

**OPEN JOINT STOCK COMPANY
“KHUJAND INTERNATIONAL
AIRPORT”**

Financial statements
for the years ended December 31, 2022 and 2021

and Independent auditors' report



OJSC "KHUJAND INTERNATIONAL AIRPORT"

CONTENT

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021	2
INDEPENDENT AUDITORS' REPORT	3 - 5
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021:	
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9 - 10
Notes to the financial statements	11 - 33

On behalf of the Management of the Company:

Abdulloh Gafurov
General Manager

August 3, 2023

in Bishkek, the Republic of Tajikistan

Abdulloh Gafurov
Chief accountant

August 3, 2023

B. Gafurov, dist. of the Republic of Tajikistan

OJSC "KHUJAND INTERNATIONAL AIRPORT"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

The following statement, which should be read in conjunction with the independent auditors' responsibilities with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of the Open Joint Stock Company "Khujand International Airport" (the "Company").

Management of the Company is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2022 and 2021, the results of its operations, cash flows and changes in capital for the years ended December 31, 2022 and 2021, in accordance with the International Financial Reporting Standards (the "IFRS").

In preparing the financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management of the Company is also responsible for:

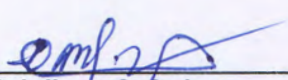
- designing, implementing and maintaining an effective and sound system of internal control, throughout the Company;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with legislation, accounting standards of the Republic of Tajikistan and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- detecting and preventing fraud, errors and other irregularities.

The financial statements for the years ended December 31, 2022 and 2021 were approved and authorized for issue on August 3, 2023 by the Management of the Company.

On behalf of the Management of the Company:


Kurbanon Alimardon
General Director

August 3, 2023
B. Gafurov district, the Republic of Tajikistan


Abdulloev Gafurjan
Chief accountant

August 3, 2023
B. Gafurov district, the Republic of Tajikistan

INDEPENDENT AUDITORS' REPORT

To Shareholder and the Management of the OJSC "Khujand International Airport":

Qualified opinion

We have audited the financial statements of the Open Joint Stock Company "Khujand International Airport" (the "Company"), which comprise the statement of financial position as at December 31, 2022 and 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the «Basis for qualified opinion» paragraph the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (the "IFRS").

Basis for qualified opinion

We have not observed the cash count, stock counts of property plant and equipment and inventories as at December 31, 2022 and 2021, since this date was prior to the time we were engaged as auditors of the Company. It was not practicable to perform alternative audit procedures sufficient to satisfy ourselves as to cash on hand, property plant and equipment and inventories quantities as at December 31, 2022 and 2021 that materially affects the determination of the financial position, the results of operations, changes in equity and cash flows for the years ended December 31, 2022 and 2021.

As at December 31, 2022 and 2021 the statement of financial position included property, plant and equipment in the amount of 237,581 thousand somoni and 181,582 thousand somoni respectively. As at January 1, 2010 (the date of transition to IFRS) the Company capitalised all amounts of indexation and revaluation as additional paid-in capital in accordance with the Resolution of the Government of the Republic of Tajikistan. In our opinion the revaluation does not conform to IAS 16 "Property, plant and equipment" which allows revaluation to fair value. It was not practicable to extend our audit procedures to determine the impact of this departure from IFRS and so we are not able to quantify the effect of this departure on the amounts reported in the financial statements as property, plant and equipment, revaluation reserve, retained earnings, depreciation charge and income tax.

We were unable to obtain sufficient and appropriate audit evidence on gain and loss from foreign exchange operations for year ended December 31, 2022 and 2021 due to inability of the accounting system to conduct revaluation of outstanding balance accounts in foreign currency on a daily basis. Gain and loss from revaluation of outstanding of balance accounts in foreign currency are calculated by responsible employees manually at the end of a month using an average monthly exchange rate.

We conducted our audit in accordance with International Standards on Auditing (the "ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Tajikistan, 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 qualified opinion.

Key audit matters

Valuation of trade accounts receivable recoverability

The trade accounts receivable of the Company as at December 31, 2022 and 2021, includes trade accounts receivable from OJSC "Tajik Air" in the amount of 16,261 thousand somoni and 17,261 thousand somoni, respectively. The Management of the Company based on historical experience believes that the probability of fully recovery of funds is not high. The Management of the Company assessed the existence of impairment indicators for these trade accounts receivables and accrued an appropriate allowance for expected credit losses.

Automated accounting system

The Company does not have centralized automated accounting system. The general ledger is maintained in an automated system, however, sub ledgers are maintained separately in MS Excel tables or in paper form. All calculations are also conducted in MS Excel or manually. Automatic archiving of a ledger data to the backup storage is not performed. In addition, the absence of an automated system causes the inability to provide detailed information for analytical accounting, and increases the risk of data loss.

During the audit procedures for testing of property, plant and equipment, we received register of property, plant and equipment in which the amount of accumulated depreciation at the reporting date did not reconcile with the amount indicated in the general ledger. Management believes that this discrepancy is the result of a decentralized accounting system and plans to acquire and implement an automated accounting system that meets all the current requirements of the Company's activity.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Auditing (the 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 skepticism throughout the audit. We also:

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

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Firdavs Khayrulloev

Director Baker Tilly Tajikistan, LLC

License No. 0000152 issued by the
Ministry of Finance of the Republic of Tajikistan

August 3, 2023
Dushanbe, the Republic of Tajikistan

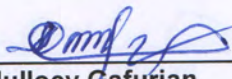
OJSC "KHUJAND INTERNATIONAL AIRPORT"

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022 AND 2021 (in thousands of Tajik somoni)

	Notes	December 31, 2022	December 31, 2021
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	5	237,581	181,582
Deferred tax assets	19	11,687	8,213
		<u>249,268</u>	<u>189,795</u>
CURRENT ASSETS:			
Inventories	6	28,306	16,604
Investments	7	471	471
Advances paid and other current assets	8	21,590	15,434
Trade accounts receivable	9	9,680	16,370
Cash and cash equivalents	10	2,138	6,524
		<u>62,185</u>	<u>55,403</u>
TOTAL ASSETS		<u>311,453</u>	<u>245,198</u>
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital	11	1,494	1,494
Additionally paid-in capital		31,767	31,767
Retained earnings		<u>226,847</u>	<u>140,204</u>
		<u>260,108</u>	<u>173,465</u>
LONG-TERM LIABILITIES			
Long-term liabilities on taxes		<u>19,667</u>	<u>19,667</u>
		<u>19,667</u>	<u>19,667</u>
CURRENT LIABILITIES:			
Trade accounts payable	12	12,242	23,428
Short-term loans	13	-	4,174
Income taxes payable		5,121	10,729
Advances received		13,050	12,143
Other liabilities	14	<u>1,265</u>	<u>1,592</u>
		<u>31,678</u>	<u>52,066</u>
TOTAL EQUITY AND LIABILITIES		<u>311,453</u>	<u>245,198</u>

