JSC UZBEKTELECOM

Consolidated Financial Statements
for the year ended 31 December 2021 and
Independent Auditor's Report

TABLE OF CONTENTS

JOINT STOCK COMPANY UZBEKTELECOM

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Management is responsible for the preparation of consolidated financial statements that present fairly the consolidated financial position of Joint Stock Company Uzbektelecom ("the Company") and its subsidiaries (together "the Group") as at 31 December 2021 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (hereinafter the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS")

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

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

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation of the Republic of Uzbekistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by the Management on 17 October 2022.

Signed on behalf of Group Management:

Khasanov N.N.	**Tokhtiyarov A.N.**
General Director	**Deputy General Director of the Financial Affairs**
17 October 2022	17 October 2022
Tashkent, Republic of Uzbekistan	Tashkent, Republic of Uzbekistan

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders of Joint Stock Company Uzbektelecom

Opinion

We have audited the consolidated financial statements of Joint Stock Company Uzbektelecom and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of 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.

Key Audit Matters

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Revenue recognition	
The revenue from mobile network and fixed line internet services are processed through the billing system and amounted to UZS 3,426,179,510 thousand for the year ended 31 December 2021 (Note 17). As at 31 December 2021, the deferred revenue amounted to UZS 364,804,504 thousand (Note 15).	We obtained an understanding of the internal processes and control procedures of the Group related to manual adjustments of deferred revenue associated with correction of monthly tariff plans revenue of mobile network and fixed line internet services.

Erkin Ayupov, Qualified Auditor/Engagement Partner

The Group offers monthly tariff plans of mobile network and fixed line internet services, which are not limited to the calendar month, and can be rolled over to the next month.

The billing system of the Group recognizes revenue for the whole amount of advances received from subscribers for the monthly tariff plans. At the end of the reporting period the Management of the Group posts manual adjustments in order to correct amount of the revenue and transfer unearned revenue to deferred revenue.

Due to the size of these revenue streams and absence of automation related to the manual adjustments described above, we identified this issue as a key audit matter.

We involved our IT Specialists to test operating effectiveness of controls over the billing system.

We applied a combination of substantive analytical procedures and test of details to obtain assurance over the validity and completeness of the reported output of these systems.

We recalculated the amount of manual adjustments made by the Management of the Group.

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

"Deloitte & Touche" Audit Organization LLC is included in the Register of audit organizations of the Ministry of Finance of the Republic of Uzbekistan from 8 June 2021

17 October 2022
Tashkent, Uzbekistan

Deloitte va Touche

Erkin Ayupov

Qualified Auditor/Engagement Partner

Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan

Director
"Deloitte & Touche" Audit Organization LLC

JOINT STOCK COMPANY UZBEKTELECOM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

(in thousands of Uzbekistan Soums)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets:			
Property, plant and equipment	6	6,897,418,929	5,704,940,085
Right-of-use assets	7	139,755,625	108,014,569
Intangible assets	8	126,604,949	155,838,688
Investments in associates		35,116,990	29,001,231
Investments in joint ventures		188,656	2,101,742
Investments at FVTPL		6,113,437	10,205,287
Cost to obtain a contract – long-term portion	19	10,441,404	18,569,890
Other long term assets		540,203	2,943,819
Total non-current assets		**7,216,180,193**	**6,031,615,311**
Current assets:			
Cash and cash equivalents	9	19,594,875	213,976,579
Trade and other receivables	10	331,103,491	312,476,557
Inventories	11	348,619,733	192,868,464
Cost to obtain a contract – short-term portion	19	20,882,809	37,139,779
Total current assets		**720,200,908**	**756,461,379**
TOTAL ASSETS		**7,936,381,101**	**6,788,076,690**
EQUITY			
Share capital	12	331,556,392	217,435,315
Additional paid-in-capital	12	44,504,034	17,968,951
Retained earnings		1,274,170,466	382,871,051
Equity attributable to shareholders		1,650,230,892	618,275,317
Non-controlling interests		4,980,052	4,676,990
TOTAL EQUITY		**1,655,210,944**	**622,952,307**
LIABILITIES			
Non-current liabilities:			
Long term borrowings	13	2,865,330,822	3,688,369,457
Long term lease liabilities	7	123,880,786	95,433,126
Deferred tax liability	25	95,672,444	20,544,029
Other long term liabilities		16,739,335	11,078,161
Total non-current liabilities		**3,101,623,387**	**3,815,424,773**
Current liabilities:			
Trade accounts payable	14	421,466,858	479,141,962
Short term borrowings	13	2,049,758,709	1,349,435,538
Deferred revenue	15	364,804,504	251,907,676
Income tax liabilities		6,549,796	4,527,540
Short term lease liabilities	7	36,166,723	25,475,632
Other current liabilities	16	300,800,180	239,211,262
Total current liabilities		**3,179,546,770**	**2,349,699,610**
TOTAL LIABILITIES		**6,281,170,157**	**6,165,124,383**
TOTAL EQUITY AND LIABILITIES		**7,936,381,101**	**6,788,076,690**

Signed on behalf of the Group Management:

Khasanov N.N.
General Director

17 October 2022
Tashkent, Republic of Uzbekistan

Tokhtiyarov A.N.
Deputy General Director of the Financial Affairs

17 October 2022
Tashkent, Republic of Uzbekistan

The notes on pages 10-61 form an integral part of these consolidated financial statements

JOINT STOCK COMPANY UZBEKTELECOM

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of Uzbekistan Soums)

	Notes	2021	2020
Revenue	17	5,402,509,757	4,444,651,160
Cost of sales	18	(2,962,331,987)	(2,414,801,760)
Gross profit		**2,440,177,770**	**2,029,849,400**
Selling expenses	19	(419,715,332)	(295,886,103)
General and administrative expenses	20	(578,843,276)	(447,420,679)
Recovery of impairment losses on non-financial assets, net	22	7,185,594	1,533,012
Expected credit losses	10,22	(73,572,070)	(4,631,697)
Other operating income	21	43,291,345	51,935,744
Operating profit		**1,418,524,031**	**1,335,379,677**
Finance income		21,703,755	28,303,757
Finance costs	23	(354,460,348)	(290,139,667)
Share of results of associates		3,158,746	(9,132,315)
Share of results of joint ventures		11,911	299,815
Net foreign exchange gain/(loss)	24	16,033,702	(528,690,731)
Fair value loss on investments at FVTPL		(12,075,359)	(4,086,544)
Profit before income tax		**1,092,896,438**	**531,933,992**
Income tax expense	25	(154,360,817)	(79,438,372)
Net profit for the year		**938,535,621**	**452,495,620**
Other comprehensive income		-	-
Total comprehensive income for the year		**938,535,621**	**452,495,620**
Net profit and total comprehensive income attributable to:			
Owners of the Company		**938,232,559**	**450,185,826**
Non-controlling interests		**303,062**	**2,309,794**
Earnings per share (in UZS), basic and diluted	12	5,880.12	2,521.28

Signed on behalf of the Group Management:

Khasanov N.N.
General Director

17 October 2022
Tashkent, Republic of Uzbekistan

Tokhtiyarov A.N.
Deputy General Director of the Financial Affairs

17 October 2022
Tashkent, Republic of Uzbekistan

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JOINT STOCK COMPANY UZBEKTELECOM

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of Uzbekistan Soums)

	Notes	Share capital	Additional paid-in capital	Retained earnings/ (accumulated deficit)	Equity attributable to shareholders	Non-controlling interest	Total equity
As at 01 January 2020		**217,435,315**	**60,566,258**	**(57,761,344)**	**220,240,229**	**2,367,196**	**222,607,425**
Net profit and total comprehensive income for the year		-	-	450,185,826	450,185,826	2,309,794	**452,495,620**
Adjustment to fair value of the borrowings less income tax	12	-	5,371,876	-	5,371,876	-	**5,371,876**
In-kind contribution	12	-	(47,969,183)	-	(47,969,183)	-	**(47,969,183)**
Dividends	12	-	-	(9,553,431)	(9,553,431)	-	**(9,553,431)**
As at 31 December 2020		**217,435,315**	**17,968,951**	**382,871,051**	**618,275,317**	**4,676,990**	**622,952,307**
Issuance of shares	12	139,098,544	(120,149,935)	-	18,948,609	-	**18,948,609**
Redemption of shares	12	(24,977,467)	-	-	(24,977,467)	-	**(24,977,467)**
Net profit and total comprehensive income for the year	12	-	-	938,232,559	938,232,559	303,062	**938,535,621**
In-kind contribution	12	-	146,685,018	-	146,685,018	-	**146,685,018**
Dividends	12	-	-	(46,933,144)	(46,933,144)	-	**(46,933,144)**
As at 31 December 2021		**331,556,392**	**44,504,034**	**1,274,170,466**	**1,650,230,892**	**4,980,052**	**1,655,210,944**

Signed on behalf of the Group Management:

Khasanov N.N.
General Director

17 October 2022
Tashkent, Republic of Uzbekistan

Tokhtiyarov A.N.
Deputy General Director of the Financial Affairs

17 October 2022
Tashkent, Republic of Uzbekistan

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JOINT STOCK COMPANY UZBEKTELECOM

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of Uzbekistan Soums)

	Notes	2021	2020
OPERATING ACTIVITIES			
Profit before income tax		1,092,896,438	531,933,992
Adjustments for:			
Share of results of associates		(3,158,746)	9,132,315
Share of results of joint ventures		(11,911)	(299,815)
Income from disposal of property, plant and equipment	21	(4,049,544)	(2,751,069)
Income from write off of borrowings	21	(1,102,915)	(3,965,323)
Equipment received free of charge	21	(3,571,889)	(597,001)
Donated property, plant and equipment	20	5,698,363	2,791,998
Finance income		(21,703,755)	(28,303,757)
Finance costs	23	354,460,348	290,139,667
Foreign exchange (gain)/loss, except for effect of exchange rate changes on cash and cash equivalents		(15,806,565)	529,318,110
Depreciation of property, plant and equipment and right-of-use assets	6,7	593,738,092	411,005,706
Amortization of intangible assets	8	111,337,523	85,776,306
Amortization of cost to obtain a contract	19	127,907,296	73,149,306
Accrual of operating expenses		71,006,000	31,220,024
Accrual of taxes other than corporate income tax		-	14,490,028
Accrual of expenses for technical support (SORM)		-	122,994,750
Credit sales		(18,626,934)	-
Recovery of provision for slow-moving and obsolete inventories	18	(7,385,419)	(2,629,794)
(Recovery)/accrual of provision for advances paid for inventories and services, net	22	(4,474,156)	10,825,404
Accrual of allowance for expected credit losses	22	73,572,070	4,631,697
Recovery of provision for non-current advances paid, net	6,22	(2,711,437)	(12,358,416)
Accrual of provision for unused vacation and related taxes	20	13,665,635	8,211,666
Provision for retirement benefit obligations	20	6,778,540	12,396,528
Fair value loss on investments at FVTPL		12,075,359	4,086,544
Operating cash flows before movements in working capital		**2,380,532,393**	**2,091,198,866**
Change in working capital and other balances:			
Inventories		(148,365,849)	(66,730,224)
Trade and other receivables		(74,593,040)	10,987,487
Cost to obtain a contract		(103,521,840)	(109,919,306)
Trade accounts payable		(136,709,222)	15,466,296
Deferred revenue		112,896,828	37,220,023
Other current liabilities		46,602,112	3,562,623
Cash generated from operations		**2,076,841,382**	**1,981,785,765**
Interest paid		(193,169,252)	(208,740,844)
Income taxes paid		(77,210,146)	(11,184,008)
Net cash generated from operating activities		**1,806,461,984**	**1,761,860,913**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,077,934,799)	(856,659,577)
Purchases of licenses and software		(93,783,613)	(164,891,113)
Proceeds on disposal of property, plant and equipment		41,451,475	30,038,078
Interest received		20,855,207	27,801,041
Acquisition of investment in associate		(3,797,153)	(11,937,753)
Acquisition of investment in joint venture		-	(78,778)
Acquisition of investment at FVTPL		(7,831,990)	-
Disposal of investment in joint venture		1,923,897	-
Disposal of investment in associates		781,154	-
Dividends received from associates		58,986	209,061
Dividends received from joint ventures		1,101	177,042
Dividends received from investments at FVTPL		697,029	613,271
Others		2,630,752	2,371,838
Net cash used in investing activities		**(1,114,947,954)**	**(972,356,890)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of Uzbekistan Soums)

	Notes	2021	2020
FINANCING ACTIVITIES			
Proceeds from borrowings	13	459,381,879	371,106,761
Repayments of borrowings	13	(1,286,422,359)	(1,055,170,303)
Dividends paid	12	(46,933,144)	(9,553,431)
Repayment of lease liabilities	7	(11,694,973)	(9,307,940)
Net cash used in financing activities		**(885,668,597)**	**(702,924,913)**
Net (decrease)/increase in cash		**(194,154,567)**	**86,579,110**
CASH AND CASH EQUIVALENTS, at the beginning of the year		213,976,579	126,770,090
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(227,137)	627,379
CASH AND CASH EQUIVALENTS, at the end of the year	9	**19,594,875**	**213,976,579**

Non-cash activities:

1. The amount of purchases of licenses and software acquired on credit in 2021 equals to UZS 10,117,606 thousand (2020: UZS 11,812,727 thousand). The amount of repayments in 2021 for the licenses and software purchased on credit in previous years equal to 11,812,727 UZS thousand (2020: UZS 58,848,906 thousand);
2. Purchases of property, plant and equipment on credit in 2021 equal to UZS 632,368,400 thousand (2020: UZS 1,242,941,768 thousand);
3. In 2021, the Group recognized adjustment of fair value on initial recognition of the borrowings obtained for the equipment purchased, which resulted in a decrease of the acquisition cost of property, plant and equipment by UZS 71,995,590 thousand;
4. In 2021, the Group, by the order of the majority shareholder, has offset receivables from SUE "UZINFOCOM" against the share capital of the majority shareholder in the amount of UZS 24,977,467 thousand (Note 12);
5. In 2021, the Group has received in kind contribution in the form of land and building in the amount of UZS 146,685,018 thousand at fair value, which resulted increase of additional paid in capital;
6. In 2021, the Group by the order of the majority shareholder, has received properties from the State Asset Management Agency in the amount of UZS 18,948,609, which resulted in the increase of share capital.

