

**STATE UNITARY ENTERPRISE  
“Khojagii Manziliyu Kommunalii”**

**Consolidated financial statements**  
for the year ended December 31, 2020

**and Independent Auditors' Opinion**

# STATE UNITARY ENTERPRISE “KHOJAGII MANZILIYU KOMMUNALI”

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# STATE UNITARY ENTERPRISE "KHOJAGII MANZILIYU KOMMUNALI"

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of the State Unitary Enterprise "Khojagii Manziliyu Kommunali" (the "Group") and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at December 31, 2020, the results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards (the "IFRS").

In preparing the consolidated 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 Group will continue in business for the foreseeable future.

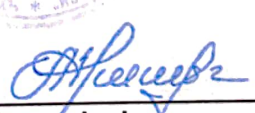
Management is also responsible for:

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

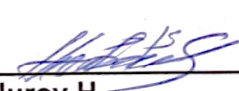
The consolidated financial statements for the year ended December 31, 2020 were approved and authorized for issue on December 6, 2021 by the Management of the Group.

On behalf of the Management:



  
Tabarzoda J.  
General Director

December 6, 2021  
Dushanbe, Republic of Tajikistan

  
Nurov H.  
Chief accountant

December 6, 2021  
Dushanbe, Republic of Tajikistan

## INDEPENDENT AUDITORS' OPINION

To Management of the State Unitary Enterprise “Khojagii Manziliyu Kommunalı”

### Disclaimer of opinion

We were engaged to audit the consolidated financial statements of the State Unitary Enterprise “Khojagii Manziliyu Kommunalı” (the “parent company”) and its subsidiaries (the “group”), which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

We do not express an opinion on the accompanying financial statements of the Group. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

We have not obtained sufficient and appropriate information regarding the compilation of the consolidated financial statements, that would include the individual balances subject for consolidation and the necessary consolidation adjustments. As a result of these matters, we were unable to determine whether any audit adjustments might have been found necessary in respect of the consolidated financial statements.

We were not presented with all the requested accounts breakdowns of the group subsidiaries for the period ended December 31, 2020 and as a result of this matter, we were unable to perform all necessary audit procedures and consequently we were unable to determine whether any adjustments might have been found necessary in respect of the consolidated financial statements.

We have not obtained Management’s assessment of Group’s going concern and we were unable to confirm it by alternative means. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary to the financial statements.

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

Management is responsible for the preparation and fair presentation 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 responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. We are independent of the Company in accordance 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.

*Baker Tilly Klitou and Partners*

**Baker Tilly Klitou and Partners SRL**

Chisinau, the Republic of Moldova  
December 6, 2021



# STATE UNITARY ENTERPRISE "KHOJAGII MANZILIYU KOMMUNALI"

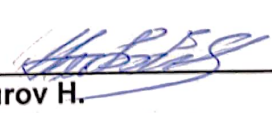
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020 AND 2019 (in thousands of Tajik somoni)