On behalf of the Management of the Company:


Kurboni Alimardon
General Director


Abdulloev Gafurjan
Chief accountant

August 3, 2023

B. Gafurov district, the Republic of Tajikistan

August 3, 2023

B. Gafurov district, the Republic of Tajikistan

The notes on pages 11-33 form an integral part of the financial statements. The independent auditors' report is on pages 3-5.

OJSC "KHUJAND INTERNATIONAL AIRPORT"

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue	15	278,726	169,153
Cost of sales	16	(139,321)	(89,217)
GROSS PROFIT		139,405	79,936
General and administrative expenses	17	(32,991)	(29,497)
(Accrual)/recovery allowance for expected credit losses on trade accounts receivable	9	50	5,252
Net gain on foreign exchange transactions		6,709	4,691
Other non-operating loss, net	18	(2,020)	(2,137)
PROFIT BEFORE INCOME TAX		111,153	58,245
Income tax	19	(19,129)	(16,593)
NET PROFIT		92,024	41,652
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		92,024	41,652

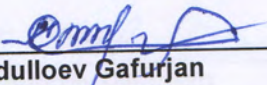
On behalf of the Management of the Company:


Kurbanon Alimardon
General Director

August 3, 2023

B. Gafurov district, the Republic of Tajikistan

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Abdulloev Gafurjan
Chief accountant

August 3, 2023

B. Gafurov district, the Republic of Tajikistan

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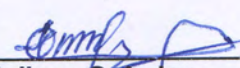
OJSC "KHUJAND INTERNATIONAL AIRPORT"

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (in thousands of Tajik somoni)

	Notes	Share capital	Additionally paid-in capital	Retained earnings	Total equity
As at December 31, 2020	11	1,494	31,767	98,552	131,813
Dividends declared	11	-	-	-	-
Other distribution to shareholder	11	-	-	-	-
Profit for the year		-	-	41,652	41,652
As at December 31, 2021	11	1,494	31,767	140,204	173,465
Dividends declared	11	-	-	(5,381)	(5,381)
Other distribution to shareholder	11	-	-	-	-
Profit for the year		-	-	92,024	92,024
As at December 31, 2022	11	1,494	31,767	226,847	260,108

On behalf of the Management of the Company:


Kurban Alimardon
General Director


Abdulloev Gafurjan
Chief accountant

August 3, 2023

B. Gafurov district, the Republic of Tajikistan

August 3, 2023

B. Gafurov district, the Republic of Tajikistan

The notes on pages 11-33 form an integral part of the financial statements. The independent auditors' report is on pages 3-5.

OJSC "KHUJAND INTERNATIONAL AIRPORT"

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax expenses		111,153	58,245
Adjustments for:			
Depreciation of property, plant and equipment	5	18,476	23,522
Change in allowance for expected credit losses on trade accounts receivable	9	(50)	(5,252)
Change in allowance for doubtful advances paid and other current assets	8,17	6,593	6,953
Change in allowance for obsolete inventories	6,17	12,883	6,791
Foreign exchange differences		(6,709)	(4,691)
Change in provision for unused vacation	14	4	(494)
Loss on disposal of property, plant and equipment	5,18	-	41
Interest expenses	18	330	223
Cash flows before changes in working capital::		142,680	85,338
Decrease / (Increase) in trade accounts receivable		10,095	1,862
Decrease / (Increase) in inventories		(32,980)	(15,217)
Decrease / (Increase) in advances paid and other current assets		(12,749)	(22,625)
Increase / (Decrease) in trade accounts payable		(7,162)	(5,878)
Increase / (Decrease) in advances received		907	12,143
Increase / (Decrease) in long-term tax liabilities		-	19,667
Increase / (Decrease) in other liabilities		(331)	(11,220)
Cash inflow from operating activities before income tax and interest:		100,460	64,070
Income tax paid		(28,211)	(10,410)
Interest paid		(330)	(289)
Net cash inflow from operating activities:		71,919	53,371
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	5	(66,080)	(46,588)
Net cash outflow from investing activities:		(66,080)	(46,588)

OJSC "KHUJAND INTERNATIONAL AIRPORT"

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (CONTINUED)

(in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	11	(5,381)	-
Principal payments of loans received		(4,174)	-
Net cash (outflow)/inflow from financial activities:		(9,555)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3,716)	6,783
Effect of changes in exchange rates on cash and cash equivalents		(670)	(469)
CASH AND CASH EQUIVALENTS, at the beginning of the year	10	6,524	210
CASH AND CASH EQUIVALENTS, at the end of the year	10	2,138	6,524

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

Use of estimates and assumptions

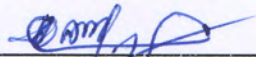
The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and certain disclosures of contingent assets and liabilities. This is the inherent uncertainty in making these estimates. Actual results may differ from those reported in future periods.

Functional and presentation currency

The amounts in the Company's financial statements are presented using the primary unit of account, the Tajikistani Somoni (TJS). The functional and reporting currency of the accompanying financial statements is the Tajikistani Somoni (TJS).

On behalf of the Management of the Company:


Karboni Alimardon
General Director


Abdulloev Gafurjan
Chief accountant

August 3, 2023

B. Gafurov district, the Republic of Tajikistan

August 3, 2023

B. Gafurov district, the Republic of Tajikistan

The notes on pages 11-33 form an integral part of the financial statements. The independent auditors' report is on pages 3-5.

