

STATE UNITARY ENTERPRISE “TAJIKAIRNAVIGATION”

Financial statements
for the year ended December 31, 2022

and independent auditors' report

STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

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SUE "TAJIKAIRNAVIGATION"

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

The following statement, which should be read in conjunction with the independent auditors' responsibilities with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of the State Unitary Enterprise "Tajikairnavigation" (the "Company").

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

In preparing the financial statements, management is responsible for:

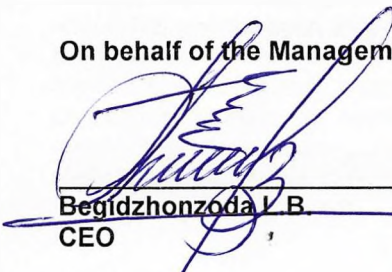
- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- preparing the financial statements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

Management is also responsible for:

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

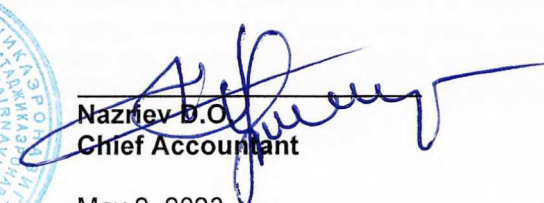
The financial statements for the for the year ended December 31, 2022 were approved and authorized for issue on May 2, 2023 by the Management of the Company.

On behalf of the Management of the Company:


Begidzhonzoda V.B.
CEO

May 2, 2023
Dushanbe, the Republic of Tajikistan




Nazriev D.O.
Chief Accountant

May 2, 2023
Dushanbe, the Republic of Tajikistan



Republic of Tajikistan
Dushanbe, 734025
T: + 992 (907) 77 23 22

INDEPENDENT AUDITORS' REPORT

To the Shareholder and the Management of the SUE "Tajikairnavigation":

Qualified opinion

We have audited the accompanying financial statements of the State Unitary Enterprise "Tajikairnavigation" (the "Company"), which comprise the statements of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Basis for qualified opinion

In 2010, the Company performed a revaluation of its property, plant and equipment. The revaluation was performed in accordance with the coefficients established by the Ministry of Finance of the Republic of Tajikistan and the Decree of the Government of the Republic of Tajikistan No. 698 dated December 30, 2009. The reserve arising from the revaluation of property, plant and equipment was subsequently transferred to retained earnings in 2010. In our opinion, the Company was unable to provide sufficient evidence to confirm this assessment in accordance with the requirements of IFRS. We were unable to verify the compliance and accuracy of the calculation of the fair value of property, plant and equipment. It was not feasible to apply additional audit procedures sufficient to determine the extent of the impact of this deviation from IFRS. Therefore, we were unable to quantify the effect of this deviation on property, plant and equipment and retained earnings. As a result of these circumstances, we were unable to determine the adjustments that might be necessary for the accounted and unrecorded elements of these financial statements.

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Tajikistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Mardonov Komron
Director, "Kreston Audit" LLC
License No. 0000149, issued by
Ministry of Finance of the Republic of Tajikistan



May 2, 2023
Dushanbe, The Republic of Tajikistan

STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

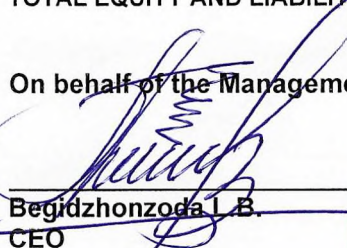
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

(in thousands of Tajik somoni)

	Notes	December 31, 2022	December 31, 2021
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	5	161,817	124,639
Intangible assets	6	5,484	6,564
Deferred tax assets	22	4,639	4,458
Investments	7	1,000	1,000
		<u>172,940</u>	<u>136,661</u>
CURRENT ASSETS:			
Inventories	8	13,216	2,097
Advances paid	9	71,049	19,431
Taxes paid in advance		1,626	-
Trade and other receivables	10	26,830	20,313
Cash and cash equivalents	11	2,760	9,354
		<u>115,481</u>	<u>51,195</u>
TOTAL ASSETS		<u>288,421</u>	<u>187,856</u>
EQUITY AND LIABILITIES:			
EQUITY:			
Ordinary capital	12	27,028	27,028
Retained earnings		167,719	82,892
		<u>194,747</u>	<u>109,920</u>
LONG-TERM LIABILITIES:			
Deferred income	13	42,333	56,734
		<u>42,333</u>	<u>56,734</u>
SHORT-TERM LIABILITIES:			
Deferred income	13	9,575	4,748
Advances received	15	8,204	4,704
Trade payables	14	29,127	450
Other liabilities	16	4,435	11,300
		<u>51,341</u>	<u>21,202</u>
TOTAL EQUITY AND LIABILITIES		<u>93,674</u>	<u>187,856</u>

On behalf of the Management of the Company:


Begidzhonzoda I.B.
CEO

May 2, 2023
Dushanbe, the Republic of Tajikistan




Nazriev D.O.
Chief Accountant

May 2, 2023
Dushanbe, the Republic of Tajikistan

The notes on pages 11-33 form an integral part of the financial statements.
The independent auditors' report is on pages 4-5.