|   | Notes | December 31,<br>2020 | December 31,<br>2019 |
|---|-------|----------------------|----------------------|
| <b>ASSETS:</b>  |       |                      |                      |
| <b>NON-CURRENT ASSETS:</b>                            |       |                      |                      |
| Property, plant and equipment                         | 4     | 34,348               | 27,488               |
| Investments   |       | 44                   | 44                   |
| Loans issued  | 5     | 170,031              | 142,663              |
|   |       | <u>204,423</u>       | <u>170,195</u>       |
| <b>CURRENT ASSETS:</b>                                |       |                      |                      |
| Inventory   | 6     | 502                  | 547                  |
| Advances paid   | 7     | 1,394                | 1,069                |
| Trade accounts receivable                             | 8     | 12,131               | 3,475                |
| Cash and cash equivalents                             | 9     | 919                  | 1,235                |
|   |       | <u>14,946</u>        | <u>6,326</u>         |
| <b>TOTAL ASSETS</b>                                   |       | <u>219,369</u>       | <u>176,521</u>       |
| <b>LIABILITIES AND EQUITY:</b>                        |       |                      |                      |
| <b>EQUITY:</b>  |       |                      |                      |
| Share capital   | 10    | 17,522               | 12,165               |
| Additional paid-in-capital                            | 10    | 7,797                | 6,428                |
| Revaluation reserve for property, plant and equipment |       | 8,982                | 9,100                |
| Retained earnings                                     |       | 15,241               | (4,576)              |
|   |       | <u>49,542</u>        | <u>23,117</u>        |
| <b>NON-CURRENT LIABILITIES:</b>                       |       |                      |                      |
| Borrowings  | 11    | 153,149              | 137,136              |
| Grants  | 12    | 9,361                | 9,470                |
|   |       | <u>162,510</u>       | <u>146,606</u>       |
| <b>CURRENT LIABILITIES:</b>                           |       |                      |                      |
| Trade accounts payable                                | 13    | 1,778                | 1,602                |
| Advances received                                     | 14    | 3,348                | 3,187                |
| Taxes payable   | 15    | 1,633                | 1,527                |
| Other liabilities                                     | 16    | 558                  | 482                  |
|   |       | <u>7,317</u>         | <u>6,798</u>         |
|   |       | <u>169,827</u>       | <u>153,404</u>       |
| <b>TOTAL LIABILITIES AND EQUITY</b>                   |       | <u>219,369</u>       | <u>176,521</u>       |

On behalf of the Management:

  
**Tabarzoda J.**  
**General Director**

December 6, 2021  
 Dushanbe, Republic of Tajikistan

  
**Nurov H.**  
**Chief accountant**

December 6, 2021  
 Dushanbe, Republic of Tajikistan

The notes on pages 9-28 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 3-4.

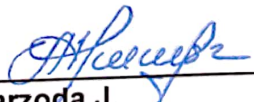
# STATE UNITARY ENTERPRISE "KHOJAGII MANZILIYU KOMMUNALI"

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019


(in thousands of Tajik somoni)

|   | Notes | For the year<br>ended<br>December 31,<br>2020 | For the year<br>ended<br>December 31,<br>2019 |
|---|-------|---|---|
| Revenue                                 | 17    | 27,005  | 12,215  |
| Cost of sales                           |       | <u>(2,524)</u>                                | <u>(1,730)</u>                                |
| GROSS PROFIT                            |       | <u>24,481</u>                                 | <u>10,485</u>                                 |
| General and administrative expenses     | 18    | (5,835)                                       | (6,377)                                       |
| Net loss on foreign exchange operations |       | 1,036   | 2   |
| Other non-operating gain/(loss), net    | 19    | <u>137</u>                                    | <u>(8,039)</u>                                |
| PROFIT/(LOSS) BEFORE INCOME TAX         |       | <u>19,819</u>                                 | <u>(3,929)</u>                                |
| Income tax                              |       | <u>-</u>                                      | <u>-</u>                                      |
| NET PROFIT/(LOSS) FOR THE YEAR          |       | <u>19,819</u>                                 | <u>(3,929)</u>                                |
| TOTAL COMPREHENSIVE INCOME/(LOSS)       |       | <u><u>19,819</u></u>                          | <u><u>(3,929)</u></u>                         |

On behalf of the Management:

  
**Tabarzoda J.**  
**General Director**

December 6, 2021  
 Dushanbe, Republic of Tajikistan

  
**Nurov H.**  
**Chief accountant**

December 6, 2021  
 Dushanbe, Republic of Tajikistan

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# STATE UNITARY ENTERPRISE "KHOJAGII MANZILIYU KOMMUNALI"

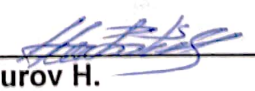
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (in thousands of Tajik somoni)

| Notes                     | Share capital | Additional paid-in capital | Revaluation reserve for property, plant and equipment | Retained earnings | Total equity |
|---------------------------|---------------|----------------------------|---|-------------------|--------------|
| As at December 31, 2018   | (12,165)      | (6,318)                    | (8,982)   | (345)             | (27,810)     |
| Other comprehensive loss  | -             | (110)                      | (118)   | 992               | 764          |
| Loss for the year         | -             | -                          | -   | (3,929)           | (3,929)      |
| As at December 31, 2019   | (12,165)      | (6,428)                    | (9,100)   | 4,576             | (23,117)     |
| Increase in share capital | (5,357)       | (704)                      | -   | -                 | (6,061)      |
| Other comprehensive loss  | -             | (665)                      | 118   | 3                 | (544)        |
| Profit for the year       | -             | -                          | -   | 19,819            | 19,819       |
| As at December 31, 2020   | (17,522)      | (7,797)                    | (8,982)   | (15,241)          | (49,542)     |