OJSC "KHUJAND INTERNATIONAL AIRPORT"

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 *(in thousand of Tajik somoni, unless otherwise indicated)*

1. ОБЩАЯ ИНФОРМАЦИЯ

Open Joint Stock Company "Khujand International Airport" was established as a result of transformation of the State Unitary Enterprise "Khujand International Airport" based on the Decree No. 707 of the Government of the Republic of Tajikistan dated December 30, 2009. Charter of the Open Joint Stock Company "Khujand International Airport" (the "Company") was approved by the Advisory Board of the State Committee on Investments and State Property Management of the Republic of Tajikistan on November 23, 2010 No. 52. State registration of the Company was completed on basis of the Decision No. 6310002041 of the Tax Committee under the Government of the Republic of Tajikistan dated December 4, 2010. As at December 31, 2022 and 2021 the sole owner of the Company is the Government of the Republic of Tajikistan represented by the State Committee on Investments and State Property Management of the Republic of Tajikistan.

The Company was founded to provide services to passengers and to provide services on arrival, dispatch, basing and maintenance to aircrafts.

Total number of the Company's employees as at December 31, 2022 and 2021 equaled to 747 and 697 workers, respectively.

Registered office: the Republic of Tajikistan, 735715, Sughd region, B.Gafurov district, Airport-15.

The financial statements were approved by the Management of the Company on August 3, 2023.

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS") issued by the International Accounting Standards Board (the "IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee (the "IFRIC").

Use of estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

Functional and presentation currency

Items included in the Company's financial statements are estimated using the currency that best reflects the economic substance of the underlying events and circumstances related to the Company (the "functional currency"). The functional and reporting currency of the accompanying financial statements is Tajik somoni (the "TJS" or "somoni").

These financial statements are presented in thousands of Tajik somoni, unless otherwise indicated. These financial statements have been prepared under the historical cost convention, except for the evaluation of certain financial instruments carried at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

IFRS 15 "Revenue from contracts with customers" is a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized in the amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

The Company provides passenger servicing and services for the arrival, departure, basing and maintenance of aircraft. The Company came to the conclusion that revenue from the provision of services should be recognized at the certain period of time when control over assets transfers to customers, which as a rule, occurs during recognition the fact of receiving the service by customers. Thus, the implementation of IFRS 15 did not affect to the period of revenue recognition.

Revenue and expense recognition

The Company's revenues from passenger servicing and services for the arrival, departure, basing and maintenance of aircraft are recognized on the accrual basis. Revenue is recognized when it is probable that the economic benefit associated with the transaction will flow to the Company and the amount can be reliably measured.

Expenses are recognizes at the time of actual flow of the related goods or services, regardless of when cash or their equivalent are paid, and are reported in the financial statements in the period to which they relate.

Property, plant and equipment

The Company performed revaluation of its property, plant and equipment in 2010. The revaluation was made using indices prescribed by the Ministry of Finance of the Republic of Tajikistan and Decree of the Government of the Republic of Tajikistan No. 698 dated December 30, 2009. As of the revaluation date, the effect on fixed assets and equity was 31,767 thousand somoni.

Property, plant and equipment are carried at revalued amount less accumulated depreciation and any recognized impairment loss, if any. Property, plant and equipment constructed by the Company itself include cost of materials, direct labor costs and related part of overhead production expenses. When property, plant and equipment include significant components with different useful lives, these components are accounted separately.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction less impairment losses. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation.

Capitalized cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity when used. Expenditures for repairs and maintenance that do not meet the above criteria for capitalization are recognized in the statement of profit or loss and other comprehensive income within operating expenses as incurred.

Depreciation is computed under the straight-line method and recognized in the statement of profit or loss and other comprehensive income. Depreciation is charged from the moment of assets acquisition or, related to assets constructed by the Company itself, from the moment of completion of construction works and putting into operations. Depreciation rates are as follows:

Fixed assets group	Depreciation rates, %
Buildings and constructions	7
Equipment	8
Office equipment	10 – 15
Furniture and fixtures	10 – 15
Vehicles	10 – 15

The costs of maintenance, repairs, and replacement of minor items of property are charged to maintenance expense. Upon sale or disposal, the cost and related accumulated depreciation are eliminated from fixed assets accounts. Any resulting gains or losses are included in the statement of profit or loss and other comprehensive income.

Impairment of property, plant and equipment

On each date of the statement of financial position of the Company assesses whether there is any indication that suffered an impairment loss of fixed assets. If any such indication exists evaluation is carried out for a possible reduction in the recoverable amount of assets (if any). If it is impossible to estimate the recoverable amount of an individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately as an expense, except where the relevant asset (land, buildings except investment property, or equipment) carried at a revalued amount. In this case the impairment loss is recognized as a reduction of revaluation of the respective fund.

If an impairment loss subsequently reverses, the carrying amount of an asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if the asset was not recognized an impairment loss (cash-generating unit) in prior years. Reversal of an impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories accounted for the lower of cost or net realizable value. Cost is determined using the weighted average method.

Recognition and valuation of financial instruments

Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company reflects purchasing and sale of financial assets and liabilities, which have regular nature at the date of settlements.

Financial assets and liabilities are initially recognized at fair value. The acquisition cost of financial assets and liabilities that are not financial assets and liabilities at fair value through profit or loss, is adjusted for transaction costs, directly related to the acquisition of a financial asset or financial liability origination. The principles of subsequent valuation of financial assets and liabilities are disclosed in appropriate accounting policies set out below.

The Company classifies financial assets in the following main categories:

- Financial asset measured at amortized cost;
- Financial asset measured at fair value through other comprehensive income (FVOCI);
- Financial asset measured at fair value through profit or loss (FVTPL).

Debt instruments

The classification and subsequent accounting of debt instruments depend on:

- a) Business model of the Company used to manage financial assets;
- b) Characteristics of the financial asset and the contractual cash flows.

Equity instruments

The Company evaluates investments in equity instruments as measured at fair value in the statement of financial position with fair value changes recognized in profit or loss, except for those equity investments for which the Company has elected to present value changes through other comprehensive income.

Gains or losses on equity instruments measured at fair value through profit or loss are recognized in the statement of profit or loss as part of the "Net trade income".

Reclassification

The Company reclassifies financial assets if and only if the business model objective for its financial assets changes so its previous model assessment would no longer apply. If reclassification is performed, it must be done prospectively from the reclassification date which is defined as the first day of the first reporting period following the change in business model. The Company does not restate any previously recognised gains, losses or interest.