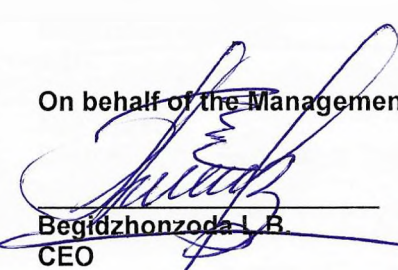
STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue	17	275,418	151,070
Cost of sales	18	(66,197)	(61,823)
GROSS PROFIT		209,221	89,247
General and administrative expenses	19	(77,515)	(53,611)
Net (loss)/gain on foreign exchange operations	20	(9,981)	(649)
Other non-operating (loss), net	21	(16,589)	2,295
(LOSS) / PROFIT BEFORE INCOME TAX		105,136	37,282
Income tax expenses	22	(13,896)	(9,844)
NET (LOSS) / PROFIT		91,240	27,438
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME		91,240	27,438

On behalf of the Management of the Company:


Begidzhonzoda L.B.
CEO




Nazriev D.O.
Chief Accountant

May 2, 2023
Dushanbe, the Republic of Tajikistan

May 2, 2023
Dushanbe, the Republic of Tajikistan

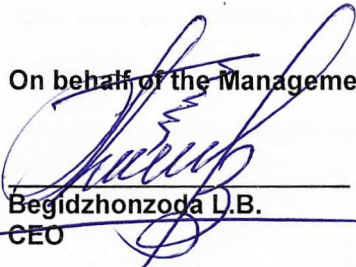
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STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

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

	Notes	Ordinary capital	Retained earnings	Total equity
Balance at December 31, 2019		27,028	74,133	101,161
Loss for the year		-	(16,354)	(16,354)
Dividends declared	12	-	(713)	(713)
Balance at December 31, 2020		27,028	57,066	84,094
Profit for the year		-	27,438	27,438
Dividends declared	12	-	(1,612)	(1,612)
Balance at December 31, 2021		27,028	82,892	109,920
Profit for the year		-	91,240	91,240
Dividends declared	12	-	(6,413)	(6,413)
Balance at December 31, 2022		27,028	167,719	194,747

On behalf of the Management of the Company:


Begidzhonzoda L.B.
CEO

May 2, 2023
Dushanbe, the Republic of Tajikistan




Nazriev D.O.
Chief Accountant

May 2, 2023
Dushanbe, the Republic of Tajikistan

The notes on pages 11-33 form an integral part of the financial statements.
The independent auditors' report is on pages 4-5.

STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

STATEMENT OF CASH FLOWS

FOR THE FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of Tajik somoni)

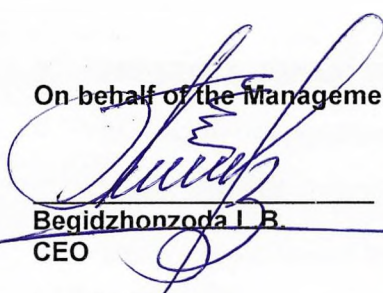
	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit before income tax expenses		105,136	37,282
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangible assets	18,19	24,869	32,178
Change in allowance for expected credit loss on cash and cash equivalents	19	(154)	85
Change in allowance for expected credit loss on trade and other receivables	19	20	(91)
Change in allowance for obsolete inventories	19	691	315
Change in provision for unused vacation	18,19	347	590
Losses from disposal of property, plant and equipment	21	442	1,357
Foreign exchange differences	20	2,642	511
Amortization of deferred income	21	(9,574)	(3,647)
Cash flows from operating activities before changes in working capital		124,419	68,580
(Increase) / decrease working assets			
Inventories		(9,617)	(1,387)
Advances paid		(56,333)	(17,929)
Trade and other receivables		(5,563)	(17,840)
Taxes paid in advance		(1,187)	839
Increase / (decrease) working assets			
Trade payables		27,941	(3,885)
Other liabilities and prepaid expenses		(2,624)	5,044
Advances received		5,491	(446)
Cash flows from operating activities before income tax		82,527	32,976
Income tax paid		(17,785)	(4,835)
Net cash inflow generated by operating activities:		64,742	28,141

STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

STATEMENT OF CASH FLOWS FOR THE FOR THE YEAR ENDED DECEMBER 31, 2022 (CONTINUED) (in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	5	(63,210)	(24,799)
Purchase of intangible assets	6	(392)	(118)
Net cash outflow from investing activities:		(63,602)	(24,917)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	12	(6,413)	(447)
Net cash outflow from financing activities:		(6,413)	(447)
Effect of changes in exchange rates on cash and cash equivalents		(1,321)	(30)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(6,594)	2,747
CASH AND CASH EQUIVALENTS, at the beginning of the year	11	9,354	6,607
CASH AND CASH EQUIVALENTS, at the end of the year	11	2,760	9,354

On behalf of the Management of the Company:


Begidzhonzoda I. B.
CEO

May 2, 2023
Dushanbe, the Republic of Tajikistan




Nazriev D. O.
Chief Accountant

May 2, 2023
Dushanbe, the Republic of Tajikistan

The notes on pages 11-33 form an integral part of the financial statements.
The independent auditors' report is on pages 4-5.

STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of Tajik somoni, unless otherwise is indicated)

1. GENERAL INFORMATION

State Unitary Enterprise "Tajikairnavigation" (SUE "TAN") was established by the Government regulation of the Republic of Tajikistan under the № 491 of October 1, 2008 through the separation from the State Unitary Aviation Enterprise "Tajik Air". SUE "TAN" is included in the system of the Ministry of Transport of the Republic of Tajikistan.

The Company is primarily involved in providing air navigation services which includes navigation of regular traffic on air routes and near aerodrome. Additionally, the Company provides meteorological services to airlines.

The total number of air corridors serviced by the Company equals to 37, of which:

1. with Uzbekistan – 25;
2. with Kyrgyzstan – 7;
3. with Afghanistan – 5.

The total length of the airways is 3,187 km.

In 2010-2012 the Company upgraded its navigation system based on solutions developed by ERA a.s. As at December 31, 2022 and 2021 the Company had 531 and 491 employees, respectively.