Signed on behalf of the Group Management:

Khasanov N.N.
General Director

17 October 2022
Tashkent, Republic of Uzbekistan

Tokhtiyarov A.N.
Deputy General Director of the Financial Affairs

17 October 2022
Tashkent, Republic of Uzbekistan

(in thousands of Uzbekistan Soums)

1. GENERAL INFORMATION

In 1992, state telecommunication enterprises "Uzbektelecom" was created on the basis of regional postal and electronic communications enterprises of Uzbekistan.

On 30 June 2000, in accordance with the Decree of the Cabinet of Ministers of the Republic of Uzbekistan, state telecommunication enterprises "Uzbektelecom" were combined into the Joint Stock Company "Uzbektelecom" ("the Company").

The Company provides the following services:

- lease of communication channels to operators and providers of fixed and mobile communication services;
- mobile and fixed communications in CDMA-450 and GSM standards;
- fixed line communication;
- internet access;
- video conferencing and television services;

The Government of the Republic of Uzbekistan is the major shareholder of the Company through the Ministry of Finance of the Republic of Uzbekistan, which owns 96.57% of the Company's controlling shares. The following is the list of shareholders of the Company:

	31 December 2021	31 December 2020
Ministry of Finance of the Republic of Uzbekistan	96.57%	94.25%
Other legal entities and individuals (individually hold less than 1%)	3.43%	5.75%
	100%	**100%**

Preference shares of the Company are listed in the Republican Stock Exchange "Toshkent".

As at 31 December 2021, the Company owns the following subsidiaries (together "the Group"):

	Ownership interest			
	31 December 2021	**31 December 2020**	**Main business operation**	**Country**
LLC Granit	100.00%	100.00%	Manufacture of hardware (antennas, masts)	Uzbekistan
LLC Telecom Device Pro	100.00%	100.00%	Manufacture of telecom equipment	Uzbekistan
LLC Broadband Solutions	100.00%	100.00%	Manufacture of telecom equipment	Uzbekistan
LLC Svyazsooruzheniya Stroy	98.83%	66.67%	Building and assembly jobs	Uzbekistan
LLC Telecom Qurilish	97.52%	97.52%	Building and assembly jobs	Uzbekistan
LLC Telecom Innovations	87.27%	59.21%	Manufacture of telecommunication devices	Uzbekistan
LLC UzAloqa Consulting	87.00%	87.00%	Consulting services	Uzbekistan
LLC CIB Group	71.63%	71.63%	Publishing house (ICTNEWS)	Uzbekistan
LLC Tashagroinvest	54.85%	54.85%	Manufacture of telecom equipment	Uzbekistan
LLC Toshkent Taksofoni	-	79.12%	Communication services	Uzbekistan

(in thousands of Uzbekistan Soums)

According to the decision of the supervisory board #359 dated 9 April 2021, additional funds in the amount of USD 2,000 thousand and UZS 12,352,812 thousand have been invested in LLC Telecom Innovations and LLC Svyazsooruzheniya Stroy by the Group in 2021 respectively, after which, the Group's share in LLC Telecom Innovations and LLC Svyazsooruzheniya Stroy has increased from 59.21% to 87.27% and from 66.67% to 98.83%, respectively.

In December 2021, one of the subsidiaries of the Group, LLC "Toshkent Taksafoni" was liquidated due to bankruptcy.

The Company operates under the following licenses issued by the Ministry of development of information technologies and communications of the Republic of Uzbekistan:

Type of License	*Number*	*Issued*	*Valid until*
Provision of mobile radiotelephone (cellular) communication networks	*AA0005717*	*3 November 2015*	*3 November 2030*
Provision of international telecommunication networks	*AA0005659*	*03 January 2017*	*03 January 2032*
Provision of local telecommunication networks	*AA0005657*	*23 February 2017*	*23 February 2032*
Provision of data transfer services	*AA0005661*	*24 February 2017*	*24 February 2022*
Provision of broadcasting networks	*AA0005662*	*24 February 2017*	*24 February 2022*
Provision of long-distance telecommunication networks	*AA0005718*	*3 November 2015*	*3 November 2030*

The licenses #AA0005661 and #AA0005662 have been prolonged in 2022.

As at 31 December 2021, the legal address of the Company is: 28 A, Navoi str., Tashkent, 100011, Republic of Uzbekistan.

The average number of employees in 2021 was 17,336 people (2020: 16,830 people).

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value and property, plant and equipment that was measured at fair value on 1 January 2018 to determine a deemed cost.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future.

As at 31 December 2021, the Group's current liabilities exceeded its current assets by UZS 2,459,345,862 thousand (31 December 2020: UZS 1,593,238,231 thousand). Nevertheless, net profit and net cash generated from operating activities for the year ended 31 December 2021 amounted to UZS 938,535,621 thousand and UZS 1,806,461,984 thousand (2020: UZS 452,495,620 thousand and UZS 1,761,860,913 thousand). The management of the Group believes that net cash from operating activities is sufficient to meet its working capital requirements, as the 40% of liabilities comprised the borrowings from the government owned entities which may be restructured in terms of repayment schedule. In addition, the management of the Group is attracting a long-term borrowing from international financial institutions to inject in working capital. Also, the Group is actively developing its telecommunication network through implementation of investment projects, which will positively affect its revenue growth (Note 29). Revenue in 2021 increased by more than 20% in comparison with 2020.

Moreover, JSC Uzbektelecom is considered as core to the telecommunication market of the Republic of Uzbekistan, and the management expects further support from the government.

The operator also disclosed publicly that it has begun preparatory works for deploying the 5G mobile network.

In accordance with the Presidential Decree #6079 from 5 October 2020, the following strategies were outlined in order to improve the information and communication technologies of the Republic of Uzbekistan:

- increase the level of regions' connection to the internet, installing fiber optic communication lines;
- increase the level of mobile communication coverage of the population through the development of mobile communication network;
- introduce the electronic services and other software products in various areas of socio-economic development of the regions.

Following the Presidential Decree, in 2021 the Group has acquired telecommunication equipment from Huawei International Pte. LTD, ZTE Corporation and Iskratel, D.O.O., Kranj which will improve the broadband telecommunication network and upgrade base stations. In addition, the Group plans to make a full-scale transition to fibre-optic lines in 2022. In 2021, the Group installed 50.6 thousand kilometres of fibre optic communication cables across all regions and plans to install additional 50 thousand kilometres in the upcoming year.

Management has considered the Group's future plans, and in light of these plans and the profitability of the Group, positive cash flows from operations, available financing, management believes that the Group will continue to operate as a going concern for the foreseeable future.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation, with the exception of foreign currency gains and losses on intragroup monetary items denominated in a foreign currency of at least one of the parties.

Non-controlling interest

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.

Non-controlling interest are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

NCI in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the NCI's proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other NCI are initially measured at fair value. Subsequent to acquisition, the carrying amount of NCI is the amount of those interests at initial recognition plus the NCI's share of subsequent changes in equity.

Functional currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary of the economic environment in which the Group operates ("the functional currency"). The functional currency of the Company and all of its subsidiaries is the Uzbekistan Soums ("UZS"). The presentational currency of the consolidated financial statements of the Group is the UZS. All values are rounded to the nearest thousand UZS, except when otherwise indicated.

Property, plant and equipment

Property, plant and equipment mainly consists of fiber optic and copper cables, telecommunication equipment and base stations.

The management of the Group has attracted independent appraisers to perform fair valuation of property, plant and equipment as at date of transition to IFRS, 1 January 2018. The fair value was used as deemed cost as a reasonable starting point for a cost-based measurement. The deemed cost is then used as a basis for subsequent depreciation and impairment tests.

For additions subsequent to the date of transition, cost includes all costs directly attributable in bringing the asset to the working condition for its intended use. Where assets received as charter capital contributions, these assets were initially valued at fair value.

Assets under construction and equipment awaiting for installation comprises reserve equipment and spare parts for assembling of line constructions and telecommunication stations. Reserve equipment and spare parts are recorded within property and equipment accounts as they are initially assumed to be a part of construction and are not supposed to bring economic value as a stand-alone asset. These equipment and spare parts start being depreciated upon completion of installation or assembling.

Subsequent expenditures

Subsequent expenditure is capitalized only when it increases the future economic benefits of the item of property, plant and equipment. All other expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income as an expense when incurred.

Depreciation of property, plant and equipment

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The following average useful economic lives are used:

Buildings	25-60 years
Constructions and cable lines	15-30 years
Telecommunication equipment	10-15 years
Transport vehicles	7-15 years
Furniture and office equipment	5-7 years
Other	5-7 years

Disposal of property, plant and equipment

An item of property, plant and equipment is derecognized after it is disposed of or when the receipt of future economic benefits from its use or disposal is no longer expected. Any income or expenses arising upon derecognition of an asset (calculated as a difference between the net proceeds from the disposal and carrying value of the asset) are included into the consolidated statement of profit or loss and other comprehensive income in the reporting period in which the asset is derecognized.

Intangible assets

Intangible assets that were purchased separately, at initial recognition are recorded at cost, amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

The Group's intangible assets primarily comprise capitalized billing system licenses, telecommunication operation licenses and frequency fee payments. Acquired billing system licenses are capitalized on the basis of the costs incurred to acquire and bring them to use. All other costs associated with licenses, e.g. its maintenance, are expensed when incurred. Capitalized intangible assets are amortized on a straight line basis over their expected useful lives. The following average useful economic lives are used:

Licenses and software	1-7 years

Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently recovers, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A recovery of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories mainly include SIM cards, modems and other goods. The cost of inventories is assigned by using the weighted average cost formula. Inventories are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Joint ventures and associates

Joint ventures are those companies and other entities in which the Group, directly or indirectly, undertake an economic activity that is subject to joint control. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures and associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control/significant influence commences until the date that joint control/significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognized at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss. Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition. Financial liabilities are derecognized when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets

All recognized financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The business model

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Trade receivables, investments at fair value through profit or loss ('FVTPL') and cash and cash equivalent are the financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

Unless not material, appropriate allowances for expected credit losses ('ECLs') are recognized in profit or loss in accordance with the Group's accounting policy on ECLs. Changes in the carrying amount as a result of foreign exchange gains or losses, impairment gains or losses and interest income are recognized in profit or loss. Trade receivables, which do not have a significant financing component are initially measured at their transaction price and are subsequently stated at their nominal value less any loss allowance for ECLs.

ECLs

The amount of ECLs is updated at each reporting date. The ECLs on trade and other receivables are estimated using a provision matrix based on the Group's historical credit loss experience based on the past due status of the debtors, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The macroeconomic conditions takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, however due to insignificant nature of the impact, ECLs are not adjusted for macroeconomic parameters.