Derecognition of financial assets

The recognition of a financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) ceases when:

- the rights to receive cash flows from the asset have ceased;
- the Company transferred its rights to receive cash flows from the asset or reserved the right to receive cash flows from the asset, but became obliged to pay these cash flows without significant delay to a third party under the 'transfer' agreement; and
- the Company either (a) transferred almost all the risks and rewards related to the asset, or (b) did not transfer and did not retain almost all the risks and rewards related to the asset, but transferred a control over the asset.

Classification and subsequent accounting of financial liabilities

The Company classifies all financial liabilities as subsequently measured at amortized cost.

Offset of assets and liabilities

The Company's financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derecognition of financial liabilities

A financial obligation (or part of it) is considered extinguished when the debtor:

- (a) either fulfils this obligation (or part of it) by paying off the lender, generally in cash, other financial assets, goods or services,
- (b) is either legally relieved of primary liability for that obligation (or part of it), as a result of the performance of the legal procedure or as a result of the creditor's decision.

Derecognition of financial liabilities occurs also in the case of significant changes in cash flows, i.e. if the present value of cash flows in accordance with the new conditions, including the payment of commission after deduction of commission received, discounted at the original effective interest rate, differs by at least 10% of the discounted present value of the remaining cash flows of the original financial liability.

Impairment of financial assets

The application of IFRS 9 has not radically changed the accounting treatment used by the Company in respect of impairment losses on financial assets.

IFRS 9 requires the Company to reflect estimated allowance for expected credit loss on all loans and other debt financial assets not measured at fair value through profit or loss.

The Company uses a simplified approach to the impairment of trade account receivables, cash and cash equivalents, which do not contain significant financing component. The simplified approach does not require tracking of changes in credit risk and expected credit losses can be modeled for the expected life of the financial asset.

Public and private grants

Public and private grants are not recognized until there is reasonable assurance that there will be all the conditions required for obtaining grants, and that the grants will be received. Public and private grants, the main condition of which is accepted by the Company obligations to purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of the financial position as deferred income, followed by allocation to the profit or loss on a systematic and rational basis over the useful life of the relevant assets. Other public and private grants are recognized as revenue and allocated to each period so as to relate them to the costs of compensation for which they are intended. Public grants to compensate for losses already incurred costs or provided in the form of financial assistance is due to future costs are charged to income of the period in which they become receivable.

Borrowing costs

Borrowing costs are recognized in the statement of profit or loss and other comprehensive income in the period in which they are incurred. Any discounts or premiums relating to borrowings are recognized in statement of profit or loss and other comprehensive income based on the effective interest rate method.

Borrowings – All loans and borrowings are initially recognized at the fair value of income received, net of direct transaction costs. After initial recognition, they are measured at amortized cost, calculated taking into account any discount or premium on the deal.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized as an expense in the period incurred.

Transactions in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated to Tajik somoni at the official exchange rates in effect at December 31. Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the transaction date. Any gains or losses arising from a change in exchange rates after the date of the transaction are recognized in the statement of profit or loss and other comprehensive income.

The official exchange rates at year-end used by the Company during preparation of the financial statements were:

	December 31, 2022	December 31, 2021
Tajik somoni / US dollar	10.2024	11.3000
Tajik somoni / EURO	10.8911	12.7973
Tajik somoni / Russian ruble	0.1445	0.1507

Taxation

Income tax expense represents the sum of the tax current tax payable and deferred tax.

Current Income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, Deferred tax is reflected in statement of profit or loss and other comprehensive income, except when they connected with items, which are directly related to equity, and in this case deferred tax is also reflected within equity.

The Company conducts netting of deferred tax assets and liabilities and reflects summary difference in the financial statement, if:

- The Company has a legally enforceable right for netting current tax assets against current tax liabilities; and
- Deferred tax assets and deferred tax liabilities relate to corporate taxes levied by the same taxation authority from the same taxable entity.

In addition to income tax there are requirements on accrual and payments of various taxes applicable to the Company's activities in the Republic of Tajikistan where the Company performs its activities.

Non-cash transactions (mutual settlements)

For certain commercial, industrial and low consumer company may set off debts in accounts payable for goods and services. To further reduce the risk associated with non-payment of customers, the Company may, by the adoption of the payment of goods and services, which are commonly used by the Company in its core business.

Non-monetary transactions are recorded in the financial statements at the fair value of the goods/services resulting from the calculations.

Contingent assets and liabilities

Contingent liabilities are not recognized in these financial statements. They are disclosed only if the need arises in any outflow of resources embodying economic benefits resources to fulfill this obligation is probable. A contingent asset is not recognized in the financial statements but disclosed when possible economic benefits.

Share capital

Share capital is recognized at initial cost.

Dividends are recognized as a decrease in equity in the period in which they are declared. Dividends declared after the reporting date are treated as an events after the reporting date in accordance with IAS 10 "Events after the reporting period" and information about it are disclosed accordingly.

Pension liabilities

In accordance with the laws of the Republic of Tajikistan the Company withholds the amount of pension contributions from employee's salaries and transfers them to the State pension fund. The existing pension system provides for the calculation of current payments by the employer as a percentage of current gross salary payments. Such expenses are recognized in period, which includes appropriately payment for employees. At retirement, all pension payments are implemented by above mentioned pension fund. The Company does not have any pension arrangements separate from the State pension system of the Republic of Tajikistan. In addition, the Company has no benefits provided to employees upon retirement, or other significant compensated benefits requiring accrual.

Provisions

Provisions are recognized when the Company has a present obligation (legal or implied) resulting from a past event, and it is probable that the Company will be required to repay the obligation, the amount of the obligation can be estimated with reasonable accuracy.

Advances paid

Advances paid are carried at cost less allowance for impairment. Advances paid are classified as a long-term, if the expected date of receipt of goods or services related to it is more than one year or when the advances paid relate to an asset which will be accounted for as non-current upon initial recognition. Advances paid for purchase of the asset is included in the carrying amount of such asset when the Company obtains control over the asset and it is probable that future economic benefits associated with this asset will flow to the Company. Other advances paid are charged to the profit or loss when the Company receives goods or services related to it. If there is an indication that the assets, goods or services relating to advances paid will not be received, the carrying amount of advances paid is written down accordingly and a corresponding impairment loss is recognized in profit or loss.

