitor exposure to credit risk.

The Company's Monitoring and Risks Department reviews aging analysis of outstanding leases and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 8.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Company applies two approaches – an age-based rating system or risk grades estimated by external international rating agencies (Standard & Poor's - "S&P", Fitch, Moody's). Age-based ratings and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default.

The age-based rating system is designed internally. The Company applies age-based rating systems for measuring credit risk for the following financial assets: leases, loan to other companies, and other financial assets.

The rating models are regularly reviewed by the Investment Committee, backtested on actual default data and updated, if necessary. Despite the method used, the Company regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding range of probabilities of default ("PD") are applied for the following financial instruments: cash and cash equivalents, due from the banks balances, and restricted cash.

25 Financial risk management (Continued)

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

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

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

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

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

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

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

- The borrower is more than 90 days past due on its contractual payments.
- Restructuring of the receivables due to deterioration of the financial position of the borrower, which includes following restructuring terms:
 - Provision of deferral of interest repayment for a period exceeding 90 days and/or;
 - A change in the repayment schedule of the principal debt, in which the total payments in the next 12 months are reduced by more than 50% compared to the original repayment schedule and/or;
 - Extension of the loan agreement by more than 12 months in comparison with the original maturity and/or;
 - Amendments to the repayment schedule of the body or interest and/or interest rate, as a result of which the present value of contractual cash flows under a modified contract, is more than 10% lower than the present value of cash flows under the original terms of the contract.
- Initiation of a bankruptcy or bankruptcy of a debtor.
- Presence of an event of impairment (default) at the reporting date, which affected the classification of other financial instruments of the debtor in the Company as Stage 3.
- Initiation/presence of legal proceedings on the borrower's debt to the Company (Company being both as a plaintiff and a defendant).

For purposes of disclosure, the Company fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Company (except for those to be assessed based on external ratings and/or assessed through simplified method of testing).

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of

25 Financial risk management (Continued)

the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment of whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. For lease receivables and other financial assets, SICR is assessed either on a portfolio basis or an individual basis, depending on the significance threshold. The criteria used to identify a SICR are monitored and reviewed periodically for appropriateness by the Company's monitoring department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The Company decided not to use the low credit risk assessment exemption for investment grade financial assets. Hence, even assets of an investment grade are assessed whether there has been a SICR.

The Company considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For lease receivables and other financial assets:

- 30 days past due;
- award of risk grade "Special monitoring";
- SICR based on relative threshold based on external ratings. The following thresholds are used for external ratings: decrease of rating by 2 notches, which corresponds to approximate increase of PD by 2.5 times.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Company monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Company therefore only recognises the cumulative changes in lifetime expected credit losses.

The Company has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: ratings based aging of overdue are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings; and (iii) assessment based on external ratings. The Company performs an assessment on a portfolio basis for lease receivables, loan to employees and other financial assets.

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

25 Financial risk management (Continued)

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

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products. This will also be adjusted for any expected overpayments made by a borrower.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument.

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or
- individually defined LGD depending on different factors and scenarios.

The Company calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the lease portfolio.

Principles of assessment based on external ratings. Certain exposures have external credit risk ratings, and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies.

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Company identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Company's monitoring team and provide the best estimate of the expected macro-economic development over the next three years.

In addition to the base economic scenario, the Company's Monitoring department also provides other possible scenarios along with scenario weightings. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible outcomes of which each chosen scenario is representative.

The Company regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed at least once a year.

The results of backtesting the ECL measurement methodology are communicated to Company's Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

Management periodically assesses the financial performance of lessees by monitoring debts outstanding and analyzing their financial reports.

The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Company since the prior period.