The Group applies the 'simplified approach' to trade receivables. The simplified approach allows entities to recognize lifetime expected credit losses without the need to identify significant increases in credit risk.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial asset.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full;
- irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Financial liabilities

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

Other financial liabilities

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

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

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Borrowings

Borrowings are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

Borrowings include bank loans and long term financing of telecommunication equipment from suppliers.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Share capital

The Company owners' interest is classified as equity since the Company has an unconditional right to refuse redemption of the member's interest, based on its charter and local legislation. Foreign exchange rate difference arising between dates of investment by the parent company and the date of actual share capital increase, fair value adjustments on the borrowings from the parent company, unpaid interest on the interest-free loans and forgiven liabilities classified as additional paid in capital in accordance with the charter.

Preventive measures reserve

The statutory rules require the Group to maintain a preventive measures reserve aimed to allocate funds to cover the Group's future costs associated with activities and measures taken to prevent accidents, promote general safety, and prevent a loss of or damage to insured property. In the National Accounting Standards ("NAS") accounting records, the Group establishes and maintains the balance of preventive measures reserve by recognizing accounts receivable in the current year upon receipt of a proof of intentional use of funds. For the purposes of IFRS, preventive measures reserve is included in retained earnings/(accumulated deficit) and disclosed in Note 12.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and term deposits with an original maturity of three months or less, and are subject to insignificant risk of change in value. Balances restricted from being exchanged or used to settle a liability are included in restricted cash.

Advances paid to suppliers

Advances paid to suppliers and prepaid expenses for goods and services are recognized when advances are paid and are carried at cost less provision for impairment, where required and derecognized when the counterparty performs its obligations under the contract. Advances paid are classified as non-current when they relate to an assets, which will themselves be classified as non-current upon initial recognition.

Deferred revenue

Prepayments received from subscribers are recorded as deferred revenue. The Group recognizes revenue when the related service has been provided to the subscriber.

Trade accounts payable

Trade payables are recognized when the counterparty performed its obligations under the contract. The Group recognizes trade payables initially at fair value. Subsequently, trade payables are carried at amortized cost using the effective interest method.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when (or as) it satisfies a performance obligation by transferring control of a promised good or service to the customer. Revenue recognized when the goods or services are transferred to the customer, at the transaction price, being the sales value, net of discounts granted and value added tax ("VAT").

The Group's activities mainly relate to the mobile network services, fixed line internet services, fixed line telephony services, interconnect / traffic transmission of other operators and usage of channels.

(i) Mobile network, fixed line internet and fixed line telephony services

Revenue from the provision of mobile network, fixed line internet and fixed line telephony services are recognized over time when the transmission is made over the Group's network. Subscription fees, consisting primarily of monthly charges for access to voice services, SMS and data are recognized as revenue over time. Prepayments received from subscribers are not recognized as revenue until the related service has been provided to the subscriber.

(ii) Interconnection revenue and cost

Interconnection revenue and cost is generated from charges per minute between local fixed and mobile operators for mutual terminated voice traffic. Group recognizes revenue over time during the provision of services.

(iii) Revenue from usage of channels

Revenue from the rental of analogue and digital channels and private circuits as well as wholesale access revenue is recognized on a straight-line basis over the period to which it relates.

(iv) Value added services

Value added services generally comprise of SMS, MMS, content, various information services, voice messages and other. Revenue from value added services subscribers is recognized over time during the provision of services, based on actual usage.

Incremental costs of obtaining a contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognized as an expense when incurred unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. The Group sells a portion of SIM cards via a network of distributors. The Group pays certain commission fees to dealers on the basis of subscriber activation. These commissions are recognized when items are sold and activated by subscribers. The subscriber activation fee is recognized as a cost to obtain a contract under IFRS 15 and amortized during expected life of a customer.

Contract modifications

A contract modification is accounted for as a separate contract if (a) the scope of the contract increases because of the addition of promised goods or services that are distinct and (b) the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract. A contract modification is accounted for as if it were a termination of the existing contract and the creation of a new contract if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification.

A contract modification is accounted for as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. If the remaining goods or services are partly distinct and partly not distinct, the effects of the modification on the unsatisfied (including partially unsatisfied) performance obligations in the modified contract are accounted for in a manner that is consistent with the objectives of IFRS 15. It is necessary to assess whether contract modifications shall be accounted for retrospectively (one-off adjustment) or prospectively (as a "catch-up" adjustment to future revenues), or even as for a separate contract.

Costs and expenses

Costs and expenses, unless associated with the earning of specific items of income and deferred, are recognized when incurred, regardless of when cash is paid, and are recorded in the statement of profit or loss and other comprehensive income in the period to which they relate.

Employee benefits

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

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's 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 consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of 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 associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

The exchange rates at the year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2021	**31 December 2020**
UZS/1 USD	10,837.66	10,476.92

Dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, which are described in Note 2, the Management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in consolidated financial statements.

Impairment of property and equipment and intangible assets

Management reviews the carrying amounts of assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. The assessment of whether there are indicators of a potential impairment is based on various assumptions including market conditions, asset utilization and the ability to utilize the asset for alternative purposes. If an indication of impairment exists, the Group estimates the recoverable value (greater of fair value less cost to sell and value in use) and compares it to the carrying value, and records impairment to the extent the carrying value is greater. Any change in these estimates may result in impairment in future periods. Given the pace of technological advancements in the telecommunication industry, management considers impairment of property, plant and equipment and intangible assets as significant area of judgment.

The management of the Group has made an assessment of whether the impairment indicators exist at the reporting date. As a result of the analysis performed, the management has not identified any evidence of impairment indicators.

4 ADOPTION OF NEW AND REVISED STANDARDS

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

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (Phase 2)
Amendments to IFRS 16	Covid-19-Related Rent Concessions

The application of the new standards and interpretations did not lead to significant changes in the Group's accounting policies affecting the reporting data for the current and prior periods.

(in thousands of Uzbekistan Soums)

New and revised IFRS Standards in issue but not yet effective.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New or revised standard or interpretation	*Applicable to annual reporting periods beginning on or after*
IFRS 17 "Insurance contracts"	*1 January 2023*
Amendments to IFRS 17 "Insurance contracts"	*1 January 2023*
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles).	*1 January 2023*
Amendments to IAS 8 – "Definition of Accounting Estimates"	*1 January 2023*
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"	*1 January 2023*
Annual Improvements to IFRS Standards 2018-2020:	
Amendments to IFRS 3 – "Reference to the Conceptual Framework"	*1 January 2022*
Amendments to IAS 16 Property, Plant and Equipment – Revenue Before Intended Use	*1 January 2022*
Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – "Loss-making Contracts – Completion Value"	*1 January 2022*
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction	*1 January 2023*
Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	*Date to be determined by the IASB*

Management anticipates that the adoption of these standards will not have a material impact on the consolidated financial statements of the Group in the period of initial application.

5 SEGMENT INFORMATION

The Group's operations are a single reportable segment.

The Group provides telecommunication services in the Republic of Uzbekistan. The Group identifies the segment in accordance with the criteria set in IFRS 8 "Operating Segments", and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyze performance and allocate resources among business units of the Group.

The General Director has been determined as the Group's Chief Executive Officer. The General Director reviews the Group's internal reporting in accordance with National Accounting Standards ("NAS"), including revenue, net profit for the year and total assets as at reporting date, in order to assess performance and allocate resources. Management has determined a single operating segment being telecommunication services based on these internal reports.

The tables below are based on the financial information prepared in accordance with National Accounting Standards ("NAS") and incorporates the adjustments to bring the numbers in line with IFRS.

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)
(in thousands of Uzbekistan Soums)

	Notes	31 December 2021, NAS (unaudited)	Adjustments (unaudited)	31 December 2021, IFRS	31 December 2020, NAS (unaudited)	Adjustments (unaudited)	31 December 2020, IFRS
Non-current assets:							
Property, plant and equipment	1,2,7,10,15	5,874,961,465	1,022,457,464	6,897,418,929	5,233,203,328	471,736,757	5,704,940,085
Right-of-use assets	3	-	139,755,625	139,755,625	-	108,014,569	108,014,569
Intangible assets	4	30,853,306	95,751,643	126,604,949	91,206,913	64,631,775	155,838,688
Investments in associates		69,169,621	(34,052,631)	35,116,990	68,051,923	(39,050,692)	29,001,231
Investments in joint ventures		82,476	106,180	188,656	1,325,510	776,232	2,101,742
Investments at FVTPL	12	53,314,571	(47,201,134)	6,113,437	44,390,115	(34,184,828)	10,205,287
Cost to obtain a contract – long-term portion	11	-	10,441,404	10,441,404	-	18,569,890	18,569,890
Other long term assets	15	245,466,650	(244,926,447)	540,203	59,953,732	(57,009,913)	2,943,819
Capitalized foreign exchange loss	5	1,062,323,439	(1,062,323,439)	-	1,365,656,245	(1,365,656,245)	-
Total non-current assets		**7,336,171,528**	**(119,991,335)**	**7,216,180,193**	**6,863,787,766**	**(832,172,455)**	**6,031,615,311**
Current assets:							
Cash and cash equivalents		19,594,875	-	19,594,875	213,976,579	-	213,976,579
Trade and other receivables	4,6	502,136,515	(171,033,024)	331,103,491	397,558,782	(85,082,225)	312,476,557
Inventories	7,14	623,285,370	(274,665,637)	348,619,733	536,546,250	(343,677,786)	192,868,464
Cost to obtain a contract – short-term portion	11	-	20,882,809	20,882,809	-	37,139,779	37,139,779
Total current assets		**1,145,016,760**	**(424,815,852)**	**720,200,908**	**1,148,081,611**	**(391,620,232)**	**756,461,379**
TOTAL ASSETS		**8,481,188,288**	**(544,807,187)**	**7,936,381,101**	**8,011,869,377**	**(1,223,792,687)**	**6,788,076,690**
EQUITY							
Share capital		197,307,871	134,248,521	331,556,392	217,435,315	-	217,435,315
Additional paid-in capital	10,13	60,431,890	(15,927,856)	44,504,034	(7,762,561)	25,731,512	17,968,951
Property, plant and equipment revaluation reserve under NAS	1	1,221,873,649	(1,221,873,649)	-	1,233,432,357	(1,233,432,357)	-
Retained earnings/(accumulated deficit)		631,187,637	642,982,829	1,274,170,466	375,137,358	7,733,693	382,871,051
Equity attributable to shareholders		2,110,801,047	(460,570,155)	1,650,230,892	1,818,242,469	(1,199,967,152)	618,275,317
Non-controlling interests		4,980,052	-	4,980,052	4,676,990	-	4,676,990
TOTAL EQUITY		**2,115,781,099**	**(460,570,155)**	**1,655,210,944**	**1,822,919,459**	**(1,199,967,152)**	**622,952,307**
Non-current liabilities:							
Long term borrowings	10	2,903,304,238	(37,973,416)	2,865,330,822	3,835,028,044	(146,658,587)	3,688,369,457
Long term lease liabilities	3	-	123,880,786	123,880,786	-	95,433,126	95,433,126
Capitalized foreign exchange gain	5	141,728,075	(141,728,075)	-	174,807,471	(174,807,471)	-
Deferred tax liability	9	-	95,672,444	95,672,444	-	20,544,029	20,544,029
Other long term liabilities		-	16,739,335	16,739,335	-	11,078,161	11,078,161
Total non-current liabilities		**3,045,032,313**	**56,591,074**	**3,101,623,387**	**4,009,835,515**	**(194,410,742)**	**3,815,424,773**
Current-liabilities:							
Trade account payable	10	399,466,789	22,000,069	421,466,858	468,204,637	10,937,325	479,141,962
Short term borrowings	8	2,099,447,057	(49,688,348)	2,049,758,709	1,324,983,719	24,451,819	1,349,435,538
Deferred revenue		314,551,495	50,253,009	364,804,504	199,373,262	52,534,414	251,907,676
Income tax liabilities		6,549,796	-	6,549,796	4,527,540	-	4,527,540
Short term lease liabilities	3	-	36,166,723	36,166,723		25,475,632	25,475,632
Other current liabilities	13	500,359,739	(199,559,559)	300,800,180	182,025,245	57,186,017	239,211,262
Total current liabilities		**3,320,374,876**	**(140,828,106)**	**3,179,546,770**	**2,179,114,403**	**170,585,207**	**2,349,699,610**
TOTAL LIABILITIES		**6,365,407,189**	**(84,237,032)**	**6,281,170,157**	**6,188,949,918**	**(23,825,535)**	**6,165,124,383**
TOTAL EQUITY AND LIABILITIES		**8,481,188,288**	**(544,807,187)**	**7,936,381,101**	**8,011,869,377**	**(1,223,792,687)**	**6,788,076,690**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

(in thousands of Uzbekistan Soums)