Application of new and revised international financial reporting standards (IFRSs) of the financial statements

The Company has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the "IFRIC") which became effective for the Company's financial statement for the year ended December 31, 2022:

- The amendment COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16) provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.;
- The amendment to IAS 37 Provisions, contingent liabilities and contingent assets onerous contracts" - cost of fulfilling a contract. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).;
- The amendment to Reference to the Conceptual Framework (Amendments to IFRS 3). The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
- The amendment to IAS 41 removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Annual Improvements to IFRS Standards 2018-2020: The amendment to IAS 16 Property, plant and equipment - proceeds before intended use. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while

bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Annual Improvements to IFRS Standards 2018-2020: The amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- Annual Improvements to IFRS Standards 2018-2020: The amendment to IFRS 9 Financial instruments – clarifies which fees an entity includes when it applies the 10 per cent test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- Annual Improvements to IFRS Standards 2018-2020: The amendment to IFRS 16 Leases - removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The adoption of the new or revised standards did not have significant effect on the financial position or performance of the Company.

New and revised IFRSs in issue but not yet effective

A number of new Standards and Interpretations has been issued and not yet adopted as at December 31, 2022 and had not been applied in preparation of these financial statements. Following Standards and Interpretations might be relevant to operations of the Company. The Company intends to adopt these Standards and Interpretations from their effective dates. The Company has not analyzed potential effect of adoption of these standards on its financial statements.

At the date of authorization of this financial reporting, the following new standards and interpretations were in issue, but not mandatory yet effective, and which the Company has not early adopted:

- IFRS 17 Insurance contracts requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. Applicable to annual reporting periods beginning on or after January 1, 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. Annual reporting periods beginning on or after January 1, 2023.
- The amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors replace the definition of changes in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. Annual reporting periods beginning on or after 1 January 2023.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. Annual reporting periods beginning on or after 1 January 2023.
- The amendments to initial Application of IFRS 17 Leases and IFRS 9 Financial Instruments — Comparative Information (Amendment to IFRS 17) permit entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. Annual reporting periods beginning on or after January 1, 2023.
- Classification of Liabilities as Current or Non-Current (Amendments IAS 1 Presentation of Financial Statements) aims to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities

with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Applicable to annual reporting periods beginning on or after January 1, 2024.

- Non-current Liabilities with Covenants (Amendments IAS 1 Presentation of Financial Statements) clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Applicable to annual reporting periods beginning on or after January 1, 2024.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases) clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. Applicable to annual reporting periods beginning on or after January 1, 2024.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The Company intends to adopt these new standards and amendments, if applicable, when they become effective.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the accounting policies of the Company, which is described in Note 3, the management must apply estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be acceptable. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates recognized in the period in which the assessment reviewed if the change affects only that period or the period of change and future periods if the change affects both current and in the future periods.

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

Allowance for doubtful trade accounts receivable, advances paid and other current assets and obsolete inventories

Determining the direction of allowance for doubtful trade accounts receivable, advances paid and other current assets and obsolete inventories requires management to make assumptions based on the best estimates of the Company's ability to realize these assets. As a result of the general changes in the economy or other similar circumstances after the reporting date, management may draw conclusions that may differ from the finding made in the preparation of these financial statements.

The useful lives of fixed assets

The Company's property, plant and equipment are depreciated on a straight line basis over their useful economic life. Management periodically reviews the appropriateness of the economic useful lives of the assets. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefits to the Company.

Impairment of assets

The Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets are impaired. In making the assessment of impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit. If appropriate, the management applies its judgment in allocating assets that do not generate independent cash flows to appropriate cash generating units and in estimating the timing and value of the underlying cash flows within the value in use calculation. Subsequent changes to the cash generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

5. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2022 and 2021 property, plant and equipment consisted of the following:

	Buildings and constructions	Equipment	Office equipment	Furniture and accessories	Transport	Construction in progress	Total:
Cost							
At December 31, 2020	143,963	18,169	49,662	4,491	34,183	68,864	319,332
Additions	-	-	-	-	-	46,588	46,588
Transferred from inventories	-	-	-	-	-	4,552	4,552
Internal movement	26,115	315	1,326	502	7,138	(35,397)	(1)
Transferred to inventories	-	(6)	-	-	-	-	(6)
Disposals	-	(16)	(118)	(70)	(204)	-	(408)
At December 31, 2021	170,078	18,462	50,870	4,923	41,117	84,607	370,057
Additions	96	-	-	-	495	65,489	66,080
Transferred from inventories	-	-	-	-	-	8,395	8,395
Internal movement	273	1,551	8,545	3,019	15,913	(29,301)	-
Disposals	-	-	-	-	(13)	-	(13)
At December 31, 2022	170,447	20,013	59,415	7,942	57,512	129,190	444,519
Accumulated depreciation							
At December 31, 2020	92,684	15,016	29,186	2,752	25,689	-	165,327
Charge for the year	8,762	1,935	7,683	546	4,596	-	23,522
Transferred from inventories	-	(7)	-	-	-	-	(7)
Disposals	-	(9)	(110)	(44)	(204)	-	(367)
At December 31, 2021	101,446	16,935	36,759	3,254	30,081	-	188,475
Charge for the year	8,031	1,281	4,446	435	4,283	-	18,476
Disposals	-	-	-	-	(13)	-	(13)
At December 31, 2022	109,477	18,216	41,205	3,689	34,351	-	206,938
Net book value							
At December 31, 2021	37,465	7,058	4,705	2,284	11,064	42,287	104,863
At December 31, 2022	43,386	8,411	19,672	1,973	9,290	44,282	127,014

As at December 31, 2018 and 2017 the Company did not have property, plant and equipment received on a grant basis.

As of December 31, 2018 and 2017 the Company did not have property, plant and equipment that were pledged as collateral for the Company's obligations.

6. INVENTORIES

As at December 31, 2022 and 2021 inventories consisted of the following:

	December 31 2022	December 31 2021
Materials	10,473	9,206
Construction materials	12,742	6,051
Low valuable items	3,792	7,495
Fuel	815	609
Autoparts	484	382
Other	26,813	6,791
	<u>26,813</u>	<u>6,791</u>
Allowance for obsolete inventories	(26,813)	(13,930)
	<u>28,306</u>	<u>16,604</u>

Movement in allowance for obsolete inventories for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
At January 1	13,930	7,139
Accrual of allowance	12,883	6,791
	<u>26,813</u>	<u>13,930</u>
At December 31	<u>26,813</u>	<u>13,930</u>

7. INVESTMENTS

As at December 31, 2022 and 2021 investments consisted of the following:

	December 31 2022	December 31 2021
OJSC "Rogun HPP"	470	470
Others	1	1
	<u>471</u>	<u>471</u>

Shares of OJSC "Rogun HPP" represent common shares in constructing Hydro Power Plant on the territory of the Republic of Tajikistan. The management of the Company has chosen to measure equity-based securities at fair value through other comprehensive income due to rare transactions and the absence of an active market for this kind of financial instruments.