On behalf of the Management:

  
Tabarzoda J.  
General Director

December 6, 2021  
Dushanbe, Republic of Tajikistan

  
Nurov H.  
Chief accountant

December 6, 2021  
Dushanbe, Republic of Tajikistan

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# STATE UNITARY ENTERPRISE "KHOJAGII MANZILIYU KOMMUNALI"

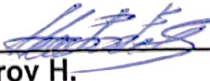
## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (in thousands of Tajik somoni)

|  | Notes | For the year<br>ended<br>December 31,<br>2020 | For the year<br>ended<br>December 31,<br>2019 |
|--|-------|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>               |       |   |   |
| Revenue from realization                                   |       | 13,944,809                                    | 11,989,904                                    |
| Other income from operation activity                       |       | 256,711                                       | 104,789                                       |
| Total revenue from operating activities:                   |       | <u>14,201,520</u>                             | <u>12,094,694</u>                             |
| Cost of sales  |       | 1,548,752                                     | 1,030,610                                     |
| Salary and social tax payment                              |       | 1,757,719                                     | 2,425,046                                     |
| Payment of services  |       | 23,620  | 22,121  |
| Other taxes payment  |       | 477,785                                       | 298,761                                       |
| Other payments   |       | 1,179,854                                     | 860,459                                       |
| Total disposals from operating activities:                 |       | <u>4,987,730</u>                              | <u>4,636,996</u>                              |
| Cash inflow from operating activities:                     |       | <u>9,213,790</u>                              | <u>7,457,697</u>                              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>               |       |   |   |
| Loans repaid to the bank                                   |       | -   | 6   |
| Other income from financing activities                     |       | -   | 665,871                                       |
| Other disposal from financing activities                   |       | 2,107,811                                     | 1,444,194                                     |
| Net cash outflow from investing activities:                |       | <u>2,107,811</u>                              | <u>2,110,070</u>                              |
| Effect of exchange rates on cash and cash equivalents      |       | 1,041,880                                     | (4,493)                                       |
| Net increase in cash and cash equivalents                  |       | <u>8,157,455</u>                              | <u>6,669,131</u>                              |
| CASH AND CASH EQUIVALENTS,<br>at the beginning of the year |       | <u>1,234,621</u>                              | <u>698,262</u>                                |
| CASH AND CASH EQUIVALENTS,<br>at the end of the year       |       | <u>919,465</u>                                | <u>1,234,621</u>                              |

**On behalf of the Management:**

  
**Tabarzoda J.**  
**General Director**

December 6, 2021  
Dushanbe, Republic of Tajikistan

  
**Nurov H.**  
**Chief accountant**

December 6, 2021  
Dushanbe, Republic of Tajikistan

The notes on pages 9-28 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 3-4.

# STATE UNITARY ENTERPRISE “KHOJAGII MANZILIYU KOMMUNALI”

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(in thousands of Tajik somoni)

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### 1. GENERAL INFORMATION ABOUT THE GROUP

Khojagi Manziliyu Kommunal Group (the “Group”) includes the parent Company, State Unitary Enterprise “Khojagi Manziliyu Kommunal” (the “Company”) and its subsidiaries based in the Republic of Tajikistan. The consolidated financial statements of the Group for the year ended on 31 December 2020 comprise the financial statements of “Khojagi Manziliyu Kommunal” (the “Company”) and its subsidiaries and its subsidiaries (hereinafter referred to as the “Group”), which form the Group. The subsidiaries comprise the following entities:

| No. | Name of the organization   |
|-----|--|
| 1   | Production workshops for the repair and operation of residential buildings in Bokhtar city |
| 2   | Communal housing of Bokhtar city   |
| 3   | Landscape design and landscaping of Bokhtar city   |
| 4   | Housing and communal services of the Levakand district                                     |
| 5   | Housing and communal services of the Kushoniyon district                                   |
| 6   | Housing and communal services of the Vakhsh district                                       |
| 7   | Housing and communal services of the Khuroson district                                     |
| 8   | Housing and communal services of the Qubodiyon district                                    |
| 9   | Housing and communal services of the Dusti district  |
| 10  | Housing and communal services of the Jayhun district                                       |
| 11  | Housing and communal services of the Jaloliddin Balkhi district                            |
| 12  | Housing and communal services of the Panj district   |
| 13  | Housing and communal services of the A.Jomi district                                       |
| 14  | Housing and communal services of the Shahrituz district                                    |
| 15  | Housing and communal services of the N. Khusrav district                                   |
| 16  | Production workshops for the repair and operation of residential buildings in Kulyab city  |
| 17  | Repair and operation of electric networks Kulob city                                       |
| 18  | Landscape design and landscaping of Kulyab city  |
| 19  | Housing and communal services in the Vose district.  |
| 20  | Housing and communal services of the Farkhor district.                                     |
| 21  | Housing and communal services of the Dangara district.                                     |
| 22  | Housing and communal services of the Hamadoni district.                                    |
| 23  | Housing and communal services of the Temurmalik district.                                  |
| 24  | Housing and communal services of the Muminobod district.                                   |
| 25  | Housing and communal services of the Khovaling district.                                   |
| 26  | Housing and communal services of the Sh. Shohin district.                                  |
| 27  | Housing and communal services of the Baljuvon district.                                    |
| 28  | Housing and communal services of the Kangurt district.                                     |
| 29  | Hotel Sh. Shohin   |
| 30  | Housing and communal services of the Asht district   |
| 31  | Housing and communal services of the Ayni district   |
| 32  | Housing and communal services of the B. Gafurov district                                   |
| 33  | Housing and communal services of the Devashtich district                                   |
| 34  | Housing and communal services of the Maschoi kuhi district                                 |
| 35  | Housing and communal services of the J. Rasulov district                                   |
| 36  | Housing and communal services of the Konibodom district                                    |
| 37  | Housing and communal services of the Guliston district                                     |
| 38  | Housing and communal services of the Isfara district                                       |
| 39  | Housing and communal services of the Istaravshan district                                  |
| 40  | Housing and communal services of the Mascho district                                       |
| 41  | Housing and communal services of the Zafarobod district                                    |
| 42  | Housing and communal services of the Spitamen district                                     |
| 43  | Housing and communal services of the Panjakent district                                    |
| 44  | Housing and communal services of the Shahrison district                                    |
| 45  | Housing and communal services of the Istiqlol district                                     |
| 46  | Housing and communal services of the Mehnatobod district                                   |
| 47  | Housing and communal services of the Khorug district                                       |
| 48  | Housing and communal services of the Darvoz district                                       |