The Company has its representative office in the airports of Dushanbe, Khujand, Kulyab and Kurgan-Tube.

The Company's registered office is located at 32/3 Mirzo Mastonkulova, Dushanbe, the Republic of Tajikistan.

As at December 31, 2022 the sole owner of the Company is the Government of the Republic of Tajikistan is presented by the State Committee on Investments and State Property Management of the Republic of Tajikistan. Before reorganization, the sole owner of the Company also was the State Committee on Investments and State Property Management of the Republic of Tajikistan presents the Government of the Republic of Tajikistan.

These financial statements were approved by the Management of the Company on May 2, 2023.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

Statement of compliance

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

Use of estimates and assumptions

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

Functional and reporting currency

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

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

Going concern

These financial statements have been prepared based on the assumption that the Company will continue operate on going concern basis. Management of the Company is not aware of events or conditions and related business risks that may cast significant doubt on the Company's ability to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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

Recognition of revenue and expenses

The revenue of the Company is mainly generated from air navigation and meteorological services provided to airlines. Revenue is recognised when it is probable that the economic benefit associated with the transaction will flow to the Company and the amount can be reliably measured.

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

Property, plant and equipment

Property, plant and equipment purchased after the date of incorporation of the Company, are stated at revaluated cost less accumulated depreciation and accumulated impairment losses, if any. The cost of fixed assets constructed by the Company includes the cost of materials, direct labor costs and an appropriate proportion of production overheads. In the case where the fixed assets consist of essential components with different useful lives, they are accounted for as separate fixed assets.

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

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

Depreciation is recognised in the statement of profit or loss and other comprehensive income on reducing balance method. Depreciation commences on the date of acquisition of the asset or, in respect of assets built by the Company, with the completion of construction and commencement of operation of the asset. Depreciation is charged at the following rates:

	Depreciation rates, %
Buildings and constructions	7%
Equipment	20%
Office equipment and furniture	8-15%
Vehicles	10-15%

The cost of maintenance, repair and replacement of small parts of the fixed assets is charged to expenses for repair and maintenance. Upon sale or disposal of the cost and related accumulated depreciation are deducted from the asset accounts. Any gains or losses on the sale or disposal are included in the statement of profit or loss and other comprehensive income.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired are recorded at cost less accumulated amortization and accumulated impairment losses (if any). Internally generated intangible assets, except for development costs included to the cost of an asset are not capitalized, and related expenses included in the financial statement of comprehensive income in the period, when incurred.

The useful life of intangible assets can be definite or indefinite.

Intangible assets with definite useful life are amortized during the period and subject for impairment assessment if such indicators exist. The period and amortization method for all intangible asset with definite useful life are reassessed at least at each reporting date. Changes in estimated useful life or structure of inflow of future benefits inherent to the asset are added to the financial statements as changes in period and method of amortization, depending on situation, and disclosed as changes in estimates. The amortization expenses for intangible assets with definite useful life recognised in the financial statement of comprehensive income in the category, which relates to the function of the intangible asset.

Intangible assets with indefinite useful life are not amortized, rather tested separately for impairment on an annual basis. The useful life term of intangible assets with indefinite useful life is reviewed on an annual basis to determine whether it is reasonable to continue classify the asset as intangible asset with indefinite useful life. If it is not acceptable, the change in useful life of an asset is prospectively changed from indefinite to definite.

Gains and losses from disposal of intangible assets are measured as difference from proceeds and book value of the asset and recognised in the financial statement of comprehensive income at the date of disposal of use asset.

Accrual of amortization of Company's intangible assets is implemented on straight-line method.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted-average method.

Recognition and valuation of financial instruments

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

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

The Company classifies financial assets in the following main categories:

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

Debt instruments

The classification and subsequent accounting of debt instruments depend on:

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

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

Reclassification

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

Derecognition of financial assets

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

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

Classification and subsequent accounting of financial liabilities

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

Offset of assets and liabilities

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

Derecognition of financial liabilities

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

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

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

Impairment of financial assets

The Company recognizes allowance for expected credit loss according to IFRS 9 "Financial instruments". IFRS 9 requires the Company to reflect estimated reserves and expected debt and financial assets not measured at fair value through profit or loss.

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

Leases

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;

- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of Lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the Lease liabilities until they take effect. When adjustments to lease payments based on an index or rate take effect, the Lease liabilities is reassessed and adjusted against the Right-of-use assets.

Payments associated with short-term leases of offices, premises and equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and probability to extend the lease contract is exceptionally low.

Income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial significant direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Public and private grants

Public and private grants are recognised when there is reasonable assurance that there will be all the conditions required for obtaining grants, and that the grant will be received. Public and private grants, the main condition of which is accepted by the Company obligations to purchase, construct or otherwise acquire non-current assets are recognised in the statement of financial position as deferred income, followed by allocation to the profit or loss on a systematic and rational basis over the useful life of the relevant assets. Other public and private grants are recognised as revenue and allocated to each period so as to relate them to the costs of compensation for which they are intended. Public grants to compensate for losses already incurred costs or provided in the form of financial assistance is due to future costs are charged to income of the period in which they become receivable.

Transactions in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated to somoni official exchange rates in effect at December 31, 2022 and 2021. Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the transaction date. Any gains or losses arising from changes in exchange rates after the date of the transaction are recognised in statement of profit or loss and other comprehensive income.

As at December 31, 2022 and 2021 the official exchange rate of Tajik somoni against the US Dollar, Euro and the Russian ruble amounted:

	December 31, 2022	December 31, 2021
Somoni / US Dollar	10.2024	11.3
Somoni / Euro	10.8911	13.8934
Somoni / Russian ruble	0.1445	0.1506

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognised 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 recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

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

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

Non-cash transactions (mutual settlements)

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

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

Contingent assets and liabilities

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

Ordinary capital

Ordinary capital is recognised at historical cost.