25 Financial risk management (Continued)

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

Currency risk. The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. To minimise foreign currency fluctuation risks related to lease receivables, the Company concludes lease contracts denominated in USD and EURO, which lease payments should be settled in UZS by using interbank exchange rate on the date of payment. The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2021 and 2020:

In thousands of UZS	31 December 2021			31 December 2020		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
USD	219,472,700	(282,352,908)	(62,880,208)	114,161,197	(153,839,020)	(39,677,823)
EUR	62,449,290	(61,066,783)	1,382,507	46,987,040	(31,945,584)	15,041,456
Total	281,921,990	(343,419,691)	(61,497,701)	161,148,237	(185,784,604)	(24,636,367)

In thousands of USD	31 December 2021			31 December 2020		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
USD	20,250	(26 053)	(5 803)	10,534	(14 195)	(3 661)
EUR	5,762	(5 635)	127	4,336	(2 948)	1 388
Total	26,012	(31 688)	(5 676)	14,870	(17 143)	(2 273)

The above analysis includes only monetary assets and liabilities. Non-monetary assets are not considered to give rise to currency risk.

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

In thousands of UZS	31 December 2021	31 December 2020
	Impact on profit or loss and equity	Impact on profit or loss and equity
USD strengthening by 14% (2020: 14%)	(7 482 745)	(4 721 661)
USD weakening by 14% (2020: 14%)	7 482 745	4 721 661
EUR strengthening by 12% (2020: 12%)	141 016	1 534 229
EUR weakening by 12% (2020: 12%)	(141 016)	(1 534 229)

In thousands of USD	31 December 2021	31 December 2020
	Impact on profit or loss and equity	Impact on profit or loss and equity
USD strengthening by 14% (2020: 14%)	(690)	(436)
USD weakening by 14% (2020: 14%)	690	436
EUR strengthening by 12% (2020: 12%)	13	142
EUR weakening by 12% (2020: 12%)	(13)	(142)

25 Financial risk management (Continued)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

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

Financing of lease receivables is primarily provided by the Company's capital and borrowings from the International and domestic financial institutions. Interest rates of international and domestic financial institutions are either fixed or linked to LIBOR and EURIBOR. The effective interest rate on the leases remains fixed for the lease term. As a result, the Company is exposed to fair value interest rate risk.

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

In thousands of UZS	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	From 5 to 10 years	More than 10 years	Total
31 December 2021							
Total financial assets	125,983,430	30,365,512	128,232,850	284,740,490	611,610	184	569,934,076
Total financial liabilities	299,699,648	25,368,672	97,602,516	124,979,469	-	-	547,650,305
Net interest sensitivity surplus	(173 716 218)	4,996,840	30,630,334	159,761,021	611,610	184	22,283,771
31 December 2020							
Total financial assets	35,798,493	24,947,028	112,836,663	230,547,716	-	-	404,129,900
Total financial liabilities	38 969 181	47,732,159	79,896,486	158,727,245	52,384,600	5,238,460	382 948 131
Net interest sensitivity surplus	(3 170 688)	(22,785,131)	32,940,177	71,820,471	(52,384,600)	(5,238,460)	21 181 769

In thousands of UZS	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	From 5 to 10 years	More than 10 years	Total
31 December 2021							
Total financial assets	11,624	2,802	11,832	26,272	56	-	52,586
Total financial liabilities	27,653	2,341	9,006	11,532	-	-	50,532
Net interest sensitivity surplus	(16,029)	461	2,826	14,740	56	-	2,054
31 December 2020							
Total financial assets	3,302	2,302	10,412	21,273	-	-	37,289
Total financial liabilities	3,596	4,404	7,372	14,646	4,834	483	35 335
Net interest sensitivity surplus	(294)	(2,102)	3,040	6,627	(4,834)	(483)	1 954

25 Financial risk management (Continued)

At 31 December 2021, if interest rates at that date were 200 basis points lower (2020: 200 basis points lower) with all other variables held constant, profit for the year would have been UZS 1,307,567 thousand (USD 121 thousand) higher (2020: UZS 373,964 thousand (USD 35 thousand) lower) mainly as a result of lower interest expense on variable interest liabilities. If interest rates at the same date were 200 basis points higher the effect would be with the same amounts but with an opposite result

The Company monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel.