|     |   |
|-----|---|
| 49  | Housing and communal services of the Vanj district  |
| 50  | Housing and communal services of the Rushon district  |
| 51  | Housing and communal services of the Ishkoshim district                                       |
| 52  | Housing and communal services of the Murgob district  |
| 53  | Housing and communal services of the Roshtqala district                                       |
| 54  | Housing and communal services of the Shugnon district   |
| 55  | Housing and communal services of the Nurobod district   |
| 56  | Housing and communal services of the Sangvor district   |
| 57  | Housing and communal services of the Rasht district   |
| 58  | Housing and communal services of the Lakhsh district  |
| 59  | Housing and communal services of the Rudaki district  |
| 60  | Housing and communal services of the Hisor district   |
| 61  | Housing and communal services of the Tojikobod district                                       |
| 62  | State-owned subsidiary water supply and sewerage of the city of Bokhtar                       |
| 63  | State-owned subsidiary water supply and sewerage of the Kushoniyon                            |
| 64  | State-owned subsidiary water supply and sewerage of the Vakhsh                                |
| 65  | State-owned subsidiary water supply and sewerage of the Kulob                                 |
| 66  | State-owned subsidiary water supply and sewerage of the J. Balkhi                             |
| 67  | State-owned subsidiary water supply and sewerage and heating of the Farkhor                   |
| 68  | State-owned subsidiary water supply and sewerage of the Dangara                               |
| 69  | State-owned subsidiary water supply and sewerage of the Jayhun                                |
| 70  | State-owned subsidiary water supply and sewerage of the Muminobod                             |
| 71  | State-owned subsidiary water supply and sewerage of the Shahritus                             |
| 72  | State-owned subsidiary water supply of the Panj   |
| 73  | State-owned subsidiary water supply of the Hamadoni   |
| 74  | State-owned subsidiary water supply of the Vose   |
| 75  | State-owned subsidiary water supply of the Khovaling  |
| 76  | State-owned subsidiary water supply and sewerage of the Yovon                                 |
| 77  | State-owned subsidiary water supply of the Qabodiyon  |
| 78  | State-owned subsidiary water supply and sewerage of the Sh. Shohin                            |
| 79  | State-owned subsidiary water supply of the Devashtich   |
| 80  | State-owned subsidiary water supply of the Zafarobod  |
| 81  | State-owned subsidiary water supply of the Istaravshan  |
| 82  | State-owned subsidiary water supply of the Panjakent  |
| 83  | State-owned subsidiary water supply of the Shahriston   |
| 84  | Subsidiary enterprise for water supply and sewerage of cities and districts of 1 Sughd region |
| 85  | State-owned subsidiary water supply of the Khorug   |
| 86  | State-owned subsidiary water supply of the Vanj   |
| 87  | State subsidiary of cities and districts of republican subordination                          |
| 88  | State-owned subsidiary water supply of the Nurobod  |
| 89  | Department of rural drinking water use of Khatlon region                                      |
| 90  | Enterprise of drinking water use of Kushoniyon  |
| 91  | Enterprise of drinking water use of Vakhsh  |
| 92  | Enterprise of drinking water use of J. Balkhi   |
| 93  | Enterprise of drinking water use of Jayhun  |
| 94  | Enterprise of drinking water use of Panj  |
| 95  | Enterprise of drinking water use of Dangara   |
| 96  | Enterprise of drinking water use of Sangtuda district   |
| 97  | Enterprise of drinking water use of Temurmalik district                                       |
| 98  | Enterprise of drinking water use of A. Jomi   |
| 99  | Enterprise of drinking water use of M.A.Hamadoni  |
| 100 | Enterprise of drinking water use of Vose  |
| 101 | Enterprise of drinking water use of Kulob   |
| 102 | Department of drinking water use of Sughd   |
| 103 | Enterprise of drinking water use of Istaravshan   |
| 104 | Enterprise of drinking water use of Asht  |
| 105 | Enterprise of drinking water use of Maschoh   |
| 106 | Enterprise of rural drinking water use of Isfara  |
| 107 | Enterprise of rural drinking water use Spitamen district                                      |
| 108 | Enterprise of rural drinking water use Devashtich district                                    |
| 109 | State subsidiary of the city of Panjakent   |
| 110 | Enterprise of drinking water use of Varzob  |
| 111 | State Unitary Enterprise for the use of drinking water in the Rudaki district                 |
| 112 | State Unitary Enterprise for the use of drinking water in the Tursunzoda                      |
| 113 | Subsidiary of the heating networks of the Khujand city  |

|     |   |
|-----|---|
| 114 | State subsidiary "Methodological Training Center for the reform of the SEC" |
| 115 | State subsidiary "Specialized management of mechanization"                  |
| 116 | State subsidiary "Service Center"   |
| 117 | Subsidiary for the construction of the basis and provision                  |
| 118 | State subsidiary "Search and warming of territories" - Rudaki district      |

State Unitary Enterprise "Khojagi Manziliyu Kommunalni" (the "Company") was established in 2001 as a result of the reorganization of the State Concern "Tajikkommunservice", in accordance with the Resolution of the Government of the Republic of Tajikistan No. 235 dated June 6, 2001.

The Company operates under the Government of the Republic of Tajikistan. Registered legal address of the Company: Republic of Tajikistan, Dushanbe, N. Karabaeva 56 .