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

Pension liabilities

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

Provision

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

Prepayment

Prepayments are recorded at historical cost less allowance for impairment. Prepayments are classified as long-term if the expected date of receipt of goods or services relating to it exceeds one year, or if the prepayment relates to an asset that will be recorded as non-current upon initial recognition. The prepayment amount for the purchase of an asset is included in its carrying amount when the Company obtains control over the asset and if it is probable that future economic benefits associated with it will be received by the Company. Other prepayments are written off to the profit and loss account when goods or services related to it are received. If there is an indication that the assets, goods or services relating to the prepayment will not be received, the carrying amount of the prepayment is written off, and the corresponding impairment loss is recognised in profit or loss.

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

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

- The amendments to IFRS 16 «Leases» provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
- The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (IBOR) - Phase 2 - introduce a practical expedient for modifications required by the reform, explain that hedge accounting is not discontinued solely because of the IBOR reform and discloses information in order to allow users to understand the nature and extend of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBOR to alternative benchmark rates, and how the entity is managing this transition.

New and revised IFRSs in issue but not yet effective

A number of new standards, amendments to standards and interpretations were not effective as at December 31, 2022 and have not been applied in preparing of these financial statements. Of these updates, the following standards and amendments may have an impact on the financial and economic activities of the Bank. The Bank plans to start applying these standards and amendments from the moment they come into effect. An analysis of the possible impact of new standards on the Bank's financial statements has not been conducted yet.

At the date these financial statements were authorized for issuance, the following new standards and interpretations have been issued, but were not yet effective, which the Bank has not early adopted:

- *Amendments to IAS 16 "Property, plant and equipment"* - proceeds before intended use. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- *Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets"* onerous contracts - cost of fulfilling a contract. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- *The amendment to IFRS 9 "Financial instruments"* – clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf
- *IFRS 17 "Insurance contracts"* requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. Applies to annual reporting periods beginning on or after January 1, 2023
- *Amendments to IAS 1 "Presentation of Financial Statements"* clarified how an entity classifies debt and other financial liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.
- *Disclosure of Accounting Policies (Amendments to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2)* requires entity to disclosure its material accounting policy information instead of its significant accounting policies. Amendments explain how an entity can identify material accounting policy information. In addition, *IFRS Practice Statement 2* has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.
- *Amendments to IAS "Accounting Policies, Changes in Accounting Estimates and Errors"* replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new

definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. Amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

- *"Deferred Tax related to Assets and Liabilities arising from a Single Transaction"* (Amendments to IAS 12) explains that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

4. KEY SOURCES OF UNCERTAINTY ESTIMATES

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

The estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of change and future periods if the revision affects both current and future periods.

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

The useful economic lives of property, plant and equipment

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

Impairment of assets

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

Allowance for doubtful accounts receivable and obsolete inventories

Management's assessment of the allowance for doubtful accounts receivable and obsolete inventories requires management to use assumptions based on the best estimates of the Company's ability to realize these assets. As a result of changes in general economic environment or other circumstances after the reporting date, management may draw conclusions which might be different to those made in preparing these financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2022 and 2021 property, plant and equipment of the Company are presented as follows:

	Construction in progress	Buildings and constructions	Equipment	Office equipment and furniture	Vehicles	Equipment for installation	Total
Cost							
December 31, 2020	<u>823</u>	<u>27,368</u>	<u>80,181</u>	<u>4,477</u>	<u>3,330</u>	<u>-</u>	<u>116,179</u>
Additions	4,720	1,769	459	203	-	81,016	88,167
Transferred from inventory	738	-	124	3	-	-	865
Transferred to inventory	-	-	-	-	-	(713)	(713)
Internal movement	(2,727)	60,549	17,327	5,124	-	(80,273)	-
Disposal	<u>(1,075)</u>	<u>(92)</u>	<u>(2,585)</u>	<u>(69)</u>	<u>-</u>	<u>(30)</u>	<u>(3,851)</u>
December 31, 2021	<u>2,479</u>	<u>89,594</u>	<u>95,506</u>	<u>9,738</u>	<u>3,330</u>	<u>-</u>	<u>200,647</u>
Additions	14,227	-	69	139	-	48,775	63,210
Transferred from inventory	-	-	8	85	30	9	132
Transferred to inventory	-	-	(12)	-	-	(2,313)	(2,325)
Internal movement	-	-	26,651	1,293	3,303	(31,247)	-
Disposal	<u>-</u>	<u>-</u>	<u>(2,772)</u>	<u>(94)</u>	<u>-</u>	<u>-</u>	<u>(2,866)</u>
December 31, 2022	<u>16,706</u>	<u>89,594</u>	<u>119,450</u>	<u>11,161</u>	<u>6,663</u>	<u>15,224</u>	<u>258,798</u>
Accumulated depreciation							
December 31, 2020	<u>-</u>	<u>7,616</u>	<u>37,772</u>	<u>1,432</u>	<u>1,577</u>	<u>-</u>	<u>48,397</u>
Charge for the year	-	9,988	17,829	1,611	677	-	30,105
Disposals	<u>-</u>	<u>(68)</u>	<u>(2,381)</u>	<u>(45)</u>	<u>-</u>	<u>-</u>	<u>(2,494)</u>
December 31, 2021	<u>-</u>	<u>17,536</u>	<u>53,220</u>	<u>2,998</u>	<u>2,254</u>	<u>-</u>	<u>76,008</u>
Charge for the year	-	11,195	10,340	1,140	722	-	23,397
Disposals	<u>-</u>	<u>-</u>	<u>(2,345)</u>	<u>(79)</u>	<u>-</u>	<u>-</u>	<u>(2,424)</u>
December 31, 2022	<u>-</u>	<u>28,731</u>	<u>61,215</u>	<u>4,059</u>	<u>2,976</u>	<u>-</u>	<u>96,981</u>
Net book value							
December 31, 2021	<u>2,479</u>	<u>72,058</u>	<u>42,286</u>	<u>6,740</u>	<u>1,076</u>	<u>-</u>	<u>124,639</u>
December 31, 2022	<u>16,706</u>	<u>60,863</u>	<u>58,235</u>	<u>7,102</u>	<u>3,687</u>	<u>15,224</u>	<u>161,817</u>

As of reporting dates, the Company did not have property, plant and equipment that were pledged as collateral for obligations.