	Notes	2021 NAS (unaudited)	Adjustments (unaudited)	IFRS	2020 NAS (unaudited)	Adjustments (unaudited)	IFRS
Revenue	8	5,426,305,178	(23,795,421)	5,402,509,757	4,522,858,911	(78,207,751)	4,444,651,160
Cost of sales	1,2,3, 4,7,14	(3,129,171,383)	166,839,396	(2,962,331,987)	(2,651,300,098)	236,498,338	(2,414,801,760)
Gross Profit		**2,297,133,795**	**143,043,975**	**2,440,177,770**	**1,871,558,813**	**158,290,587**	**2,029,849,400**
Selling expenses	1,2,11	(377,036,860)	(42,678,472)	(419,715,332)	(316,767,121)	20,881,018	(295,886,103)
General and administrative expenses	1,2	(974,777,557)	395,934,281	(578,843,276)	(464,213,283)	16,792,604	(447,420,679)
Recovery of impairment of advances and impairment loss of property, plant and equipment and intangible assets	6	-	7,185,594	7,185,594	-	1,533,012	1,533,012
Expected credit losses	6	-	(73,572,070)	(73,572,070)	-	(4,631,697)	(4,631,697)
Other operating income		85,184,392	(41,893,047)	43,291,345	91,785,186	(39,849,442)	51,935,744
Operating profit		**1,030,503,770**	**388,020,261**	**1,418,524,031**	**1,182,363,595**	**153,016,082**	**1,335,379,677**
Finance income		23,838,943	(2,135,188)	21,703,755	28,767,504	(463,747)	28,303,757
Finance costs	3,10	(215,827,234)	(138,633,114)	(354,460,348)	(197,603,937)	(92,535,730)	(290,139,667)
Share of results of associates		-	3,158,746	3,158,746	-	(9,132,315)	(9,132,315)
Share of results of joint ventures		-	11,911	11,911	-	299,815	299,815
Net foreign exchange gain/(loss)	5	(256,742,607)	272,776,309	16,033,702	(879,101,689)	350,410,958	(528,690,731)
Fair value loss on investments at FVTPL	12	-	(12,075,359)	(12,075,359)	-	(4,086,544)	(4,086,544)
Profit before income tax		**581,772,872**	**511,123,566**	**1,092,896,438**	**134,425,473**	**397,508,519**	**531,933,992**
Income tax expense	9	(79,232,402)	(75,128,415)	(154,360,817)	(17,979,226)	(61,459,146)	(79,438,372)
Net profit for the year		**502,540,470**	**435,995,151**	**938,535,621**	**116,446,247**	**336,049,373**	**452,495,620**
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		**502,540,470**	**435,995,151**	**938,535,621**	**116,446,247**	**336,049,373**	**452,495,620**

Explanation of significant adjustments related to transformation from NAS to IFRS is as follows:

1) Per NAS, property, plant and equipment are subject to obligatory revaluation at 1 January each year;
2) Fair valuation of property, plant and equipment was performed during transition to IFRS as at 1 January 2018. The valuation was then used as a deemed cost as a reasonable starting point for a cost-based measurement. This resulted in the change of carrying amount of property, plant and equipment for IFRS purposes, and affected the corresponding depreciation expense;
3) NAS does not include a specific standard covering the recognition of right-of-use assets and related lease liabilities;
4) Billing system license purchase was recognized as prepayment in accordance with NAS. However, this license is recognized as intangible asset in accordance with IFRS;
5) Before 1 January 2019, NAS permitted the application of the accumulation method to account for unrealized foreign exchange gains and losses. From 1 January 2019, the accumulation method is no longer permitted by NAS, and previously accumulated foreign exchange gains and losses are recognized in profit or loss when the corresponding assets or liabilities are realized. Such approach is not in accordance with IFRS, thus the adjustment was made to reverse the accumulated foreign exchange gains and losses;
6) Assets are not assessed for impairment under NAS, thus the adjustment was made in accordance with IFRS to recognize the allowance for expected credit losses and the impairment provisions for advances paid for inventories and services and non-current advances paid;
7) Under NAS, certain items that management has intentions to ultimately use as part of property, plant and equipment such as telecommunication cables and spare parts of telecommunication equipment are accounted as inventory. Thus, these assets were reclassified to property, plant and equipment in accordance with IFRS;
8) Under NAS, the Group recognized revenue from the subscription fee for mobile network and fixed line internet services in full amount when the prepayments are received from subscribers. Under IFRS, revenue is recognized during the period of time when the services were provided;
9) No deferred income tax is recognized under NAS;
10) Under NAS, the Group recognized borrowings in the amount of actual cash received or acquisition cost of property, plant and equipment. Under IFRS, the borrowings are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method;
11) Unlike NAS, IFRS requires the sales commissions granted to dealers for obtaining a specific contract to be capitalized and deferred over the period over which the Group expects to provide services to the customer;
12) Under NAS, the Group recognizes investments under cost method. Under IFRS, investments are measured at fair value through profit or loss;
13) Under NAS, the cash received from other telecommunication operators in the Republic of Uzbekistan for the purchase of telecommunication equipment is recognized in equity. Under IFRS, cash received from operators is recognized as other current liabilities;
14) Under NAS, the Group carries its inventory at cost and not at the lower of cost or net realizable value (NRV) and as such has no practice of writing them down to NRV, including for slow-moving and obsolete inventory;
15) Under NAS, the Group recognizes advances paid for purchase of property, plant and equipment separately as other long term assets. However, for IFRS purposes, such advances paid were accounted for as part of property, plant and equipment.

(in thousands of Uzbekistan Soums)

6 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings, constructions and cable lines	Tele-communication equipment	Furniture and office equipment	Transport vehicles	Other	Assets under construction, equipment awaiting installation and non-current advances paid	Total
Cost								
at 1 January 2020	-	**1,087,209,380**	**1,866,109,630**	**91,652,937**	**63,328,550**	**70,792,360**	**1,613,712,351**	**4,792,805,208**
Additions	-	25,794,731	149,677,605	5,519,618	19,627,151	729,762	1,763,294,557	**1,964,643,424**
Disposals	-	(74,462,329)	(85,241,101)	(1,011,734)	(2,551,912)	(565,893)	(3,725,429)	**(167,558,398)**
Transfers	-	264,035,198	1,336,320,622	8,635,962	-	13,128,575	(1,622,120,357)	-
At 31 December 2020	-	**1,302,576,980**	**3,266,866,756**	**104,796,783**	**80,403,789**	**84,084,804**	**1,751,161,122**	**6,589,890,234**
Additions	50,179,541	163,955,761	254,751,819	9,330,579	2,410,960	834,521	1,326,049,944	**1,807,513,125**
Disposals	-	(47,684,128)	(131,489,683)	(7,508,081)	(5,055,681)	(9,163,775)	(3,338,745)	**(204,240,093)**
Transfers	-	679,046,601	888,378,112	11,776,816	14,122,778	17,545,994	(1,610,870,301)	-
At 31 December 2021	**50,179,541**	**2,097,895,214**	**4,278,507,004**	**118,396,097**	**91,881,846**	**93,301,544**	**1,463,002,020**	**8,193,163,266**
Accumulated depreciation and impairment								
At 1 January 2020	-	**(168,912,783)**	**(319,332,678)**	**(31,099,653)**	**(25,495,319)**	**(13,377,503)**	**(18,842,334)**	**(577,060,270)**
Charge for the year	-	(77,769,044)	(284,804,457)	(16,247,763)	(9,330,949)	(7,098,628)	-	**(395,250,841)**
Accrual of provision for non-current advances paid	-	-	-	-	-	-	(1,054,814)	**(1,054,814)**
Recovery of provision for non-current advances paid	-	-	-	-	-	-	13,413,230	**13,413,230**
Disposals	-	13,102,182	58,514,204	783,709	2,431,975	170,476	-	**75,002,546**
At 31 December 2020	-	**(233,579,645)**	**(545,622,931)**	**(46,563,707)**	**(32,394,293)**	**(20,305,655)**	**(6,483,918)**	**(884,950,149)**
Charge for the year	-	(106,576,032)	(430,195,695)	(19,359,641)	(11,203,818)	(7,310,238)	-	**(574,645,424)**
Accrual of provision for non-current advances paid	-	-	-	-	-	-	(2,227,421)	**(2,227,421)**
Recovery of provision for non-current advances paid	-	-	-	-	-	-	4,938,858	**4,938,858**
Disposals	-	27,408,197	120,364,515	7,459,442	2,939,027	2,968,618	-	**161,139,799**
At 31 December 2021	-	**(312,747,480)**	**(855,454,111)**	**(58,463,906)**	**(40,659,084)**	**(24,647,275)**	**(3,772,481)**	**(1,295,744,337)**
Book value:								
At 31 December 2021	**50,179,541**	**1,785,147,734**	**3,423,052,893**	**59,932,191**	**51,222,762**	**68,654,269**	**1,459,229,539**	**6,897,418,929**
At 31 December 2020	-	**1,068,997,335**	**2,721,243,825**	**58,233,076**	**48,009,496**	**63,779,149**	**1,744,677,204**	**5,704,940,085**

(in thousands of Uzbekistan Soums)

Assets under construction and equipment awaiting installation mainly include telecommunication equipment awaiting installation in the next year after the reporting period.

In 2021, the Group installed the telecommunication equipment purchased from Toyota Tsusho in the previous year. Also in 2021, the Group installed additional fiber optic communication lines and base stations in order to improve the capacity and quality of communication network. The Company has received land and building as an in-kind contribution (Note 12).

During the year, the Company has purchased property, plant and equipment on credit in the amount of UZS 632,368,400 thousand (2020: UZS 1,242,941,768 thousand) (Note 13).

Additions to the equipment awaiting installation include the telecommunication equipment from Huawei Technologies Co. Ltd and ZTE Corporation that were acquired in order to improve the broadband telecommunications network and data storage and processing.

As at 31 December 2021, the carrying amount of property, plant and equipment that are pledged as collateral for bank loans was UZS 113,650,731 thousand (31 December 2020: UZS 105,033,774 thousand) (Note 13).

As at 31 December 2021, property, plant and equipment that had been fully amortized, but were still in use had an initial cost of UZS 150,382,726 thousand (31 December 2020: UZS 120,497,567 thousand).

The valuation of the Group's property, plant and equipment was performed by an independent appraiser as at 1 January 2018. The fair value was used as deemed cost as a reasonable starting point for a cost-based measurement. The deemed cost is then used as a basis for subsequent depreciation and impairment tests.

The following table shows non-current advances paid that is included in property, plant and equipment:

	31 December 2021	31 December 2020
Non-current advances paid	59,521,868	48,784,869
Less: provision for non-current advances paid	(3,772,481)	(6,483,918)
	55,749,387	**42,300,951**

Non-current advances paid are measured at cost less the provision for impairment. The following table shows the movement of provision that has been recognized for non-current advances paid:

	2021	2020
As at 1 January	**6,483,918**	**18,842,334**
Accrual of provision for non-current advances paid	2,227,421	1,054,814
Recovery of provision for non-current advances paid	(4,938,858)	(13,413,230)
As at 31 December	**3,772,481**	**6,483,918**

(in thousands of Uzbekistan Soums)

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group's lease agreements are mainly related to lease of sites for base stations (on the ground, towers, rooftops and inside buildings), and other premises, which mainly include offices for customer services and warehouses.

	Sites and base stations	Other premises	Total
Cost			
As at 1 January 2020	**75,147,809**	**13,531,836**	**88,679,645**
Additions and modifications	55,108,474	(4,124,945)	50,983,529
As at 31 December 2020	**130,256,283**	**9,406,891**	**139,663,174**
Additions and modifications	42,394,257	8,439,467	50,833,724
As at 31 December 2021	**172,650,540**	**17,846,358**	**190,496,898**
Accumulated depreciation			
As at 1 January 2020	**(12,843,881)**	**(3,049,859)**	**(15,893,740)**
Charges per year	(13,507,610)	(2,247,255)	(15,754,865)
As at 31 December 2020	**(26,351,491)**	**(5,297,114)**	**(31,648,605)**
Charges per year	(16,683,485)	(2,409,183)	(19,092,668)
As at 31 December 2021	**(43,034,976)**	**(7,706,297)**	**(50,741,273)**
Book value			
As at 31 December 2021	**129,615,564**	**10,140,061**	**139,755,625**
As at 31 December 2020	**103,904,792**	**4,109,777**	**108,014,569**

Interest expense on lease liabilities for the year ended 31 December 2021 amounted to UZS 27,165,571 thousand (2020: UZS 15,109,376 thousand). These expenses are included in finance costs in the consolidated statement of profit and loss and other comprehensive income.