8. ADVANCES PAID AND OTHER CURRENT ASSETS

As at December 31, 2022 and 2021 advances paid and other current assets consisted of the following:

	December 31 2022	December 31 2021
Advances for goods and services	42,947	30,125
Other	<u>133</u>	<u>206</u>
Allowance for doubtful advances paid	<u>(21,490)</u>	<u>(14,897)</u>
	<u>21,590</u>	<u>15,434</u>

Movement in the allowance for doubtful advances paid and other current assets as at December 31, 2022 and 2021 was as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
At January 1	14,897	7,944
Accrual of allowance	<u>6,593</u>	<u>6,953</u>
At December 31	<u>21,490</u>	<u>14,897</u>

9. TRADE ACCOUNTS RECEIVABLE

As at December 31, 2022 and 2021 trade accounts receivable consisted of the following:

	December 31 2022	December 31 2021
Receivable from airlines	17,328	28,319
Other	<u>9,368</u>	<u>5,117</u>
Allowance for expected credit losses	<u>(17,016)</u>	<u>(17,066)</u>
	<u>9,680</u>	<u>16,370</u>

Movement in allowance for expected credit losses for the years ended December 31, 2022 and 2021 was as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
At January 1	<u>17,066</u>	<u>22,318</u>
Recovery	<u>(50)</u>	<u>(5,252)</u>
At December 31	<u>17,016</u>	<u>17,066</u>

Most significant debtors of the Company consisted of the following organizations:

	December 31 2022	December 31 2021
OJSC "Tajik Air"	16,261	16,261
LLC "Rockhouse Construction and Ingeneering"	1,783	
LLC "Khonai donnish"	1,600	
LLC "Ramzi Somon"	1,346	
Abiya Building Material Trading FZE (Дубай)	1,139	
JSC "NordStar Airlines"	460	509
LLC "Somon Air"	-	11,149

10. CASH AND CASH EQUIVALENTS

As at December 31, 2022 and 2021 cash and cash equivalents consisted of the following:

	December 31 2022	December 31 2021
Cash in banks	1,820	6,445
Cash on hand	318	79
	<u>2,138</u>	<u>6,524</u>

11. SHARE CAPITAL

Open Joint Stock Company "Khujand International Airport" established as a result of transformation of the State Unitary Enterprise "Khujand International Airport" based on the Decree No. 707 of the Government of the Republic of Tajikistan dated December 30, 2009. As at December 31, 2022 and 2021 the amount of share capital equaled to 1,494 thousand somoni.

The sole owner of the Company is the Government of the Republic of Tajikistan represented by the State Committee on Investments and State Property Management of the Republic of Tajikistan.

In accordance with the Resolution of the Republic of Tajikistan No. 499 dated November 2, 2013 in 2022 the Company declared dividends from net profit in the amount of 3,821 thousand somoni.

12. LONG-TERMS TAX LIABILITIES

As at December 31, 2022 and 2021 long-term tax liabilities consisted of the following:

	December 31 2022	December 31 2021
Taxes payable	19,667	19,667
	<u>19,667</u>	<u>19,667</u>

According to the Decree of the Government of the Republic of Tajikistan No. 275 dated June 30, 2021, Khujand International Airport was given a deferred payment of taxes and interest on them as of May 1, 2021 for a period of 3 years.

13. TRADE ACCOUNTS PAYABLE

As at December 31, 2022 and 2021 trade accounts payable consisted of the following:

	December 31 2022	December 31 2021
Accounts payable for services	1,975	2,212
Accounts payable for goods	10,267	21,216
	<u>12,242</u>	<u>23,428</u>

Most significant creditors of the Company consisted of the following organizations:

	December 31 2022	December 31 2021
LLC «Sokhtmoni Kabir»	2,338	-
LLC «Savdo Sokhtmon»	1,660	-
"ABC " (ACP)	1,525	1,604
OJSK «CTC Inshoot»	1,353	2,403
MG Export	1,183	4,506
LLC «Muhandis A.A.»	-	2,894
LLC «Sohibkor 2001»	-	1,477

14. SHORT-TERM LOANS

On April 22, 2013 the Company signed new loan agreement with the EBRD for a total amount of 3,900 thousand US dollars with a floating annual rate of LIBOR plus 5.9% to rehabilitate the runway, install high intensity lights and upgrade ground-based radio navigation equipment to improve operational efficiency and safety. In accordance with the loan agreement, the loan must be repaid by 20 equal quarterly payments on January 13, April 13, July 13 and October 13 of each year, starting from July 13, 2015.

	December 31 2022	December 31 2021
European Bank for Reconstruction and Development	-	4,174
Accrued interest payable	-	-
	<u>-</u>	<u>4,174</u>

15. OTHER LIABILITIES

As at December 31, 2022 and 2021 other liabilities consisted of the following:

	December 31 2022	December 31 2021
Provision for unused vacations	407	403
Personal income tax	392	282
Value added tax	157	40
Social tax	135	570
Salaries payable	57	5
Pension income tax	13	-
Other	104	292
	<u>1,265</u>	<u>1,592</u>

Movement in provision for unused vacation for the years ended December 31, 2022 and 2021 was as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
At January 1	668	779
Accrual/(recovery) of provision	141	(111)
At December 31	<u>809</u>	<u>668</u>

16. REVENUE

Revenue of the Company for the years ended December 31, 2022 and 2021 consisted of the following:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Use of the air terminal	93,730	48,111
Passengers service in the central air terminal	87,910	56,363
Take-off and landing of aircrafts	37,490	28,836
Aircrafts' security	18,408	13,780
Aircrafts landing through Instrument Landing System	9,419	7,157
Operational maintenance of aircrafts	7,239	4,414
Delivery of passengers by bus	5,136	2,557
Ticket sales	3,404	1,092
Boarding/disembarking passengers	3,298	2,090
Aircraft interior cleaning	3,201	604
Ground power supply	1,926	1,283
Escort of aircrafts	1,861	1,085
Other	5,704	1,781
	<u>278,726</u>	<u>169,153</u>