As of December 31, 2022 and 2021 the Company had fully depreciated property, plant and equipment in the amount of 9,217 thousand somoni and 3,336 thousand somoni, respectively.

For the year ended 31 December 2022, there were no property plant and equipment received as a grant.

6. INTANGIBLE ASSETS

As at December 31, 2022 and 2021, intangible assets of the Company are presented as follows:

	Intangible assets
Cost	
December 31, 2020	19,788
Additions	118
December 31, 2021	19,906
Additions	26,121
Disposals	(25,729)
December 31, 2022	20,298
Accumulated amortization	
December 31, 2020	11,269
Charge for the year	2,073
December 31, 2021	13,342
Charge for the year	1,472
December 31, 2022	14,814
Net book value	
December 31, 2021	6,564
December 31, 2022	5,484

As at December 31, 2022 and 2021 the Company had fully depreciated property, plant and equipment in the amount of 520 thousand somoni and 282 thousand somoni, respectively.

7. INVESTMENTS

As at December 31, 2022 and 2021 investments of the Company are presented as follows:

	December 31, 2022	December 31, 2021
OJSC "Rogun HPP"	1,000	1,000
	1,000	1,000

The shares of OJSC "HPP Rogun" are accounted for at fair value through other comprehensive income due to infrequent transactions and the absence of an active market for these financial instruments.

8. INVENTORIES

As at December 31, 2022 and 2021 inventories of the Company are presented as follows:

	December 31, 2022	December 31, 2021
Materials	8,995	4,596
Spare parts	8,075	738
Low value items	226	266
Fuel	221	107
	<u> </u>	<u> </u>
Less allowance for obsolete inventories	(4,301)	(3,610)
	<u>13,216</u>	<u>2,097</u>

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

	2022	2021
At January 1	3,610	3,295
Accrual	691	315
	<u> </u>	<u> </u>
At December 31	<u>4,301</u>	<u>3,610</u>

9. ADVANCES PAID

As at December 31, 2022 and 2021 advances paid of the Company are presented as follows:

	December 31, 2022	December 31, 2021
Advances paid for goods	46,599	9,946
Advances paid for service	24,450	9,485
	<u> </u>	<u> </u>
	<u>71,049</u>	<u>19,431</u>

Significant amounts of advances issued to counterparties:

	December 31, 2022	December 31, 2021
LLC "Zamar AG"	34,324	-
R.I.D. GmbH	23,364	9,857
CJSC "Peleng"	12,046	-
LLC "Taj Motors"	434	-
LLC "SKY KG Airlines"	383	-
LLC "Shahboz-2012"	234	777
LLC "Systems Interface Limited"	229	1,269

10. TRADE AND OTHER RECEIVABLES

As at December 31, 2022 and 2021 trade and other receivables of the Company are presented as follows:

	December 31, 2022	December 31, 2021
Trade receivables from airline companies	39,132	34,977
Receivables from employees	848	232
Trade receivables from airports	-	-
Other	225	2,522
	<u> </u>	<u> </u>
Less allowance for expected credit loss	(17,438)	(17,418)
	<u>26,830</u>	<u>20,313</u>

The largest debtors of the Company are the following organizations:

	December 31, 2022	December 31, 2021
OJSC "Tajik Air"	17,438	17,418
LLS "Air india"	2,656	1,074
Military Unit Field Post 01162	2,287	1,926
LLC "Virgin Atlantic Airways"	1,447	984
Pakistan International Airlines	1,383	181
British Airways	1,276	1,069
JSC "Vietnam Airlines"	1,130	-

Movement in allowance for expected credit losses on trade and other receivables for the years ended December 31, 2022 and 2021 is presented as follows:

	2022	2021
At January 1	17,418	17,509
Write-off	-	-
(Recovery)/accrual	20	(91)
At December 31	17,438	17,418

11. CASH AND CASH EQUIVALENTS

As at December 31, 2022 and 2021 amount of cash and cash equivalents of the Company are presented as follows:

	December 31, 2022	December 31, 2021
Cash in bank	2,381	9,464
Cash on hand	421	86
Allowance for expected credit loss	(42)	(196)
	2,760	9,354

Movement in allowance for expected credit losses on cash and cash equivalents for the years ended December 31, 2022 and 2021 is presented as follows:

	2022 r.	2021 r.
At January 1	196	111
Accrual	(154)	85
At December 31	42	196

12. ORDINARY CAPITAL

State Unitary Enterprise "Tajikairnavigation" (SUE "TAN") was established by the Government regulation of the Republic of Tajikistan under the № 491 of October 1, 2008 through the separation from the State Unitary Aviation Enterprise "Tajik Air". SUE "TAN" is included in the system of the Ministry of Transport of the Republic of Tajikistan.