The table below shows the future lease payments together with the present value of the net lease payments as at the end of the year:

	31 December 2021	31 December 2020
Lease payments		
Less than one year	36,166,723	25,475,632
From one year to five years	167,856,777	103,838,596
More than five years	71,239,816	72,426,348
Total lease payments	**275,263,316**	**201,740,576**
Less the effect of discounting	(115,215,807)	(80,831,818)
Present value of the net lease payments	**160,047,509**	**120,908,758**
Less short term part	(36,166,723)	(25,475,632)
Long term lease liabilities	**123,880,786**	**95,433,126**

(in thousands of Uzbekistan Soums)

Below are changes to lease liabilities:

	Reconciliation of lease liabilities						
		Cash flows		Non-cash changes			
	31 December 2020	Financing cash flows	Interest repaid	Foreign exchange gain, net	Accrual of lease liabilities	Interest accrued	31 December 2021
Lease liabilities	120,908,758	(11,694,973)	(27,165,571)	-	50,833,724	27,165,571	160,047,509

	Reconciliation of lease liabilities						
		Cash flows		Non-cash changes			
	31 December 2019	Financing cash flows	Interest repaid	Foreign exchange gain, net	Accrual of lease liabilities	Interest accrued	31 December 2020
Lease liabilities	79,233,168	(9,307,940)	(15,109,376)	-	50,983,530	15,109,376	120,908,758

8 INTANGIBLE ASSETS

	Licenses and software
Initial cost	
1 January 2020	**158,947,845**
Additions	117,854,934
Disposals	(60,286,893)
31 December 2020	**216,515,886**
Additions	92,088,492
Disposals	(85,437,621)
31 December 2021	**223,166,757**
Accumulated amortization	
1 January 2020	**(33,761,128)**
Charge for the year	(85,776,306)
Disposals	58,860,236
31 December 2020	**(60,677,198)**
Charge for the year	(111,337,523)
Disposals	75,452,913
31 December 2021	**(96,561,808)**
Book value	
As at 31 December 2021	**126,604,949**
As at 31 December 2020	**155,838,688**

Additions in 2021 include mobile operation license and frequency fee payments in the amount of UZS 37,800,000 thousand and UZS 37,652,915 thousand, respectively (2020: UZS 31,220,000 thousand and UZS 27,640,236 thousand). Previous year payments in relation to mobile operation license and frequency fee were disposed in the current year because their useful lives are one year. Also, additions in 2021 in the amount of UZS 8,528,884 thousand include licenses and software that improve the capacity and operation of the billing system and telecommunication equipment.

(in thousands of Uzbekistan Soums)

9 CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Current bank accounts	15,887,209	20,180,214
Demand deposits	2,076,563	193,502,543
Cash in transit	136,899	211,720
Cash on hand	1,494,204	82,102
	19,594,875	**213,976,579**

Demand deposits denominated in UZS are placed in banks at an annual interest rate of 15% in 2021, (2020: 15-18% for UZS deposits).

The currency profile of cash and cash equivalents was as follows:

	31 December 2021	31 December 2020
UZS	12,998,154	207,309,110
USD	6,596,721	6,153,386
Others	-	514,083
	19,594,875	**213,976,579**

10 TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
Financial assets		
Trade receivables	346,914,364	255,693,650
Less: allowance for expected credit losses	(102,246,434)	(28,674,364)
	244,667,930	**227,019,286**
Non-financial assets		
Advances paid for inventories and services	91,398,767	93,963,329
Other receivables	4,083,396	5,014,700
Less: provision for advances paid for inventories and services	(9,046,602)	(13,520,758)
	86,435,561	**85,457,271**
Total trade and other receivables	**331,103,491**	**312,476,557**

The average credit period provided by the Group is 90 days from the date of invoice issuance.

(in thousands of Uzbekistan Soums)

The Group assessed ECL individually for each counterparty.

As at 31 December 2021	**Not past due**	**Past due less than 90 days**	**Past due over 90 days**	**Total**
Expected credit loss rate (outliers)	55.61%	60.93%	80.38%	
Expected credit loss rate	5.11%	62.76%	77.32%	
Total gross carrying amount at default (outliers)	38,391,075	41,646,674	43,106,218	**123,143,967**
Total gross carrying amount at default	210,490,248	1,124,526	12,155,623	**223,770,397**
Lifetime ECL (outliers)	(21,349,885)	(25,377,337)	(34,649,398)	**(81,376,620)**
Lifetime ECL	(10,765,072)	(705,702)	(9,399,040)	**(20,869,814)**
				244,667,930

As at 31 December 2020	**Not past due**	**Past due less than 90 days**	**Past due over 90 days**	**Total**
Expected credit loss rate (outliers)	98.16%	98.16%	98.59%	
Expected credit loss rate	1.89%	11.35%	36.55%	
Total gross carrying amount at default (outliers)	273,920	315,591	13,443,736	**14,033,247**
Total gross carrying amount at default	190,599,507	29,480,409	21,580,487	**241,660,403**
Lifetime ECL (outliers)	(3,607,620)	(3,347,134)	(7,887,107)	**(14,841,861)**
Lifetime ECL	(268,870)	(309,772)	(13,253,861)	**(13,832,503)**
				227,019,286

Outliers are defined as significant receivables from four counterparties.

As at 31 December 2021, the Group's allowance for expected credit losses increased significantly due to charge of UZS 66,534,759 thousand of allowance on only four counterparties with gross carrying amount of UZS 123,143,967 thousand.

The following table shows the movement in lifetime ECL that has been recognized for financial trade receivables in accordance with the simplified approach set out in IFRS 9:

	2021	**2020**
As at 1 January	**28,674,364**	**24,042,667**
Accrual of allowance for expected credit losses (Note 22)	82,111,917	10,214,439
Recovery of allowance for expected credit losses (Note 22)	(8,539,847)	(5,582,742)
As at 31 December	**102,246,434**	**28,674,364**

The following table shows the movement of provision that has been recognized for advances paid for inventories and services:

(in thousands of Uzbekistan Soums)

	2021	2020
As at 1 January	**13,520,758**	**2,695,354**
Accrual of provision for advances paid for inventories and services (Note 22)	4,775,206	12,750,230
Recovery of provision for advances paid for inventories and services (Note 22)	(9,249,362)	(1,924,826)
As at 31 December	**9,046,602**	**13,520,758**

Currency profile of trade receivables less allowance for ECL was as follows:

	31 December 2021	31 December 2020
USD	140,688,321	104,349,984
UZS	102,353,941	118,743,013
Other	1,625,668	3,926,289
	244,667,930	**227,019,286**

11 INVENTORIES

	31 December 2021	31 December 2020
Repair and other materials	178,711,307	105,771,413
Equipment for sale	114,455,297	54,636,079
Consumables	34,801,371	14,385,312
Construction of apartments for employees	27,115,814	26,937,827
Spare parts	8,871,660	8,204,738
Other inventories	6,145,319	11,799,549
	370,100,768	**221,734,918**
Provision for obsolete inventories	(21,481,035)	(28,866,454)
	348,619,733	**192,868,464**

For the years ended 31 December 2021 and 2020, movement in the provision for slow-moving and obsolete inventories was as follows:

	2021	2020
As at 1 January	**28,866,454**	**31,496,248**
Recovered	(7,385,419)	(2,629,794)
At 31 December	**21,481,035**	**28,866,454**

(in thousands of Uzbekistan Soums)

12 EQUITY

	Number of outstanding ordinary shares (in thousand shares)	Number of outstanding preference shares (in thousand shares)	Ordinary shares	Preference shares	Total
1 January 2020	**178,554**	**9,864**	**206,051,698**	**11,383,617**	**217,435,315**
31 December 2020	**178,554**	**9,864**	**206,051,698**	**11,383,617**	**217,435,315**
Issuance of shares	120,536	-	139,098,544	-	139,098,544
Redemption of shares	(21,644)	-	(24,977,467)	-	(24,977,467)
31 December 2021	**277,446**	**9,864**	**320,172,775**	**11,383,617**	**331,556,392**

Share capital

The total number of authorized ordinary shares as at 31 December 2021 is 277,446 thousand shares (31 December 2020: 178,554 thousand shares), with a par value of UZS 1,154 per share (31 December 2020: UZS 1,154 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

The total number of authorized preference shares as at 31 December 2021 is 9,864 thousand shares (31 December 2020: 9,864 thousand shares), with a par value of UZS 1,154 per share (31 December 2020: UZS 1,154 per share). All issued preference shares are fully paid. The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. Minimum annual dividends on preference shares are fixed at 25% of the nominal value and rank above ordinary dividends. The dividends declared on preference shares cannot be less than those declared for ordinary shares.

In 2021, according to the decision of the majority shareholder, the Group has offset the receivables from SUE "UZINFOCOM" against the shareholding of the majority shareholder. This resulted in reduction of ordinary shares by 21,644 thousand for total amount of UZS 24,977,467 thousand.

In June 2021, the majority shareholder made a decision to increase the share capital through additional issue of shares, which is 120,536 thousand ordinary shares, with nominal value of UZS 1,154 for a total amount of UZS 139,098,544 thousand. The increase of share capital has been due to reinvestment of the additional paid in capital in the amount of UZS 120,149,935 thousand and properties received as in-kind contribution in the amount of UZS 18,948,609 thousand.

Additional paid-in capital

In 2019, according to the Decree of the Cabinet of Ministers of the Republic of Uzbekistan #951 dated 23 November 2018, the Group concluded loan agreements with National Bank of the Republic of Uzbekistan for Foreign Economic Activity (the government entity). The adjustment to fair value of the borrowings equals to UZS 9,581,664 thousand, less deferred tax effect of UZS 1,437,250 thousand which was recognized as part of additional paid-in capital. In 2020, the Group received new tranches under these loan agreements, which resulted in recognition of the adjustment to the fair value of borrowings in the amount of UZS 6,319,854 thousand, less deferred tax effect of UZS 947,978 thousand, which was recognized as part of additional paid-in capital.

(in thousands of Uzbekistan Soums)

In 2020, by the order of the majority shareholder, the building with the carrying value of UZS 47,969,183 thousand was transferred to "Center for information security and assistance in ensuring public order", which resulted in the decrease of additional paid-in capital.

During 2021, according to the decision of State Asset Management Agency, the Company has received land and building in the amount UZS 146,685,018 thousand at fair value as an in-kind contribution to its Equity.

Retained earnings

As at 31 December 2021, the Group's accumulated deficit included the preventive measure reserve and general reserve funds in the amount of UZS 105,389,243 thousand (31 December 2020: UZS 82,629,025 thousand) and UZS 27,597,493 thousand (31 December 2020: UZS 1,475,657 thousand) respectively.

Dividends declared and paid during the years ended were as follows:

	2021	2020
Dividends payable as at 1 January	-	-
Dividends declared during the year	46,933,144	9,553,431
Dividends paid during the year	(46,933,144)	(9,553,431)
Dividends payable as at 31 December	-	-

Earnings per share

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

	2021	2020
Calculation of basic and diluted earnings per share		
Net profit for the year attributable to owners of the Company	938,232,559	450,185,826
Weighted average number of ordinary shares	159,560,000	178,554,330
Basic and diluted earnings per share, in UZS	**5,880.12**	**2,521.28**

As at the end of the year, there are no dilutive financial instruments or other financial instruments that may require the Group to issue ordinary shares.