The sign "-" in the table below means that the Company does not have the respective assets or liabilities in the corresponding currency.

In % yield p.a.	2021			2020		
	UZS	USD	Euro	UZS	USD	Euro
Assets						
Lease receivables	3%-68%	9%-32%	9%-26%	3%-68%	9%-32%	9%-26%
Other financial assets	14%-16%	-	-	14%-16%	-	-
Liabilities						
<i>Borrowings:</i>						
Loan from National Bank of Uzbekistan	14%-22%	8%	-	14%-22%	8%	-
European Bank for Reconstruction and Development	12.3%-19.15%	-	-	12.3%	-	-
Loan from AKA AUSFUHRKREDITGESELSCHAFT	-	-	EURIBOR +1.85%, 0.9%+ CIRR	-	-	EURIBOR OR +1.85 %, 0.9%+ CIRR
Financing from Islamic Corporation of Development of Private Sector	-	-	-	-	9%	-
Loan from International Finance Corporation	-	-	-	-	9.69%	-
Lease liabilities from KDB Bank Uzbekistan	20%	-	-	20%	-	-
Loan from KDB Bank Uzbekistan	15%-20%	8%	-	15%-20%	8%	-
Loan from Uzbek-Omon Investment Company	22%	-	-	22%	-	-
AGRIF COOPERATIF U.A.	-	6.3%	-	-	-	-
INCOFIN INCLUSIVE FINANCE FUND SA	-	-	5.6%	-	-	-
INCOFIN CVSO CVBA-SO	-	-	5.6%	-	-	-
DAVR - BANK PJSCB	-	8%	-	-	-	-
BLUEORCHARD COVID-19 EMERGING & FRONTIER MARKETS MSME SUPPORT FUND	-	6.7%	-	-	-	-
BLUEORCHARD MICROFINANCE FUND	-	6.7%	-	-	-	-
ARIA SUG'URTA TASHKILOT LLC	21%	-	-	-	-	-

25 Financial risk management (Continued)

Geographical risk concentrations. The geographical concentration of the Company's assets and liabilities at 31 December 2021 is set out below:

In thousands of UZS	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	80,008,443	-	-	80,008,443
Due from banks	13,041,282	-	-	13,041,282
Lease receivables	471,654,767	-	-	471,654,767
Other financial assets	5,229,584	-	-	5,229,584
Total financial assets	569,934,076	-	-	569,934,076
Non-financial assets	126,188,108	-	-	126,188,108
Total assets	696,122,184	-	-	696,122,184
Liabilities				
Borrowings	337,875,470	204,553,385	-	542,428,855
Lease liabilities	2,382,313	-	-	2,382,313
Trade payables	724,188	290,579	1,555,204	2,569,971
Other financial liabilities	269,166	-	-	269,166
Total financial liabilities	341 251 137	204 843 964	1 555 204	547 650 305
Non-financial liabilities	24 798 025	-	-	24 798 025
Total liabilities	366 049 162	204 843 964	1 555 204	572 448 330
Net position	330 073 022	(204 843 964)	(1 555 204)	123 673 854

25 Financial risk management (Continued)

In thousands of USD	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	7,382	-	-	7,382
Due from banks	1,203	-	-	1,203
Lease receivables	43,520	-	-	43,520
Other financial assets	481	-	-	481
Total financial assets	52,586	-	-	52,586
Non-financial assets	11,646	-	-	11,646
Total assets	64,232	-	-	64,232
Liabilities				
Borrowings	31,176	18,874	-	50,050
Lease liabilities	220	-	-	220
Trade payables	67	27	143	237
Other financial liabilities	25	-	-	25
Total financial liabilities	31,488	18,901	143	50,532
Non-financial liabilities	2,288	-	-	2,288
Total liabilities	33,776	18,901	143	52,820
Net position	30,456	(18,901)	(143)	11,412

25 Financial risk management (Continued)

The geographical concentration of the Company's financial assets and liabilities at 31 December 2020 is set out below:

In thousands of UZS	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	8,369,996	-	-	8,369,996
Due from banks	4,922,622	-	-	4,922,622
Lease receivables	387,415,333	-	-	387,415,333
Other financial assets	3,421,949	-	-	3,421,949
Total financial assets	404,129,900	-	-	404,129,900
Non-financial assets	106,416,743	-	-	106,416,743
Total assets	510,546,643	-	-	510,546,643
Liabilities				
Borrowings	186,447,125	45,732,306	135,334,295	367,513,726
Lease liabilities	4,489,752	-	-	4,489,752
Trade payables	44,594	-	6,454,158	6,498,752
Other financial liabilities	259,426	-	-	259,426
Bonds	4,186,475	-	-	4,186,475
Total financial liabilities	195 427 372	45,732,306	141,788,453	382,948,131
Non-financial liabilities	13 944 629	-	-	13,944,629
Total liabilities	209,372,001	45,732,306	141,788,453	396,892,760
Net balance sheet position	301,174,642	(45,732,306)	(141,788,453)	113,653,883

25 Financial risk management (Continued)

<i>In thousands of USD</i>	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	772	-	-	772
Due from banks	454	-	-	454
Lease receivables	35,747	-	-	35,747
Other financial assets	316	-	-	316
Total financial assets	37,289	-	-	37,289
Non-financial assets	9,820	-	-	9,820
Total assets	47,109	-	-	47,109
Liabilities				
Borrowings	17,204	4,220	12,487	33,911
Lease liabilities	414	-	-	414
Bonds	386	-	-	386
Trade payables	4	-	596	600
Other financial liabilities	24	-	-	24
Total financial liabilities	18,032	4,220	13,083	35,335
Non-financial liabilities	1,287	-	-	1,287
Total liabilities	19,319	4,220	13,083	36,622
Net position	27,790	(4,220)	(13,083)	10,487

Assets and liabilities have been based on the country, in which the counterparty is located. Balances with Uzbekistan counterparties actually outstanding to/from offshore companies of these Uzbek counterparties, are allocated to the caption "Uzbekistan".

Liabilities in OECD countries include borrowings and payables in companies and financial institutions of the United States of America, United Kingdom, Germany, Belgium, Luxembourg, the Netherlands and Austria.

Liabilities in non-OECD countries include payables in companies and financial institutions of China.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by Finance and Administration Department of the Company through regular monitoring and liquidity stress testing under the variety of scenarios covering both normal and more severe market conditions.

The table below shows liabilities at 31 December 2021 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

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

25 Financial risk management (Continued)

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

In thousands of UZS	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	From 5 to 10 years	More than 10 years	Total
Financial assets							
Cash and cash equivalents	80,008,443	-	-	-	-	-	80,008,443
Due from banks	13,041,282	-	-	-	-	-	13,041,282
Lease receivables	44,839,290	48,170,846	193,364,620	371,716,689	532,465	-	658,623,910
Other financial assets	1,086,281	323,140	1,384,683	4,249,990	412,708	-	7,456,802
Total financial assets, undiscounted	138,975,296	48,493,986	194,749,303	375,966,679	945,173	-	759,130,437
Financial liabilities							
Borrowings	294,371,348	25,489,891	103,145,904	162,980,943	-	-	585,988,086
Lease liabilities	304,407	608,813	2,739,660	-	-	-	3,652,880
Trade payables	2,569,971	-	-	-	-	-	2,569,971
Other financial liabilities	269,166	-	-	-	-	-	269,166
Total financial liabilities, undiscounted	297,514,892	26,098,704	105,885,564	162,980,943	-	-	592,480,103
Liquidity (deficit)/ surplus arising from financial instruments	(158 539 596)	22,395,282	88,863,739	212,985,736	945,173	-	166 650 334