The ordinary capital as of December 31, 2022 and 2021 amounted to 27,028 thousand somoni. After the reorganization of SUAE "Tajik Air" based on the Resolution of the Government of the Republic of Tajikistan No. 491 dated October 1, 2008, the ordinary capital of the company was approved in the amount of 27,028 thousand somoni, but until 2017 the capital was not fully formed. In 2017 after consultation with the Tax Committee of the Republic of Tajikistan, ordinary capital of the Company was increased through capitalization of retained earnings and brought in accordance with the constituent documents.

As at December 31, 2021 the sole owner of the Company is the Government of the Republic of Tajikistan is presented by the State Committee on Investments and State Property Management of the Republic of Tajikistan. According to the results of 2021 and 2020, during 2022 and 2021 the Company declared dividends in the amount of 6,413 thousand somoni and 1,612 thousand somoni, respectively.

13. DEFERRED INCOME

As at December 31, 2022 and 2021 the Company's deferred income consisted of the long-term and short-term parts, which are presented as follows:

Long-term portion of deferred income:

	December 31, 2022	December 31, 2021
Deferred income on property, plant and equipment and intangible assets	42,333	56,734
	<u>42,333</u>	<u>56,734</u>

Short term portion of deferred income:

	December 31, 2022	December 31, 2021
Deferred income on property, plant and equipment and intangible assets	9,575	4,748
	<u>9,575</u>	<u>4,748</u>

The movement of deferred income on assets received as grant for the years ended December 31, 2022 and 2021 is as follows:

	2022 r.	2021 r.
Long-term portion		
At January 1	56,734	1,515
Grants received	-	63,368
Transferred to the short-term portion	(14,401)	(8,149)
At December 31	<u>42,333</u>	<u>56,734</u>
	2022 r.	2021 r.
Short-term portion		
At January 1	4,748	246
Transferred from the long-term portion	14,401	8,149
Amortization	(9,574)	(3,647)
At December 31	<u>9,575</u>	<u>4,748</u>

On March 19, 2021, the Company received fixed assets with a total value of 63,368 thousand somoni from the French embassy as a non-reimbursable grant. In particular, the Company was given a control tower worth 57,784 thousand somoni, and an ATC building with engineering networks worth 1,768 thousand somoni. Also, an elevator, a chiller, and fire-fighting equipment and an inverter with a total cost of 3,816 thousand somoni were handed over.

14. TRADE PAYABLES

As at December 31, 2022 and 2021 trade payables of the Company are presented as follows:

	December 31, 2022	December 31, 2021
Trade payables for services	29,127	450
	<u>29,127</u>	<u>450</u>

The largest creditors of the Company are the following organizations:

	December 31, 2022	December 31, 2021
CJSC "Peleng"	25,710	19
LLC "Systems Interface Limited"	1,318	12,789
Ceragon Networks Ltd	909	3,634
ERA. a. s.	561	570
St. Petersburg State UCA	152	547
TOO "SKYMAX INNOVATIONS LLP"	111	352
OJSC Dushanbe International Airport	110	774

15. ADVANCES RECEIVED

As at December 31, 2022 and 2021 advances received of the Company are presented as follows:

	December 31, 2022	December 31, 2021
Advances received from airline companies	8,204	4,704
	<u>8,204</u>	<u>4,704</u>

Significant amounts of advances received by contractors:

	December 31, 2022	December 31, 2021
OJSC Ural Airlines	6,272	2,209
JSC "Siberia Airlines"	1,182	1,395
PJSC "UTair Aviation"	109	245
LLC CRYSTAL JET	106	-
CJSC "Flynas"	98	108
Varesh Airlines	38	-
RUS AVIATION	35	38

16. OTHER LIABILITIES

As at December 31, 2022 and 2021 other liabilities of the Company and are presented as follows:

	December 31, 2022	December 31, 2021
Payroll and related taxes	2,181	4,071
Income tax payable	-	3,269
Dividends payable	-	1,878
Unused vacation provision	1,413	1,066
Other taxes payable	775	859
Other	66	157
	<u>4,435</u>	<u>11,300</u>

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

	2022 r.	2021 r.
At January 1	1,066	476
Accrual/(recovery)	<u>347</u>	<u>590</u>
At December 31	<u>1,413</u>	<u>1,066</u>

17. REVENUE

Revenue of the Company for the years ended December 31, 2022 and 2021 is presented as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Air navigation services on air routes	159,524	70,595
Air navigation services within the airfield area	94,701	62,642
Meteorological services	21,090	17,643
Other services	103	190
	<u>275,418</u>	<u>151,070</u>

18. COST OF SALES

Cost of sales of the Company for the years ended December 31, 2022 and 2021 are presented as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Payroll and related taxes	47,899	28,795
Depreciation of property, plant and equipment and amortization of intangible assets	10,834	21,457
Materials	3,992	2,674
Insurance expenses	1,750	-
Business trips	790	466
Electricity and communication	252	217
Accrual of unused vacation	239	8,145
Maintenance of fixed assets	48	69
Other	393	
	<u>66,197</u>	<u>61,823</u>

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses of the Company for the years ended December 31, 2022 and 2021 are presented as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Payroll and related taxes	21,426	16,756
Services	19,190	3,048
Depreciation of PPE and amortization of IA	14,035	10,721
Charity and material aid	8,667	8,856
Taxes other than income tax	3,169	4,451
Insurance	2,712	2,691
Inventories	2,630	2,049
Electricity and communication	1,452	1,127
Maintenance of office	1,010	891
Business trips	764	855
Bank fees	744	349
Staff training	643	577
Accrual of allowance for obsolete inventories	691	315
Accrual of unused vacation provision	108	373
(Recovery)/accrual of allowance for expected credit losses on cash and cash equivalents	(154)	85
Write-off low-value items	-	-
Accrual of allowance for ECL on trade and other receivables	20	(91)
Other	408	558
	<u>77,515</u>	<u>53,611</u>