(in thousands of Uzbekistan Soums)

13 BORROWINGS

	31 December 2021	31 December 2020
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	1,205,407,234	1,405,294,683
ZTE Corporation	795,077,380	773,904,530
Aloqabank JSCB	757,168,134	324,986,578
Huawei Technologies Co. Ltd	587,588,049	1,173,366,688
Huawei International Co. Ltd	473,612,839	-
Japan Bank for International Cooperation (JBIC)	361,210,215	436,588,674
China Development Bank Corporation	337,034,783	488,984,871
Overseas Economic Cooperation Fund (OECF), Japan	201,982,873	276,935,150
Chirkom LLC	83,728,951	95,254,685
Other	112,279,073	62,489,136
	4,915,089,531	**5,037,804,995**
Including		
Long term borrowings – principal amount	2,904,244,427	3,734,969,029
Short term borrowings – principal amount	2,033,211,151	1,390,760,096
Borrowings discount – long term part	(38,913,605)	(46,599,572)
Borrowings discount – short term part	(48,748,159)	(75,607,196)
Borrowings - accrued interest	65,295,717	34,282,638

(in thousands of Uzbekistan Soums)

The following table shows the details of the largest borrowing agreements of the Group as at the end of the year. The line "others" below consists of less significant agreements:

Bank name	Date of issue	Maturity date	Nominal Interest rate	Currency	Outstanding balance as at 31 December 2021	Outstanding balance as at 31 December 2020
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	3/27/2019	3/27/2031	CIRR + 1.52%	JPY	662,584,042	769,666,657
Huawei International Co. Ltd	5/1/2021	3/25/2024	0%	USD	473,612,839	-
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	12/20/2019	12/20/2024	Libor 6m + 4.2%	USD	387,704,501	374,595,897
ZTE Corporation	11/6/2015	11/30/2023	3.9%	USD	369,576,930	440,373,468
Huawei Technologies Co. Ltd	11/25/2015	11/25/2023	3.9%	USD	359,271,834	481,516,715
China Development Bank Corporation	8/19/2014	12/31/2023	Libor 6m + 3.9%	USD	337,034,783	488,984,871
Japan Bank for International Cooperation (JBIC)	6/3/2013	12/20/2029	2.2%	JPY	234,870,283	283,883,629
Huawei Technologies Co. Ltd	8/29/2019	8/25/2022	0%	USD	210,033,851	383,524,161
Aloqa Bank JSCB	7/11/2018	7/11/2025	11.5%	UZS	200,199,029	191,504,353
Aloqa Bank JSCB	5/28/2021	5/18/2023	Libor 6m + 4.5%	USD	188,707,754	-
Aloqa Bank JSCB	12/21/2021	12/25/2026	20.00%	UZS	150,000,000	-
ZTE Corporation	12/15/2021	7/22/2024	0%	USD	129,447,650	-
ZTE Corporation	8/28/2019	3/19/2023	0%	USD	123,395,115	144,288,020
Aloqa Bank JSCB	6/20/2017	6/19/2025	12.5%	UZS	105,000,856	131,216,999
ZTE Corporation	8/28/2019	3/19/2023	0%	USD	94,364,108	94,578,485
Aloqa Bank JSCB	10/18/2021	10/12/2023	15.00%	UZS	91,666,667	-
Chirkom LLC	8/27/1996	11/30/2032	6%	EUR	79,315,210	95,254,685
ZTE Corporation	8/28/2019	4/1/2023	0%	USD	78,291,026	91,728,552
Overseas Economic Cooperation Fund (OECF), Japan	12/31/2009	6/20/2025	3%	JPY	67,381,589	90,005,823
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	7/9/2010	1/21/2030	2.5%	USD	66,567,779	70,935,793
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	3/27/2019	3/27/2024	Libor 6m + 4.45%	JPY	57,256,482	92,250,714
Overseas Economic Cooperation Fund (OECF), Japan	9/30/2010	6/20/2025	3.00%	JPY	43,314,780	52,427,441
Huawei Technologies Co. Ltd	10/20/2020	10/25/2023	0.0%	USD	-	281,731,310
Others					405,492,423	479,337,422
					4,915,089,531	**5,037,804,995**

(in thousands of Uzbekistan Soums)

Analysis of borrowings by currency:

	UZS	USD	JPY	Other	Total
31 December 2021					
Long term borrowings – principal amount	477,625,650	1,257,168,138	1,096,381,208	73,069,431	**2,904,244,427**
Short term borrowings – principal amount	217,762,229	1,588,411,043	220,925,439	6,112,440	**2,033,211,151**
Borrowings discount	(15,956,648)	(69,100,885)	(2,604,231)	-	**(87,661,764)**
Borrowings – accrued interest	1,416,513	56,014,150	3,317,975	4,547,079	**65,295,717**
	680,847,744	**2,832,492,446**	**1,318,020,391**	**83,728,950**	**4,915,089,531**
31 December 2020					
Long term borrowings – principal amount	253,882,588	2,011,380,180	1,387,051,559	82,654,702	**3,734,969,029**
Short term borrowings – principal amount	157,882,862	988,963,542	237,358,879	6,554,813	**1,390,760,096**
Borrowings discount	(24,766,857)	(94,368,070)	(3,071,841)	-	**(122,206,768)**
Borrowings – accrued interest	477,122	23,236,673	4,523,673	6,045,170	**34,282,638**
	387,475,715	**2,929,212,325**	**1,625,862,270**	**95,254,685**	**5,037,804,995**

As at 31 December 2021, property, plant and equipment with the carrying value of UZS 113,650,731 thousand have been pledged as collateral for the borrowings from Aloqabank JSCB and the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC (31 December 2020: UZS 105,033,774 thousand) (Note 6).

As part of its normal financing arrangement, the Group enters into various loan agreements, only one of which contain covenant clauses covering performance indicators of the Group. As at 31 December 2021 and 2020, the Group complied with all of the required covenants.

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

Reconciliation of liabilities arising from financing activities

		Cash flows		Non-cash changes			
	31 December 2020	**Financing cash flows**	**Interest paid**	**Foreign exchange gain, net**	**Interest expense on borrowings**	**Other changes (i)**	**31 December 2021**
Borrowings	5,037,804,995	(827,040,480)	(166,003,681)	(16,235,975)	327,294,777	559,269,895	4,915,089,531

(i) Other changes represent the following:

- Property, plant and equipment purchased on credit in the amount of UZS 632,368,400 thousand and recognition of discount related to the loan received for the acquisition of this property, plant and equipment in the amount of UZS 71,995,590 thousand;
- Income from write-off of borrowings in the amount of UZS 1,102,915 thousand (Note 21).

Reconciliation of liabilities arising from financing activities

		Cash flows		Non-cash changes			
	31 December 2019	**Financing cash flows**	**Interest repaid**	**Foreign exchange loss, net**	**Interest expense on borrowings**	**Other changes (i)**	**31 December 2020**
Borrowings	4,016,253,883	(684,063,542)	(193,631,468)	527,114,162	275,030,291	1,097,101,669	5,037,804,995

(in thousands of Uzbekistan Soums)

(i) Other changes represent the following:

- Property, plant and equipment purchased on credit in the amount of UZS 1,242,941,768 thousand and recognition of discount related to the loan received for the acquisition of this property, plant and equipment in the amount of UZS 135,554,922 thousand;
- Recognition of discount through additional paid-in capital during 2020 in the amount of UZS 6,319,854 thousand (Note 12) for the loan received from the governmental organization;
- Income from write-off of borrowings in the amount of UZS 3,965,323 thousand (Note 21).

14 TRADE ACCOUNTS PAYABLE

	31 December 2021	31 December 2020
Payables for SORM	47,053,863	229,770,194
Trade payables for services	241,560,438	170,758,243
Trade payables for goods	122,734,950	66,800,798
Payables for the billing system	10,117,607	11,812,727
	421,466,858	**479,141,962**

The usual credit terms provided to the Group is 30 to 60 days from the date of invoice issuance.

As at the end of the year, trade accounts payable were denominated in the following currencies:

	31 December 2021	31 December 2020
UZS	251,687,661	75,271,718
USD	169,720,175	386,182,087
Other	59,022	17,688,157
	421,466,858	**479,141,962**

15 DEFERRED REVENUE

The movement in deferred revenue is as follows:

	2021	2020
As at 1 January	**251,907,676**	**214,687,653**
Payments received from subscribers	3,963,756,137	3,105,864,290
Revenue	(3,850,859,309)	(3,068,644,267)
As at 31 December	**364,804,504**	**251,907,676**

Revenue in the amount of UZS 251,907,676 thousand was recognized during the year that was included in the deferred revenue balance at the beginning of the year. The balance of deferred revenue as at 31 December 2021 is expected to be realized during the year ended 31 December 2022.

(in thousands of Uzbekistan Soums)

16 OTHER CURRENT LIABILITIES

	31 December 2021	31 December 2020
Other current financial liabilities:		
Payments for SORM received from operators	51,625,681	44,139,608
Payables to employees	15,600,099	4,376,337
Payables to dealers	6,052,707	11,690,095
Payables for bank services	2,462,124	3,283,640
Payables for labour union	1,687,654	4,021,564
Other payables	25,068,181	24,489,503
	102,496,446	**92,000,747**
Other current non-financial liabilities:		
Taxes payable	73,865,785	89,608,470
Advances received for construction of apartments	52,149,138	13,959,312
Unused vacation reserve	32,891,603	20,692,852
Advances received for construction works	7,650,500	5,635,454
Retirement benefit obligations	2,435,733	1,318,367
Other advances received	29,310,975	15,996,060
	198,303,734	**147,210,515**
	300,800,180	**239,211,262**

As at 31 December 2021 and 2020 other current financial liabilities were denominated in UZS.

17 REVENUE

	2021	2020
Mobile network services	2,058,621,003	1,633,451,403
Fixed line internet services	1,367,558,507	884,755,801
Interconnect	1,306,183,568	1,156,289,355
Usage of channels	392,925,911	485,945,413
Fixed line telephony services	104,274,153	121,717,408
Telecommunication maintenance services	64,058,759	92,851,771
Sale of equipment and accessories	47,141,301	28,810,682
Internet protocol television services	5,128,662	6,179,381
Others	56,617,893	34,649,946
	5,402,509,757	**4,444,651,160**
At a point in time	47,141,301	28,810,682
Over time	5,355,368,456	4,415,840,478
Total revenues	**5,402,509,757**	**4,444,651,160**

Revenue from mobile network services includes voice, data, sms and value added services.

(in thousands of Uzbekistan Soums)

18 COST OF SALES

	2021	2020
Interconnect	1,046,844,373	855,062,300
Depreciation and amortization	696,716,885	477,939,250
Payroll expenses and social security contributions	589,197,523	514,274,139
Technical support (SORM)	189,294,846	229,886,113
Inventories	171,582,563	82,602,038
Installment of cables and maintenance fee	91,253,648	34,177,919
Utilities	77,090,329	63,359,883
Usage of channels	17,837,694	17,494,051
Recovery of provision for slow-moving and obsolete inventory (Note 11)	(7,385,419)	(2,629,794)
Other	89,899,545	142,635,861
	2,962,331,987	**2,414,801,760**

19 SELLING EXPENSES

Selling expenses comprise the following:

	2021	2020
Payment systems commission	131,325,442	102,828,574
Amortization of cost to obtain contract	127,907,296	73,149,306
Payroll expenses and social security contributions	124,689,265	96,703,135
Advertising expenses	30,188,739	17,437,882
Depreciation and amortization	1,074,636	2,363,079
Other selling expenses	4,529,954	3,404,127
	419,715,332	**295,886,103**

The Group pays commission fees to dealers for the sale of SIM cards. The commission fees are the only cost that the Group would not have incurred if the contract had not been obtained. Whilst the Group incurs other costs that are necessary to facilitate a sale, those costs would have been incurred even if the customer decided not to execute the contract and therefore have not been capitalized.

These costs are amortized on a straight–line basis over the period of expected contract term (in general, 1.5 years) as this reflects the average period over which the Group provides services to its subscribers. In 2021, amortization amounting to UZS 127,907,296 thousand (2020: UZS 73,149,306 thousand) was recognized as part of selling expenses in the consolidated statement of profit or loss and other comprehensive income. There was no impairment loss in relation to the costs capitalized.

(in thousands of Uzbekistan Soums)

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Payroll expenses and social security contributions	228,666,912	171,037,831
Taxes and other payments	191,516,790	186,709,495
Materials	36,524,041	13,250,151
Charity contributions	18,997,740	2,090,628
Accrual of provision for unused vacation and related taxes	13,665,635	8,211,666
Depreciation and amortization	7,284,094	16,479,683
Retirement benefit obligations	6,778,540	12,396,528
Audit and consulting services	6,199,363	1,137,089
Donated property, plant and equipment	5,698,363	2,791,998
Bank services	5,332,856	5,729,384
Other administrative expenses	58,178,942	27,586,226
	578,843,276	**447,420,679**

21 OTHER OPERATING INCOME

Other operating income comprises the following:

	2021	2020
Income from rent	22,808,060	19,854,809
Income from disposal of property, plant and equipment	4,049,544	2,751,069
Income from collected fines and penalties	3,797,524	2,146,421
Equipment received free of charge	3,571,889	597,001
Income from write off of borrowings	1,102,915	3,965,323
Other operating income	7,961,413	22,621,121
	43,291,345	**51,935,744**

22 IMPAIRMENT AND EXPECTED CREDIT LOSSES

Impairment comprises the following:

	2021	2020
Accrual of provision for advances paid for inventories and services (Note 10)	4,775,206	12,750,230
Accrual of provision for non-current advances paid (Note 6)	2,227,421	1,054,814
Recovery of provision for advances paid for inventories and services (Note 10)	(9,249,362)	(1,924,826)
Recovery of provision for non-current advances paid (Note 6)	(4,938,858)	(13,413,230)
	(7,185,594)	**(1,533,012)**

Expected credit losses comprise the following:

	2021	2020
Accrual of allowance for expected credit losses (Note 10)	82,111,917	10,214,439
Recovery of allowance for expected credit losses (Note 10)	(8,539,847)	(5,582,742)
	73,572,070	**4,631,697**

(in thousands of Uzbekistan Soums)

23 FINANCE COSTS

	2021	2020
Interest expense on borrowings (Note 13)	327,294,777	275,030,291
Interest expense on lease liabilities (Note 7)	27,165,571	15,109,376
	354,460,348	**290,139,667**

24 NET FOREIGN EXCHANGE GAIN/(LOSS)

	2021	2020
Borrowings (Note 13)	16,235,975	(527,114,162)
Other	(202,273)	(1,576,569)
	16,033,702	**(528,690,731)**

25 INCOME TAX

The Group performs its tax calculation on the basis of tax regulations in accordance with the legislation of the Republic of Uzbekistan, which can differ from IFRS.