25 Financial risk management (Continued)

In thousands of USD	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	From 5 to 10 years	More than 10 years	Total
Financial assets							
Cash and cash equivalents	7,382	-	-	-	-	-	7,382
Due from banks	1,203	-	-	-	-	-	1,203
Lease receivables	4,137	4,445	17,842	34,299	49	-	60,772
Other financial assets	100	30	128	392	38	-	688
Total financial assets, undiscounted	12,822	4,475	17,970	34,691	87	-	70,045
Financial liabilities							
Borrowings	27,162	2,352	9,517	15,038	-	-	54,069
Lease liabilities	28	56	253	-	-	-	337
Trade payables	237	-	-	-	-	-	237
Other financial liabilities	25	-	-	-	-	-	25
Total financial liabilities, undiscounted	27 452	2,408	9,770	15,038	-	-	54 669
Liquidity (deficit)/ surplus arising from financial instruments	(14 630)	2,067	8,200	19,653	87	-	15 376

25 Financial risk management (Continued)

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

<i>In thousands of UZS</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	From 5 to 10 years	More than 10 years	Total
Financial assets							
Cash and cash equivalents	8,369,996	-	-	-	-	-	8,369,996
Due from banks	4,922,622	-	-	-	-	-	4,922,622
Lease receivables	31,117,015	39,413,867	166,062,017	301,876,496	-	-	538,469,395
Other financial assets	305,783	286,203	1,204,654	2,413,532	13,693	-	4,223,865
Total financial assets, undiscounted	44,715,416	39,700,070	167,266,671	304,290,028	13,693	-	555,985,878
Financial liabilities							
Borrowings	32,178,249	45,647,415	82,483,120	190,891,757	57,334,945	5,337,467	413,872,953
Lease liabilities	285,510	571,020	2,569,590	2,569,590	-	-	5,995,710
Bonds	62,849	2,575,233	217,699	1,643,699	-	-	4,499,480
Trade payables	6,498,752	-	-	-	-	-	6,498,752
Other financial liabilities	259,426	-	-	-	-	-	259,426
Total financial liabilities, undiscounted	39,284,786	48,793,668	85,270,409	195,105,046	57,334,945	5,337,467	431,126,321
Liquidity (deficit)/ surplus arising from financial instruments	5,430,630	(9,093,598)	81,996,262	109,184,982	(57,321,252)	(5,337,467)	124,859,557

25 Financial risk management (Continued)

In thousands of USD	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	From 5 to 10 years	More than 10 years	Total
Financial assets							
Cash and cash equivalents	772	-	-	-	-	-	772
Due from banks	454	-	-	-	-	-	454
Lease receivables	2,871	3,637	15,323	27,854	-	-	49,685
Other financial assets	28	26	111	223	4	-	392
Total financial assets, undiscounted	4,125	3,663	15,434	28,077	4	-	51,303
Financial liabilities							
Borrowings	2,969	4,212	7,611	17,614	5,290	492	38,188
Lease liabilities	26	53	237	237	-	-	553
Bonds	6	238	20	152	-	-	416
Trade payables	600	-	-	-	-	-	600
Other financial liabilities	24	-	-	-	-	-	24
Total financial liabilities, undiscounted	3 625	4,503	7,868	18,003	5,290	492	39 781
Liquidity (deficit)/ surplus arising from financial instruments	500	(840)	7,566	10,074	(5,286)	(492)	11 522

25 Financial risk management (Continued)

The Company does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Company monitors expected maturities and the resulting expected liquidity gap as follows:

In thousands of UZS	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	From 5 to 10 years	More than 10 years	Total
31 December 2021							
Total financial assets	125,983,430	30,365,512	128,232,850	284,740,490	611,610	184	569,934,076
Total financial liabilities	299,699,648	25,368,672	97,602,516	124,979,469	-	-	547,650,305
Net liquidity gap based on expected maturities	(173,716,218)	4,996,840	30,630,334	159,761,022	611,610	184	22,283,771
31 December 2020							
Total financial assets	35,798,493	24,947,028	112,836,663	230,547,716	-	-	404,129,900
Total financial liabilities	38,969,181	47,732,159	79,896,486	158,727,245	52,384,600	5,238,460	382,948,131
Net liquidity gap based on expected maturities	(3,170,688)	(22,785,131)	32,940,177	71,820,471	(52,384,600)	(5,238,460)	21,181,769
In thousands of USD							
31 December 2021							
Total financial assets	11,624	2,802	11,832	26,272	56	-	52,586
Total financial liabilities	27,653	2,341	9,006	11,532	-	-	50,532
Net liquidity gap based on expected maturities	(16,029)	461	2,826	14,740	56	-	2,054
31 December 2020							
Total financial assets	3,302	2,302	10,412	21,273	-	-	37,289
Total financial liabilities	3,596	4,404	7,372	14,646	4,834	483	35,335
Net liquidity gap based on expected maturities	(294)	(2,102)	3,040	6,627	(4,834)	(483)	1,954

As at 31 December 2021 the Company breached covenants under loan agreements with ADB, EBRD, BO COVID-19, and BO MF. The breach of covenants in these loan agreements resulted in a cross-default event under loan agreement with EBRD, BO COVID-19, BO MF, Incofin IFF SA, Incofin CVSO and Agrif C. As a result, the loan balances under these agreements in the total amount of UZS 284,126,183 thousand (USD 26,217 thousand) were classified as on demand in the liquidity table above. This resulted in a negative liquidity gap up to one month in the amount of UZS 173,716,218 thousand (USD 16,029 thousand) and up to twelve months in the amount of UZS 138,089,044 thousand (USD 12,742 thousand). These factors considered in conjunction with continuing economic and political changes taking place in the Republic of Uzbekistan, indicate that the Company's ability to continue as a going concern is dependent on the intention of international financial institutions to continue financing the Company and the management's ability to obtain additional financing to manage liquidity. Based on the management's assessment the Company will be able to meet the negative liquidity gap: 1) as the Company was able to generate positive operating cash flows for the year ended

25. Financial risk management (Continued)

31 December 2022 and will be able to generate positive future operating cash flows, and 2) as the Company is able to manage the expectations of international financial institutions and obtained relevant waivers. In 2022, the Company received a waiver regarding breaches of covenants under loan agreement with EBRD for the breaches of "capital to asset ratio" and "liquidity ratios". In addition, in 2022 the Company signed amendment agreements with BO COVID-19 and BO MF to waive the breaches of "capital adequacy ratio" on 31 December 2021. In relation to the "capital to asset ratio" covenant breach of ADB loan, the Company does not consider the breach may result in negative impact on its liquidity position. The loan proceeds were obtained by the Company under the subsidized Loan Agreement between the Company and the Ministry of Finance #3405-UZB dated 17 May 2017, which was financed from the loan agreement dated 3 March 2017 between the Ministry of Finance of the Republic of Uzbekistan and ADB (Original loan). The Ministry of Finance is due to repay the Original loan on 30 June 2022, while the Company's debt to the Ministry of Finance will be repayable in accordance with the schedule as per the terms of the subsidized Loan #3405-UZB dated 17 May 2017. Based on factors mentioned above the management believes that there is no material uncertainty about the Company's ability to operate as a going concern.

Moreover, the Company monitors its liquidity position based on expected maturities as if no covenant breach and cross defaults occur. As at 31 December 2021, the Company's expected maturities and liquidity gaps without effects of covenant breaches are as follows:

In thousands of UZS	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	From 5 to 10 years	More than 10 years	Total
31 December 2021							
Total financial assets	125 983 430	30 365 512	128 232 850	284 740 490	611 610	184	569 934 076
Total financial liabilities	21 890 783	28 849 924	135 956 417	312 183 711	43 350 640	5 418 830	547 650 305
Net liquidity gap based on expected maturities	104 092 647	1 515 588	(7 723 567)	(27 443 221)	(42 739 030)	(5 418 646)	22 283 771
31 December 2020							
Total financial assets	35 798 493	24 947 028	112 836 663	230 547 716	-	-	404 129 900
Total financial liabilities	24 531 381	25 456 418	106 503 566	168 833 706	52 384 600	5 238 460	382 948 131
Net liquidity gap based on expected maturities	11 267 112	(509 390)	6 333 097	61 714 010	(52 384 600)	(5 238 460)	21 181 769