20. NET (LOSS)/GAIN ON FOREIGN EXCHANGE OPERATIONS

Net (loss)/gain on foreign exchange operations of the Company for the years ended December 31, 2022 and 2021 are presented as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Foreign exchange differences, net	(8,660)	(541)
Dealing, net	(1,321)	(108)
	<u>(9,981)</u>	<u>(649)</u>

21. OTHER NON-OPERATING LOSS, NET

Other non-operating loss, net of the Company for the years ended December 31, 2022 and 2021 are presented as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Loss on disposal of property, plant and equipment	(26,171)	(1,357)
Deferred income on property, plant and equipment received as grant	9,574	3,647
Other income	8	5
	<u>(16,589)</u>	<u>2,295</u>

22. INCOME TAX EXPENSES

The Company calculates and records liabilities on the current income tax, as well as the carrying value of assets and liabilities in accordance with tax legislation of the Republic of Tajikistan, which may differ from IFRS. For the years ended December 31, 2022 and 2020 on the territory of the Republic of Tajikistan income tax rate for legal entities was 23%. From 2022, the income tax rate for legal entities is 20%.

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

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Current income tax expense	14,077	9,787
Change in deferred income taxes	(181)	57
	<u>13,896</u>	<u>9,844</u>

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Deferred income tax assets:		
Allowance for expected credit losses on trade and other receivables	17,438	17,418
Allowance for expected credit losses on cash and cash equivalents	42	196
Allowance for obsolete inventories	4,300	3,610
Provision for unused vacation	1,413	1,066
Total deferred income tax assets:	23,193	22,290
Deferred income tax liabilities:		
Deferred income	-	-
Total deferred income tax liabilities:	-	-
Чистые отложенные налоговые активы	23,193	22,290
Net deferred income tax assets at the statutory tax rate for the Company (20% and 23%)	4,639	4,458

Net tax effects of temporary differences recognised in the statement of profit or loss and other comprehensive income.

23. CONTINGENT LIABILITIES

Commitments for capital expenditure

As at December 31, 2022 and 2021 the Company had no capital expenditure commitments.

Taxation

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

Legal issues

The Company has been and continues to be from time to time the object of litigation and court decisions that, individually or in aggregate, did not have a significant negative impact on the Company. Management believes that the final obligation, if any, in connection with these claims and complaints will not have a material adverse effect on the financial position or the results of the future financial and economic activities of the Company.

Operating environment

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

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

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

24. RELATED PARTIES

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

Transactions with state companies

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

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

	December 31, 2022	December 31, 2021
Trade and other receivables		
OJSC "Tajik Air"	17,438	17,418
Ministry of Defense of the Republic of Tajikistan	183	188
OJSC "Kulyab International Airport"	-	-
Less allowance for expected credit losses of OJSC "Tajik Air"	(17,438)	(17,418)
	183	188
Total category as per the financial statements	26,830	20,313
	December 31, 2022	December 31, 2021
Trade payables		
OJSC "Dushanbe International Airport"	110	73
OJSC "Khujand International Airport"	77	37
OJSC "Kulyab International Airport"	4	16
OJSC "Kurgan-Tube International Airport"	10	3
OJSC "Distribution Electric Networks" in Dushanbe	24	-
SUE "Dushanbevodokanal"	-	2
	225	131
Total category as per the financial statements	29,127	450

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue		
OJSC "Dushanbe International Airport"		
OJSC "Tajik Air"	95	98
OJSC "Khujand International Airport"	22	26
OJSC "Kulyab International Airport"	16	16
OJSC "Kurgan-Tube International Airport"	16	16
	<u>16</u>	<u>8</u>
	<u>164</u>	<u>164</u>
Total category as per the financial statements	<u>275,418</u>	<u>151,070</u>

Compensation paid to key management personnel of the Company for the years ended December 31, 2022 and 2021 presented below:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Payroll	<u>1,805</u>	<u>1,170</u>
	<u>1,805</u>	<u>1,170</u>

25. RISK MANAGEMENT

Capital risk management - The Company manages its capital to ensure that the Company will be able to continue as a going concern. The management of the Company reviews the capital structure on a regular basis. Management assumes an increase in the Company's revenues and profits in the future as a result of further development of operating activities.

The main categories of financial instruments - The Company's principal financial liabilities comprise of borrowings, trade payables and other liabilities and accrued expenses. The Company has various financial assets such as trade and other receivables, investments and cash and cash equivalents.

	December 31, 2022	December 31, 2021
Financial assets		
Cash and cash equivalents	2,760	9,354
Trade and other receivables	26,830	20,313
Investments	<u>1,000</u>	<u>1,000</u>
Total financial assets	<u>30,590</u>	<u>30,667</u>
Financial liabilities		
Trade payables	29,127	450
Other liabilities	<u>2,247</u>	<u>9,375</u>
Total financial liabilities	<u>31,374</u>	<u>9,825</u>

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

Currency risk

Currency risk is the risk of value of a financial instrument due to changes in currency exchange rates. Financial position and cash flows of the Company are subject to effects of fluctuations in foreign currency exchange rates. Manual controls currency risk by management of the open currency position on the estimated basis of impairment Tajik somoni and other macroeconomic indicators, which allows the Company to minimize losses from significant fluctuations of national and foreign currencies.