17. COST OF SALES

Cost of sales for the years ended December 31, 2022 and 2021 consisted of the following:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Salary	30,819	15,929
Write-off inventories	27,459	15,475
Passenger services	19,688	8,525
Depreciation and amortization	17,853	22,614
Repair and maintenance of equipment	13,452	6,465
Landscaping and greening the airport area	6,980	6,184
Social tax	6,164	3,982
Utilities	6,085	2,355
Fuel	4,220	1,353
Materials	1,927	578
Value added tax and tax withheld in source of payment	1,524	1,334
Transportation	756	567
Business trips	232	162
Tuition expenses	194	55
Cleaning	139	125

	For the year ended December 31, 2022	For the year ended December 31, 2021
Use of radio equipment	84	760
Communication	84	74
Insurance	5	2,347
Unused vacation provision	4	(446)
Other	1,652	779
	<u>139,321</u>	<u>89,217</u>

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, 2022 and 2021 consisted of the following:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Accrual/(recovery) of allowance for obsolete inventories	12,883	6,791
Accrual of allowance for advances paid and other current assets	6,593	6,953
Salary	5,436	4,847
Repair of fixed assets	1,742	124
Social tax	1,027	501
Landscaping and greening the airport area	753	775
Materials	682	468
Depreciation and amortization	623	908
Business trips	513	121
Utilities	475	541
Taxes, other than income tax	374	801
Fines and penalties	373	4,579
Bank charges	284	165
Communication	112	48
Insurance	82	323
Professional services	17	320
Unused vacation provision	-	(48)
Other	1,022	1,280
	<u>32,991</u>	<u>29,497</u>

19. OTHER NON-OPERATING LOSS, NET

Net other non-operating loss for the years ended December 31, 2022 and 2021 consisted of the following:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Financial aid to state structures	2,044	256
Interest expenses	330	223
Charity	266	101
Disposal of fixed assets	-	41
Income from proceeds of inventories	(27)	(27)
Other (loss)/gain, net	(593)	1,543
	<u>2,020</u>	<u>2,137</u>

20. INCOME TAX EXPENSES

The Company calculates and records liabilities on the current income tax in accordance with the tax regulation of the Republic of Tajikistan, which may differ from the International Financial Reporting Standards. For the years ended December 31, 2022 and 2021 on the territory of the Republic of Tajikistan the income tax rate for legal entities in production industry was equal to 18% and 23% respectively.

The Company is subject to certain permanent tax differences due to the fact that of certain expenses are not deductible from the taxable base for the purposes of calculating income tax, as well as certain types of income are not taxable supplies.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2022 and 2021 relate mostly to different methods of income and expenses, as well as temporary differences arising from the difference between tax and accounting carrying value of certain assets and liabilities.

	For the year ended December 31, 2022	For the year ended December 31, 2021
Current income tax expenses	22,603	16,069
Changes in deferred income tax	(3,474)	524
Income tax expenses	<u>19,129</u>	<u>16,593</u>

The tax effects of temporary differences as at December 31, 2022 and 2021 presented as follows:

	December 31 2022	December 31 2021
Deferred income tax assets:		
Allowance for expected credit losses on trade accounts receivable	17,016	17,066
Allowance for doubtful advances paid and other current assets	21,490	14,897
Allowance for obsolete inventories	26,813	13,930
Provision for unused vacation	407	403
Total of deferred tax assets	<u>65,725</u>	<u>46,295</u>

	December 31 2022	December 31 2021
Deferred income tax liabilities:	-	-
Property, plant and equipment	797	665
Total of deferred tax liabilities	797	665
Deferred tax assets, net	64,928	45,630
Net deferred tax assets (with fixed rate of 18% and 23%)	11,687	8,213

21. COMMITMENTS AND CONTINGENCIES

As at December 31, 2022 and 2021, the Company did not have significant contractual obligations.

Taxation

Commercial legislation of the Republic of Tajikistan, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Company's business activities, was to be challenged by the tax authorities, the Company may be assessed additional taxes, penalties and fees. Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. The management of the Company believes that it has accrued all tax amounts due and therefore no allowance has been made in the financial statements.

Legal issues

As of December 31, 2022 and 2021, The Company was not involved in the legal issues initiated against it.

Operating environment

Emerging market of the Republic of Tajikistan is subject to more risks than developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in countries and the countries' economy in general.

Laws and regulations affecting businesses in the Republic of Tajikistan continue to change rapidly. Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal difficulties leading to the challenges faced by the Company. The future economic direction of the Republic of Tajikistan is largely dependent on economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory developments.

These financial statements do not include any adjustments that would have been required due resolution of the uncertainty in the future. Possible adjustments may be made to the statements in that period in which necessity of their reflection will become evident, and it will be possible to estimate their numerical values

22. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party Company emphasizes substance of the relationship, not merely the legal form.

Transactions with state companies

The Company applies the exemption from the application of IAS 24 "Related party disclosures", disclosures in respect of related party transactions and balances and transactions, including commitments, because it is associated with the state organization. Accordingly, the Company discloses the nature of their relationship with the Government, the description and the amount of each operation that is significant individually or in the aggregate.

The following amounts in the statement of financial position as at December 31, 2022 and 2021 arose from transactions with related parties:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Investments	470	471	470	471
Trade accounts receivable	6,177	9,681	16,370	16,370
Trade accounts payable	118	12,242	2,137	23,428

The following amounts were included in the statement of profit or loss and other comprehensive income for the years ended December 31, 2022 and 2021 which arose due to transactions with related parties:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
General and administrative expenses	314	32,991	2,392	29,497

For the years ended December 31, 2022 and 2021 the remuneration of key management amounted 232 thousand somoni and 237 thousand somoni, respectively.

23. RISK MANAGEMENT

Capital risk management - The Company manages its capital to ensure that the Company will be able to continue as a going concern. The management of the Company reviews the capital structure on a regular basis. Management presumes growth of the Company's revenue and profit in future as a result of further fare increases and construction of a takeoff runway.

Major categories of financial instruments - The Company's principle financial liabilities comprise trade payables, loans received and other liabilities. The Company has various financial assets such as trade accounts receivables, investments and cash and cash equivalents.