Management believes that the Group is in compliance with the tax laws applicable to its operations; however, there is a risk that relevant authorities could take differing positions interpreting those laws.

The Group's permanent tax differences arise mainly due to non-tax deductibility of certain expenses and a tax free regime for certain income.

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. As at 31 December 2021 and 31 December 2020, temporary differences relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

(a) Components of income tax expense

Income tax expense comprises of the following:

	2021	2020
Current income tax	79,232,402	17,979,226
Change in deferred income tax	75,128,415	61,459,146
Income tax expense	**154,360,817**	**79,438,372**

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

The tax rate used for the income tax computations is corporate income tax rate of 15% (2020: 15%) payable by legal entities in the Republic of Uzbekistan on taxable profits (as defined) under tax law in that jurisdiction. For the purposes of deferred taxes calculation for the years ended 31 December 2021 and 31 December 2020, the rate of 15% was used.

(in thousands of Uzbekistan Soums)

Reconciliation between the expected and the actual taxation charge is provided below.

	2021	2020
Profit before income tax	1,092,896,438	531,933,992
Theoretical tax charge at the statutory rate of 15% (2020: 15%)	163,934,466	81,649,578
Effect of expenses that are not deductible in determining taxable profit	16,180,295	5,064,561
Effect of income that is not taxable in determining taxable profit	(25,753,944)	(7,275,767)
Income tax expense	**154,360,817**	**79,438,372**

(c) Deferred taxes analyzed 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, and is recorded at the rate of 15% (31 December 2020: 15%).

	31 December 2021	Change recognized in consolidated statement of profit or loss	Change recognized in equity	31 December 2020
Tax effect of deductible/(taxable) temporary differences:				
Inventories	(11,110,472)	(27,484,678)	-	16,374,206
Capitalized foreign exchange loss	137,950,848	(38,488,418)	-	176,439,266
Trade accounts payable	4,987,804	1,904,373	-	3,083,431
Right-of-use assets and lease liabilities	3,043,782	1,109,654	-	1,934,128
Intangible assets	8,613,789	4,940,374	-	3,673,415
Others	32,536,759	17,947,679	-	14,589,080
Property, plant and equipment	(250,146,403)	(43,658,468)	-	(206,487,935)
Borrowings	(12,201,286)	5,181,751	-	(17,383,037)
Cost to obtain contract	(4,698,632)	3,657,818	-	(8,356,450)
Trade and other receivables	(4,648,633)	(238,500)	-	(4,410,133)
Deferred income tax liabilities, net	**(95,672,444)**	**(75,128,415)**	**-**	**(20,544,029)**

(in thousands of Uzbekistan Soums)

	31 December 2020	Change recognized in consolidated statement of profit or loss	Change recognized in equity	31 December 2019
Tax effect of deductible/(taxable) temporary differences:				
Inventories	16,374,206	12,663,465	-	3,710,741
Capitalized foreign exchange loss	176,439,266	(50,668,415)	-	227,107,681
Trade accounts payable	3,083,431	(4,799,765)	-	7,883,196
Right-of-use assets and lease liabilities	1,934,128	967,038	-	967,090
Intangible assets	3,673,415	(269,499)	-	3,942,914
Others	14,589,080	11,192,684	-	3,396,396
Property, plant and equipment	(206,487,935)	(17,406,477)	-	(189,081,458)
Borrowings	(17,383,037)	(7,930,204)	(947,978)	(8,504,855)
Cost to obtain contract	(8,356,450)	(5,515,500)	-	(2,840,950)
Trade and other receivables	(4,410,133)	307,526	-	(4,717,659)
Deferred income tax (liabilities)/assets, net	**(20,544,029)**	**(61,459,147)**	**(947,978)**	**41,863,096**

(d) Movement in deferred taxes for the years ended 31 December was as follows:

Deferred tax (liabilities)/assets	**2021**	**2020**
As at 1 January	**(20,544,029)**	**41,863,095**
Change in deferred tax balances recognized in consolidated statement of profit or loss and other comprehensive income	(75,128,415)	(61,459,146)
Change in deferred tax balances recognized in equity	-	(947,978)
As at 31 December	**(95,672,444)**	**(20,544,029)**

26 RELATED PARTY TRANSACTIONS

The related parties of the Group include the direct and ultimate shareholders of the Group and the companies, over which the Group or its shareholders exercise control or significant influence and key management personnel of the Group.

Transactions between the Company and its subsidiaries are excluded on consolidation and are not presented in this note.

(in thousands of Uzbekistan Soums)

As at 31 December 2021 and 2020 and for the years then ended, the Group had the following transactions and balances with related parties:

	31 December 2021		31 December 2020	
	Related party balances	Total category as per financial statements	Related party balances	Total category as per financial statements
Cash and cash equivalents	**15,483,851**	**19,594,875**	**210,852,158**	**213,976,579**
- state owned entities	15,483,851	-	210,852,158	-
Trade and other receivables	**60,390,770**	**331,103,491**	**72,232,827**	**312,476,557**
- shareholders	1,307,706	-	50	-
- state owned entities	35,974,840	-	58,578,342	-
- associates	23,108,224	-	13,654,435	-
Investments at FVTPL	**5,346,485**	**6,113,437**	**8,706,304**	**10,205,287**
- state owned entities	5,346,485	-	8,706,304	-
Trade accounts payable	**57,689,811**	**421,466,858**	**31,840,151**	**479,141,962**
- shareholders	1,248	-	-	-
- state owned entities	47,224,034	-	31,077,553	-
- associates	10,464,529	-	762,598	-
Borrowings	**1,972,157,500**	**4,915,089,531**	**1,748,301,856**	**5,037,804,995**
- state owned entities	1,972,157,500	-	1,748,301,856	-
Lease liabilities	**41,470,013**	**160,047,509**	**45,948,838**	**120,908,758**
- state owned entities	41,470,013	-	45,948,838	-
Other current liabilities	**26,908,605**	**300,800,180**	**15,257,858**	**239,211,262**
- shareholders	14,987	-	-	-
- state owned entities	26,891,268	-	15,255,028	-
- associates	2,350	-	2,830	-
Deferred revenue	**71,978,971**	**364,804,504**	**22,649,364**	**251,907,676**
- state owned entities	71,978,971	-	22,649,364	-

	2021		2020	
	Related party transactions	Total category as per financial statements	Related party transactions	Total category as per financial statements
Revenue	**261,834,880**	**5,402,509,757**	**209,272,988**	**4,444,651,160**
- shareholders	173	-	-	-
- state owned entities	260,911,725	-	208,042,082	-
- associates	922,982	-	1,230,906	-
Cost of sales	**125,554,534**	**2,962,331,987**	**61,604,035**	**2,414,801,760**
- state owned entities	125,492,081	-	61,567,420	-
- associates	62,453	-	36,615	-
Selling expenses	**32,032,408**	**419,715,332**	**28,191,903**	**295,886,103**
- state owned entities	31,911,416	-	28,191,828	-
- associates	120,992	-	75	-
General and administrative expenses	**670,418**	**578,843,276**	**439,782**	**447,420,679**
- state owned entities	624,075	-	435,302	-
- associates	46,343	-	4,480	-
Other operating income	**32,040,207**	**43,291,345**	**14,429,639**	**51,935,744**
- state owned entities	31,798,269	-	14,331,294	-
- associates	241,938	-	98,345	-
Finance income	**12,954,172**	**21,703,755**	**18,617,352**	**28,303,757**
- state owned entities	12,881,566	-	18,617,352	-
- associates	72,606	-	-	-
Finance costs	**90,240,502**	**354,460,348**	**81,828,298**	**290,139,667**
- state owned entities	90,240,502	-	81,828,298	-

(in thousands of Uzbekistan Soums)

	2021		2020	
	Related party transactions	Total category as per financial statements	Related party transactions	Total category as per financial statements
Additions of intangible assets	**8,528,884**	**92,088,492**	**58,860,236**	**117,854,934**
State owned entities	8,528,884	-	58,860,236	-
Additions of property, plant and equipment	**102,638,733**	**1,807,513,125**	**51,215,174**	**1,964,643,424**
State owned entities	102,638,733	-	51,215,174	-

Revenue from related parties mainly includes fixed line internet, fixed line telephony, mobile network services and usage of channels. Cost of sales mainly includes the payments for registration and usage of telecommunication equipment.

As at the end of the reporting period, the Group also recognized corporate income tax (Note 25) and expenses for taxes and other payments to related parties (Note 20). Taxes and other payments mainly include statutory payments for each active subscriber and property tax.

For the year ended 31 December 2021, the total compensation to key management personnel included in the accompanying statement of profit or loss and other comprehensive income under general and administrative expenses was UZS 3,552,160 thousand (2020: UZS 2,652,160 thousand). These expenses represent salary and bonuses paid to the key management personnel.

27 FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 December 2021	31 December 2020
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents (Note 9)	19,594,875	213,976,579
Trade receivables (Note 10)	244,667,930	227,019,286
	264,262,805	**440,995,865**
Financial assets at FVTPL		
Investments at FVTPL	6,113,437	10,205,287
	6,113,437	**10,205,287**
	270,376,242	**451,201,152**
Financial liabilities		
Borrowings (Note 13)	4,915,089,531	5,037,804,995
Trade accounts payable (Note 14)	421,466,858	479,141,962
Lease liabilities (Note 7)	160,047,509	120,908,758
Other current financial liabilities (Note 16)	102,496,446	92,000,747
	5,599,100,344	**5,729,856,462**

Capital risk management

The Group manages capital risk to ensure that the Group is able to continue as a going concern while maximizing the return to shareholders through the optimization of the ratio of debt to equity.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 13, cash and cash equivalents as disclosed in Note 9 and items presented within equity in the consolidated statement of financial position.

Fair value of financial instruments

1) *Fair value of financial liabilities that are not measured at fair value (but fair value disclosures are required)*

Except for the financial instruments detailed in the following table, the management considers that the carrying values of financial liabilities recognized in the consolidated financial statements approximate their fair values.

Financial liabilities as at 31 December 2021	Carrying value	Fair value	Fair value hierarchy	Valuation model(s) and key input(s)	Relationship of unobservable inputs to fair value
Borrowings	4,915,089,531	4,340,597,043	Level 2	Future cash flows discounted using the observable average interest rates (from Statistical bulletin of the CBU)	The greater discount – the smaller fair value
Lease liabilities	160,047,509	156,837,355	Level 2	Future cash flows discounted using the observable average interest rates (from Statistical bulletin of the CBU)	The greater discount – the smaller fair value

(in thousands of Uzbekistan Soums)

Financial liabilities as at 31 December 2020	Carrying value	Fair value	Fair value hierarchy	Valuation model(s) and key input(s)	Relationship of unobservable inputs to fair value
Borrowings	5,037,804,995	4,609,662,564	Level 2	Future cash flows discounted using the observable average interest rates (from Statistical bulletin of the CBU)	The greater discount – the smaller fair value
Lease liabilities	120,908,758	118,434,498	Level 2	Future cash flows discounted using the observable average interest rates (from Statistical bulletin of the CBU)	The greater discount – the smaller fair value

2) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's following financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Hierarchy of fair value as at 31 December 2021 is set out below:

	Level 1	Level 2	Level 3	Total
Investments at FVTPL	-	-	6,113,437	**6,113,437**
Totals	**-**	**-**	**6,113,437**	**6,113,437**

Hierarchy of fair value as at 31 December 2020 is set out below:

	Level 1	Level 2	Level 3	Total
Investments at FVTPL	-	-	10,205,287	**10,205,287**
Totals	**-**	**-**	**10,205,287**	**10,205,287**

	Valuation technique(s) and key input(s)
Investments at FVTPL	Present value of future dividends by assuming dividend growth rate of zero per annum

Credit risk management

Credit risk refers to the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Financial assets, which potentially subject the Group to concentrations of credit risk consist principally of receivables, investments at FVTPL and cash and cash equivalents. Receivables are presented net of an allowance for expected credit losses.