Information on the level of the Company's currency risk is presented below:

	TJS	USD	RUB	EUR	Other CCY	December 31, 2022
Financial assets						
Cash and cash equivalents	379	1,783	404	177	16	2,760
Trade receivables	14,897	10,697	1,237	-	-	26,830
Investments	1,000	-	-	-	-	1,000
Total financial assets	12,213	12,480	1,640	177	16	26,527
Financial liabilities						
Trade and other payables	358	28,613	157	-	-	29,127
Other liabilities	5,424	-	-	-	-	5,424
Total financial liabilities	5,781	28,613	157	-	-	34,551
NET POSITION	6,431	(16,133)	1,484	177	16	(8,024)
	TJS	USD	RUB	EUR	Other CCY	December 31, 2021
Financial assets						
Cash and cash equivalents	267	6,426	2,449	193	19	9,354
Trade receivables	9,713	9,684	916	-	-	20,313
Investments	1,000	-	-	-	-	1,000
Total financial assets	10,979	16,111	3,365	193	19	30,667
Financial liabilities						
Trade and other payables	430	20	-	-	-	450
Other liabilities	9,375	-	-	-	-	9,375
Total financial liabilities	9,805	20	-	-	-	9,825
NET POSITION	1,174	16,091	3,365	193	19	20,842

Currency rate sensitivity

Following table presents a sensitivity analysis of the Bank to 10% increase and decrease the USD to TJS in 2022 and 2021. Based on the current economic environment in Tajikistan management of the Bank believes that 10% reduction of USD to TJS exchange rate is a realistic change. 10% is a level of sensitivity which is used by companies internally when reporting foreign currency risk to key management personnel of the Bank, and is an estimate by management as of possible changes in exchange rates. Sensitivity analysis applies only to outstanding foreign currency balances available at the end of the period for conversion of which actual end-of-the-period exchange rate changed by 10% is used.

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

	December 31, 2022		December 31, 2021	
	Official exchange rate, +10%	Official exchange rate, -10%	Official exchange rate, +10%	Official exchange rate, -10%
USD	(1,613)	1,613	1,609	(1,609)
RUB	148	(148)	337	(337)

Credit risk

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

The main credit risk for the Company is accounts receivable from counterparties. The Company does not use mechanisms to insure these risks in its activities.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to repay all obligations when they mature. The Company's liquid position is monitored and managed. The Company uses cash forecasting to ensure that an adequate amount of cash is available to meet payment obligations. The Management assumes the growth of the Company's revenues and profits in the future as a result of further sales growth.

The table below provides an analysis of liquidity risk:

	Less than 1 month	1 – 3 months	3 months- 1 year	1-5 years	More than 5 years	Undefined	Total 2022
Financial assets							
Cash and cash equivalents	2,760	-	-	-	-	-	2,760
Trade receivables	-	26,830	-	-	-	-	26,830
Investments	-	-	-	-	-	1,000	1,000
Total financial assets	<u>2,760</u>	<u>26,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>30,590</u>
Financial liabilities							
Trade and other payables	-	29,127	-	-	-	-	29,127
Other liabilities	2,247	-	-	-	-	-	2,247
Total financial liabilities	<u>2,247</u>	<u>29,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,374</u>
Difference between assets and liabilities	<u>513</u>	<u>(2,297)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>(784)</u>
	Less than 1 month	1 – 3 months	3 months- 1 year	1-5 years	More than 5 years	Undefined	Total 2021
Financial assets							
Cash and cash equivalents	9,354	-	-	-	-	-	9,354
Trade receivables	-	20,313	-	-	-	-	20,313
Investments	-	-	-	-	-	1,000	1,000
Total financial assets	<u>9,354</u>	<u>20,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>30,667</u>
Financial liabilities							
Trade and other payables	-	450	-	-	-	-	450
Other liabilities	9,375	-	-	-	-	-	9,375
Total financial liabilities	<u>9,375</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,825</u>
Difference between assets and liabilities	<u>(21)</u>	<u>19,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>20,842</u>

Geographical concentration

The Finance Department monitors the risk associated with changes in legislation and evaluates its impact on the Company's operations. This approach allows the Company to minimize possible losses from changes in the investment climate in the Republic of Tajikistan.

Information on the geographical concentration of assets and liabilities is presented in the following tables:

	Republic of Tajikistan	OECD countries	Other	Total 2022
Financial assets				
Cash and cash equivalents	2,760	-	-	2,760
Trade receivables	15,288	3,942	7,600	26,830
Investments	1,000	-	-	1,000
Total financial assets	<u>19,048</u>	<u>3,942</u>	<u>7,600</u>	<u>30,590</u>
Financial liabilities				
Trade and other payables	358	2,787	25,982	29,127
Other liabilities	2,247	-	-	2,247
Total financial liabilities	<u>2,605</u>	<u>2,787</u>	<u>25,982</u>	<u>31,374</u>
NET POSITION	<u>16,443</u>	<u>1,155</u>	<u>(18,382)</u>	<u>(784)</u>
	Republic of Tajikistan	OECD countries	Other	Total 2021
Financial assets				
Cash and cash equivalents	9,354	-	-	9,354
Trade receivables	9,930	4,916	5,467	20,313
Investments	1,000	-	-	1,000
Total financial assets	<u>20,284</u>	<u>4,916</u>	<u>5,467</u>	<u>30,667</u>
Financial liabilities				
Trade and other payables	430	-	20	450
Other liabilities	9,375	-	-	9,375
Total financial liabilities	<u>9,805</u>	<u>-</u>	<u>20</u>	<u>9,825</u>
NET POSITION	<u>10,479</u>	<u>4,916</u>	<u>5,447</u>	<u>20,842</u>

26. EVENTS AFTER THE REPORTING PERIOD

As at the date of these financial statements there have been no other significant events that should be disclosed in accordance with IAS 10 "Events after the reporting period".

27. APPROVAL OF FINANCIAL STATEMENTS

Financial statements have been approved by Management of the Company and authorized for issue on May 2, 2023.