	December 31 2022	December 31 2021
Financial assets		
Cash and cash equivalents	2,138	6,524
Trade accounts receivable	9,680	16,370
Investments	471	471
Total of financial assets	12,289	23,365
Financial liabilities		
Trade accounts payable	12,242	23,428
Short-term loans	-	4,174
Total of financial liabilities	12,810	27,602

The main risks associated with the Company's financial instruments include credit and liquidity risks.

Geographical concentration

Internal audit department exercises controls over the risk associated with changes in the norms of the legislation and assesses its impact on the Company. This approach allows the company to minimize potential losses from changes in the investment climate in the Republic of Tajikistan.

The geographical concentration of assets and liabilities is set out below:

	Republic of Tajikistan	OECD	Other	2022 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	2,138	-	-	2,138
Trade accounts receivable	8,171	-	1,509	9,680
Investments	471	-	-	471
TOTAL FINANCIAL ASSETS	10,780	-	1,509	12,289
FINANCIAL LIABILITIES:				
Trade accounts payable	10,418	1,183	641	12,242
TOTAL FINANCIAL LIABILITIES	10,418	1,183	641	12,242
NET POSITION	362	(1,183)	868	47

	Republic of Tajikistan	OECD	Other	2021 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	6,524	-	-	6,524
Trade accounts receivable	14,271	2,070	29	16,370
Investments	471	-	-	471
TOTAL FINANCIAL ASSETS	21,266	2,070	29	23,365
FINANCIAL LIABILITIES:				
Trade accounts payable	16,746	4,506	2,176	23,428
Short-term loans	-	4,174	-	4,174
TOTAL FINANCIAL LIABILITIES	16,746	8,680	2,176	27,602
NET POSITION	4,520	(6,610)	(2,147)	(4,237)

Foreign currency risk

Currency risk is the risk that the financial results of the Company will be adversely impacted by changes in exchange rates to which the Company is exposed. The Company undertakes certain transactions denominated in foreign currencies. The Company does not use any derivatives to manage foreign currency risk exposure, at the same time the management of the Company is trying to mitigate such risk by managing monetary assets and liabilities in foreign currency at the same (more or less stable) level.

	TJS	USD	EUR	RUB	2022 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	1,384	8	-	746	2,138
Trade accounts receivable	9,370	310	-	-	9,680
Investments	471	-	-	-	471
TOTAL FINANCIAL ASSETS	10,754	789		746	12,289
FINANCIAL LIABILITIES:					
Trade accounts payable	8,564	2,321	1,357	-	12,242
TOTAL FINANCIAL LIABILITIES	8,564	2,321	1,357	-	12,242
NET POSITION	2,661	(2,003)	(1,357)	746	47

	TJS	USD	EUR	RUB	2021 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	786	4,344	-	1,394	6,524
Trade accounts receivable	14,270	2,100	-	-	16,370
Investments	471	-	-	-	471
TOTAL FINANCIAL ASSETS	15,527	6,444		1,394	23,365
FINANCIAL LIABILITIES:					
Trade accounts payable	16,168	2,580	4,680	-	23,428
Short-term loans	-	4,174	-	-	4,174
TOTAL FINANCIAL LIABILITIES	16,168	6,754	4,680	-	27,602
NET POSITION	(641)	(310)	(4,680)	1,394	(4,237)

Currency rate risk

Following table presents a sensitivity analysis of the Company to 10% increase and decrease the US dollar to Tajik somoni in 2022 and 2021. 10% is a level of sensitivity which is used by companies internally when reporting foreign currency risk to key management personnel of the Company, and is an estimate by management as of possible changes in exchange rates. Sensitivity analysis applies only to outstanding foreign currency balances available at the end of the period for conversion of which actual end-of-the-period exchange rate changed by 10% is used.

Impact on net income, based on the nominal value of the asset as at December 31, 2022 and 2021 is represented below:

	2022 r.		2021 r.	
	Official exchange rate, +10%	Official exchange rate, -10%	Official exchange rate, +10%	Official exchange rate, -10%
Effect on profit or loss	261	(261)	360	(360)

Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Company. The Company does not use any derivatives to manage interest rate risk exposure.

Credit risk

Credit risk is the risk that a customer of the Company may default or not meet its obligations to the Company on a timely basis, leading to financial losses to the Company.

Main credit risks of the Company are related to amounts receivable from OJSC "Tajik Air" for services rendered on landing, maintenance and parking of aircrafts. In case the probability of repayment of these accounts receivable is low, the Company creates allowance for doubtful debts based on historical experience. The Company does not insure such risks.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle all liabilities as they are due. The liquidity position of the Company is controlled and managed. The Company has a detailed budgeting and cash forecasting process in place to help ensure that it has adequate cash available to meet its payment obligations. Management presumes growth of the Company's revenue and profit in the nearest future as a result of further fare increases.

The following table presents an analysis of liquidity risk:

	Less than 1 month	1 – 3 months.	3 months- 1 year	1-5 years	Not identified	2022 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	2,138	-	-	-	-	2,138
Trade accounts receivable	9,680	-	-	-	-	9,680
Investments	-	-	-	-	471	471
TOTAL FINANCIAL ASSETS	11,818	-	-	-	471	12,289
FINANCIAL LIABILITIES:						
Trade accounts payable	12,242	-	-	-	-	12,242
TOTAL FINANCIAL LIABILITIES	12,242	-	-	-	-	12,242
NET POSITION	(424)	-	-	-	471	47
	Less than 1 month	1 – 3 months.	3 months- 1 year	1-5 years	Not identified	2021 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	6,524	-	-	-	-	6,524
Trade accounts receivable	16,370	-	-	-	-	16,370
Investments	-	-	-	-	471	471
TOTAL FINANCIAL ASSETS	22,894	-	-	-	471	23,365
FINANCIAL LIABILITIES:						
Trade accounts payable	23,428	-	-	-	-	23,428
Short-term loans	4,174	-	-	-	-	4,174
TOTAL FINANCIAL LIABILITIES	27,602	-	-	-	-	27,602
NET POSITION	(4,708)	-	-	-	471	(4,237)

24. SUBSEQUENT EVENTS

As at the date of issue of the financial statements no other significant events occurred which should be disclosed in accordance with IAS 10 "Events after reporting date" with the exception of the events described above.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management of the Company and authorized for issue on August 3, 2022.

Baker Tilly Tajikistan LLC trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.



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