Management is responsible for the quality of the Group's credit portfolios and has established credit processes involving delegated approval authorities and credit procedures, the objective of which is to build and maintain assets of high quality. There is no independent credit rating information about the Group's customers available. Management assesses the credit quality of the customers taking into account the relationship with the customer, its size and past payment discipline.

All bank accounts of the Group are mainly opened in domestic bank – Aloqabank. The rating of Aloqabank is "B1/B2/NP"/Stable (Moody's).

Management considers the credit risk related to the Group's bank accounts with reference to the size of the banks. The total carrying amount of all cash and cash equivalents, trade and other receivables represent the maximum credit risk exposure to the Group.

Trade receivables mainly consist of telecommunication operators and subscribers, which are spread across different geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. For the year ended 31 December 2021 and 31 December 2020, there were no major customers with share of total revenue exceeding ten percent.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the supervisory board, which has established an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

(in thousands of Uzbekistan Soums)

The following tables detail the Group's remaining contractual maturity for its financial assets and liabilities with agreed repayment periods.

	Weighted average effective interest rate, %	Less than 1 year	1 year to 5 years	More than 5 years	Total
FINANCIAL ASSETS:					
Cash and cash equivalents	15%	19,594,875	-	-	**19,594,875**
Trade receivables	-	244,667,930	-	-	**244,667,930**
Investments at FVTPL	-	-	-	6,113,437	**6,113,437**
Total financial assets		**264,262,805**	**-**	**6,113,437**	**270,376,242**
FINANCIAL LIABILITIES:					
Borrowings	4.46%	2,049,758,709	2,341,048,226	524,282,596	**4,915,089,531**
Trade accounts payable	-	421,466,858	-	-	**421,466,858**
Lease liabilities	21%	36,166,723	86,969,995	36,910,791	**160,047,509**
Other current financial liabilities	-	102,496,446	-	-	**102,496,446**
Total financial liabilities		**2,609,888,736**	**2,428,018,221**	**561,193,387**	**5,599,100,344**
Liquidity gap as at 31 December 2021		**(2,345,625,931)**	**(2,428,018,221)**	**(555,079,950)**	
Cumulative liquidity gap as at 31 December 2021		**(2,345,625,931)**	**(4,773,644,152)**	**(5,328,724,102)**	

	Weighted average effective interest rate, %	Less than 1 year	1 year to 5 years	More than 5 years	Total
FINANCIAL ASSETS:					
Cash and cash equivalents	17.32%	213,976,579	-	-	**213,976,579**
Trade receivables	-	227,019,286	-	-	**227,019,286**
Investments at FVTPL	-	-	-	10,205,287	**10,205,287**
Total financial assets		**440,995,865**	**-**	**10,205,287**	**451,201,152**
FINANCIAL LIABILITIES:					
Borrowings	3.58%	1,349,435,538	3,092,385,665	595,983,792	**5,037,804,995**
Trade accounts payable	-	479,141,962	-	-	**479,141,962**
Lease liabilities	18.3%	25,475,632	61,355,427	34,077,699	**120,908,758**
Other current financial liabilities	-	92,000,747	-	-	**92,000,747**
Total financial liabilities		**1,946,053,879**	**3,153,741,092**	**630,061,491**	**5,729,856,462**
Liquidity gap as at 31 December 2020		**(1,505,058,014)**	**(3,153,741,092)**	**(619,856,204)**	**(5,278,655,310)**
Cumulative liquidity gap as at 31 December 2020		**(1,505,058,014)**	**(4,658,799,106)**	**(5,278,655,310)**	

(in thousands of Uzbekistan Soums)

The following tables detail the undiscounted maturity analysis of financial liabilities:

	Weighted average effective interest rate, %	Less than 1 year	1 year to 5 years	More than 5 years	31 December 2021 Total
Borrowings	4.46%	2,115,994,614	2,441,408,256	573,838,987	**5,131,241,857**
Trade accounts payable	-	421,466,858	-	-	**421,466,858**
Lease liabilities	21%	36,166,723	167,856,777	71,239,816	**275,263,316**
Other current financial liabilities	-	102,496,446	-	-	**102,496,446**
Total financial liabilities		**2,676,124,641**	**2,609,265,033**	**645,078,803**	**5,930,468,477**

	Weighted average effective interest rate, %	Less than 1 year	1 year to 5 years	More than 5 years	31 December 2020 Total
Borrowings	3.58%	1,396,029,472	3,199,069,455	675,536,662	**5,270,635,589**
Trade accounts payable	-	479,141,962	-	-	**479,141,962**
Lease liabilities	18.3%	27,649,875	103,838,596	72,426,348	**203,914,819**
Other current financial liabilities	-	92,000,747	-	-	**92,000,747**
Total financial liabilities		**1,994,822,056**	**3,302,908,051**	**747,963,010**	**6,045,693,117**

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities		Net position	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
USD	147,285,042	110,503,370	(3,084,180,107)	(3,315,394,412)	(2,936,895,065)	(3,204,891,042)
JPY	-	-	(1,318,020,391)	(1,625,862,270)	(1,318,020,391)	(1,625,862,270)
Others	1,625,667	4,440,372	(83,787,973)	(112,942,842)	(82,162,306)	(108,502,470)
	148,910,709	**114,943,742**	**(4,485,988,471)**	**(5,054,199,524)**	**(4,337,077,762)**	**(4,939,255,782)**

(in thousands of Uzbekistan Soums)

The following table details the Group's sensitivity to a 15% increase and decrease in the UZS against the relevant foreign currencies. 15% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 15% change in foreign currency rates. A positive number below indicates an increase in profit before income tax and other equity where the UZS strengthens 15% against the relevant currency. For a 15% weakening of the UZS against the relevant currency, there would be a comparable impact on the profit before income tax and other equity, and the balances below would be negative.

	Year ended 31 December 2021	Year ended 31 December 2020
USD strengthening by 15%	(440,534,260)	(480,733,656)
USD weakening by 15%	440,534,260	480,733,656
JPY strengthening by 15%	(197,703,059)	(243,879,341)
JPY weakening by 15%	197,703,059	243,879,341
Other currency strengthening by 15%	(12,324,346)	(16,275,371)
Other currency strengthening by 15%	12,324,346	16,275,371

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyzes do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyzes include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Interest rate risk management

Interest rate risk is the risk that a change in the interest rates will negatively affect the Group's income and/or cash flows. The Group's sources of funds are primarily cash flows from operating activities, borrowings and owners' equity. The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates.

(in thousands of Uzbekistan Soums)

The planning and finance department is responsible for monitoring and managing the interest rate exposure of the Group. Due to the current balance sheet structure of the Group, emphasis is placed on managing the interest rate risk in relation to borrowings.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. The sensitivity analysis is calculated for borrowing with floating rate, which is denominated in USD and JPY. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's net profit for the year ended 31 December 2021 would decrease/increase by UZS 16,553,036 thousand (2020: UZS 18,299,769 thousand).

Geographical risk concentration

The geographical concentration of the Group's financial assets and liabilities at 31 December 2021 is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	19,594,875	-	-	**19,594,875**
Trade receivables	103,641,498	26,949,826	114,076,606	**244,667,930**
Investments at FVTPL	6,113,437	-	-	**6,113,437**
Total financial assets	**129,349,810**	**26,949,826**	**114,076,606**	**270,376,242**
Liabilities				
Borrowings	2,160,465,406	561,311,073	2,193,313,052	**4,915,089,531**
Trade accounts payable	169,748,027	83,838,924	167,879,907	**421,466,858**
Lease liabilities	160,047,509	-	-	**160,047,509**
Other current financial liabilities	102,496,446	-	-	**102,496,446**
Total financial liabilities	**2,592,757,388**	**645,149,997**	**2,361,192,959**	**5,599,100,344**

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

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	213,976,579	-	-	**213,976,579**
Trade receivables	131,121,820	4,441,350	91,456,116	**227,019,286**
Investments at FVTPL	10,205,287	-	-	**10,205,287**
Total financial assets	**355,303,686**	**4,441,350**	**91,456,116**	**451,201,152**
Liabilities				
Borrowings	1,888,025,082	713,523,824	2,436,256,089	**5,037,804,995**
Trade accounts payable	89,632,113	170,507,461	219,002,388	**479,141,962**
Lease liabilities	120,908,758	-	-	**120,908,758**
Other current financial liabilities	92,000,747	-	-	**92,000,747**
Total financial liabilities	**2,190,566,700**	**884,031,285**	**2,655,258,477**	**5,729,856,462**

28 COMMITMENTS AND CONTINGENCIES

a. Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates 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 consolidated financial statements.

b. Licenses

Substantially all of the Group's revenues are derived from operations conducted pursuant to licenses granted by the Ministry of development of information technologies and communications of the Republic of Uzbekistan. These licenses expire as indicated in Note 1. Management of the Group believes that the licenses will be renewed. However, suspension or termination of the Group's main licenses or any failure to renew any or all of these main licenses could have a material adverse effect on the financial position and operations of the Group. The information regarding the expiry date of licenses are described in Note 1.

c. Taxation

Effective from 1 January 2020, the Tax Code was changed and corporate income tax increased from 12% to 15%. However, taxpayers, whose core business is provision of mobile network services, should be subject to corporate income tax at the rate of 20%. The management of the Group believes that provision of mobile network services is not its core business as the Group also provides other various telecommunication services; therefore, the Group applied 15% tax rate to total taxable income. The revenue from mobile network services for the year ended 31 December 2021 was 38% of the total revenue (2020: 37%).

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

As Uzbekistan tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. Consequently, the Group may be subject to additional tax liabilities, which may arise as a result of tax audits. The Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation.

d. Operating environment

Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. During 2018-2021, the government of Uzbekistan remained committed to carry out social-economic reforms started in 2016 and liberalization of the market with an emphasis predominantly on broadening the export potential and improvement of business climate of Uzbekistan to attract foreign direct investment. As a result, laws and regulations, including tax and regulatory frameworks, affecting businesses in Uzbekistan started to change rapidly. The future economic direction of the Republic of Uzbekistan heavily depends on the new fiscal and monetary policies the government plans to adopt during the on-going reforms, together with developments in the legal, regulatory, and political environment.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it had a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

The Group's management has made an assessment of impact of coronavirus (COVID-19) on the Group and its operations. The management has an understanding that COVID-19 did not significantly affect the operations of the Group. Moreover, the revenue from telecommunication services increased as the event caused remote working of customers.

The management of the Group does not anticipate significant negative impact of COVID-19 on operations and financial results of the Group in the foreseeable future.

Moreover, in March 2022, the Uzbekistan Soum depreciated against major foreign currencies amid the external geopolitical situation. In order to reduce the negative impact of external factors on the economy of Uzbekistan, on 17 March 2022 the Central Bank of the Republic of Uzbekistan raised the base rate from 14% to 17% per annum. On 10 June 2022, the base rate was decreased to 16% and interventions on the currency market were performed to support the Uzbekistan Soum exchange rate against foreign currencies. However, there is uncertainty related to the future developments of geopolitical risks and their impact on the economy of the Republic of Uzbekistan.

Management of the Group is monitoring the developments in the economic and political situation and taking measures it considers necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the consequences of these events and related future charges may have a significant impact on the Group's operations.

29 SUBSEQUENT EVENTS

In 2022, during SCO summit (Shanghai Cooperation Organization) the Company has signed the memorandum with Huawei and ZTE for the amount of USD 506,800 thousand for the implementation of four investment projects. The Company will expand the coverage of the population with communication services, provide regional centers with 5G networks, and international highways and railways with high-speed mobile Internet. In accordance with shareholder meeting minute dated 16 June 2022 it was decided to conclude a major deal with involvement of Huawei Technologies Co. Ltd to attract the loan for the amount of EUR 200,000 thousand from Credit Suisse AG for further implementation of the development of the telecommunications infrastructure in the eastern region.

In 2022, the Group has restructured the long-term borrowing agreement with Aloqabank JSCB, dated 20 June 2017, in the amount of UZS 150,000,000 thousand, by prolonging maturity from 2023 to 2024.

In 2022, the Group has made partial repayment of principal amount of the borrowing from Huawei Technologies Co. Ltd in the amount of UZS 116,789,729 thousand. The Group is in process of negotiations related to restructuring of the outstanding principal amount of the borrowing.

According to changes in the legislation of the Republic of Uzbekistan effective from 1 January 2022, the excise tax decreased from 15% to 10%.

30 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by Management of the Group and authorized for issue on 17 October 2022.