25. Financial risk management (Continued)

In thousands of USD	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	From 5 to 10 years	More than 10 years	Total
31 December 2021							
Total financial assets	11 624	2 802	11 832	26 272	56	-	52 586
Total financial liabilities	2 020	2 662	12 545	28 805	4 000	500	50 532
Net liquidity gap based on expected maturities	9 604	140	(713)	(2 533)	(3 944)	(500)	2 054
31 December 2020							
Total financial assets	3 302	2 302	10 412	21 273	-	-	37 289
Total financial liabilities	2 264	2 349	9 827	15 578	4 834	483	35 335
Net liquidity gap based on expected maturities	1 038	(47)	585	5 695	(4 834)	(483)	1 954

26 Contingencies and commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these financial statements.

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

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

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

Accordingly, at 31 December 2021 no provision for potential tax liabilities was recorded (31 December 2020: no provision). The Company estimates that it has no potential obligations from exposure to other than remote tax risks (31 December 2020: no obligations).

Capital expenditure commitments. The Company had no material commitments for capital expenditures outstanding as at 31 December 2021.

Compliance with covenants. In accordance with loan agreements with foreign financial institutions the Company is obligated to comply with certain financial covenants. As at 31 December 2021 the Company has covenant breaches associated with loan agreements with ADB, EBRD, BO COVID-19 and BO MF which resulted in a cross-default event in a loan agreements with EBRD, BO COVID-19, BO MF, Incofin CVSO and Agrif C. U.A. As a result, based on contractual arrangements the loans from:

- ADB amounting UZS 103,115,553 thousand (USD 9,515 thousand)
 - EBRD amounting UZS 30,470,784 thousand (USD 2,812 thousand)
 - BO COVID-19 amounting UZS 53,752,118 thousand (USD 4,960 thousand)
 - BO MF amounting UZS 32,251,272 thousand (USD 2,976 thousand)
 - Incofin IFF SA amounting UZS 16,842,937 thousand (USD 1,554 thousand)
 - Incofin CVSO amounting UZS 20,479,382 thousand (USD 1,890 thousand) and
 - Agrif C. amounting UZS 27,214,137 thousand (USD 2,511 thousand)
- were classified as payable on demand as at 31 December 2021.

27 Fair value disclosures

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

27. Fair value disclosures (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 31 December 2021 are as follows:

n thousands of UZS	Level 2 UZS'000	Level 3 UZS'000	Carrying value UZS'000	Level 2 USD'000	Level 3 USD'000	Carrying value USD'000
Assets						
Cash and cash equivalents	80,008,443	-	80,008,443	7,382	-	7,382
Due from banks	13,041,282	-	13,041,282	1,203	-	1,203
Lease receivables	-	471,654,767	471,654,767	-	43,520	43,520
Other financial assets	-	5,229,584	5,229,584	-	481	481
Total financial assets	93,049,725	476,884,351	569,934,076	8,585	44,003	52,586
Liabilities						
Borrowings	-	542,428,855	542,428,855	-	50,050	50,050
Lease liabilities	-	2,382,313	2,382,313	-	220	220
Trade payables	-	2,569,971	2,569,971	-	237	237
Other financial liabilities	-	269,166	269,166	-	25	25
Total financial liabilities	-	547,650,305	547,650,305	-	50,532	50,532

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 31 December 2020 are as follows:

In thousands of UZS	Level 2 UZS'000	Level 3 UZS'000	Carrying value UZS'000	Level 2 USD'000	Level 3 USD'000	Carrying value USD'000
Assets						
Cash and cash equivalents	8,369,996	-	8,369,996	772	-	772
Due from banks	4,922,622	-	4,922,622	454	-	454
Lease receivables	-	387,415,333	387,415,333	-	35,747	35,747
Other financial assets	-	3,421,949	3,421,949	-	316	316
Total financial assets	13,292,618	390,837,282	404,129,900	1,226	36,063	37,289
Liabilities						
Borrowings	-	367,513,726	367,513,726	-	33,911	33,911
Lease liabilities	-	4,489,752	4,489,752	-	414	414
Bonds	-	4,186,475	4,186,475	-	386	386
Trade payables	-	6,498,752	6,498,752	-	600	600
Other financial liabilities	-	259,426	259,426	-	24	24
Total financial liabilities	-	382,948,131	382,948,131	-	35,335	35,335

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

28. Related party balances and transactions

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

National Bank of Uzbekistan and Uzbek-Oman Investment Company LLC are government-owned entities that have 41.6% and 38.7% of the shares and voting rights of the Company respectively and this ownership allows the Government a significant influence over the Company. The Company's transactions with entities

that are either controlled or jointly controlled by the Government are not significant. The Company applies the exemption in IAS 24 Related party disclosures that allows to present reduced related party disclosures regarding transactions with government-related entities.

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

	Shareholders		Supervisory Board		Key Management personnel	
	UZS'000	USD'000	UZS'000	USD'000	UZS'000	USD'000
Cash and cash equivalents	79,161,558	7,304	-	-	-	-
Due from banks	13,041,282	1,203	-	-	-	-
Gross amount of loans to employees (contractual interest rate: 14-16%)	-	-	-	-	1,184,034	109
Borrowings (contractual interest rate: 8-22%)	166,269,853	15,342	-	-	-	-

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

	Shareholders		Supervisory Board		Key Management personnel	
	UZS'000	USD'000	UZS'000	USD'000	UZS'000	USD'000
Cash and cash equivalents	7,995,123	738	-	-	-	-
Due from banks	4,922,622	454	-	-	-	-
Gross amount of loans to employees (contractual interest rate: 14-16%)	-	-	-	-	1,019,155	94
Borrowings (contractual interest rate: 14-22%)	142,355,472	13,136	-	-	-	-

The income and expense items with related parties for 2021 were as follows:

	Shareholders		Supervisory Board		Key Management personnel	
	UZS'000	USD'000	UZS'000	USD'000	UZS'000	USD'000
Interest expense	28,845,976	2,661	-	-	-	-
Interest income on loans to employees	-	-	-	-	144 344	13
Management salaries	-	-	-	-	1 028 131	95
Supervisory board remuneration	-	-	477,156	44	-	-
Commission fees charged by NBU	551,922	51	-	-	-	-

The income and expense items with related parties for 2020 were as follows:

	Shareholders		Supervisory Board		Key Management personnel	
	UZS'000	USD'000	UZS'000	USD'000	UZS'000	USD'000
Interest expense	23,443,678	2,163	-	-	-	-
Interest income on loans to employees	-	-	-	-	121,814	12
Management salaries	-	-	-	-	903,706	83
Supervisory board remuneration	-	-	248,036	23	-	-
Commission fees charged by NBU	936,549	86	-	-	-	-

29 Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Company managed as 31 December 2021 was UZS 123,673,854 thousand /USD 11,412 thousand (2020: UZS 113,653,883 thousand/ USD 10,487 thousand).

30 Events after the end of reporting period

In February 2022, following the commencement of military operations in Ukraine by the Russian Federation, additional sanctions were introduced by the United States of America, the European Union and some other countries against Russia. Moreover, there is an increased risk that even further sanctions may be introduced. This may have adverse impact on Uzbekistan's economy also. These events have led to increased volatility of financial markets (including UZS to USD exchange rate) and significantly increased the level of economic uncertainty in Uzbekistan business environment.

The Company received financing from Uzbek-Oman Investment Company LLC. Funds were provided in accordance with the loan agreement signed in January 2022 amounting to UZS 5 bln with maturity in December 2022.