The Company was established in order to pursue a unified policy of operation, development and coordination of the housing and communal services industry and the effective use of state property to profit from the provision of services to consumers.

The main activities of the Group are

- Development of legislation in the field of housing and communal services;
- Development and approval of the management structure for housing and communal services;
- Action represented as the main customer in the field of capital construction and reconstruction of housing and communal services;
- Creation of centralized funds and reserves for the development of housing and communal services;
- Development of a system for the development of water sewerage and heat supply;
- Development and approval of tariffs for the supply of water, heating, technical inventory, sanitation and maintenance of housing.

These consolidated financial statements were approved by the management of the Group on December 6, 2021.

## 2. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated 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").

These consolidated financial statements have been prepared using the historical cost method, except as described in the accounting policies and notes to these financial statements. The Group maintains its accounting records in Tajik somoni (somon).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **New standards, clarifications and amendments to existing standards and interpretations of IFRSs**

The Group 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 Group's financial statement for the year ended December 31, 2020:

- IFRIC 23 "Uncertainty over Income Tax Treatments" addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 "Income taxes".
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" clarifies that an entity applies IFRS 9 "Financial Instruments" to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendments to IFRS 9 "Financial Instruments" change the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

- Amendments to IAS 19 “Employee benefits” clarify the following: if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement; in addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
- The amendments to IFRS 3 “Business Combinations” clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- The amendments to IFRS 11 “Joint Arrangements” clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- The amendments to IAS 23 “Borrowing costs” clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

### **New and revised IFRSs in issue but not yet effective**

A number of new Standards and Interpretations has been issued and not yet adopted as at December 31, 2020 and had not been applied in preparation of these consolidated financial statements. Following Standards and Interpretations are relevant to operations of the Group. The Group intends to adopt these Standards and Interpretations from their effective dates. The Group has not analyzed potential effect of adoption of these standards on its consolidated financial statements.

At the date of authorization of this consolidation financial information, the following new standards and interpretations were in issue, but not mandatorily yet effective, and which the Group has not early adopted:

- The amendments to IFRS 3 “Business Combinations” clarify and distinguish between accounting methods to be used when the investor acquires a business or when the investor acquires just a group of assets.
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

### **Foreign currency translation**

The consolidated financial statements are presented in somoni, which is the functional currency of the Group and the presentation currency of the Group’s consolidated financial statements.

Transactions in foreign currencies are initially recorded by the Group in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Any exchange gains and losses arising on assets and liabilities denominated in foreign currencies on the date following the date of the underlying transaction are recognized in the statement of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### *Currency rates*

The weighted average exchange rates set by the National Bank of Tajikistan (NBT) are used as the official exchange rates in the Republic of Tajikistan.

As at 31 December 2020, the exchange rate of the National Bank of Tajikistan was TJS 11.3 per US dollar (31 December 2019: TJS 9.6872). This rate was used to translate monetary assets and liabilities denominated in US dollars as of December 31, 2020 and 2019.

### **Classification of assets and liabilities into short-term and long-term parts**

In the consolidated statement of financial position, the Group presents assets and liabilities based on their classification into current / short-term and non-current / long-term. An asset is short-term if:

- it is expected to be sold or held for sale or consumption in the normal operating cycle;
- it is held primarily for trading purposes;
- it is expected to be realized within twelve months after the end of the reporting period; or
- it represents cash or cash equivalents unless there are restrictions on its exchange or use to settle obligations for at least twelve months after the end of the reporting period.

All other assets are classified as non-current.

A liability is short-term if:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for trading purposes;
- it is due for repayment within twelve months after the end of the reporting period; or
- there is no unconditional right to defer the settlement of the obligation for at least twelve months after the end of the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities

### **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the sale of the asset or the transfer of the liability occurs:

- either in the principal market for the asset or liability; or
- in the absence of a major market, in the most favorable market for the asset or liability.

The Company must have access to the main or most favorable market.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their best interests. The measurement of the fair value of a non-financial asset considers the ability of a market participant to generate economic benefits either by using the asset in the best and most efficient way, or by selling it to another market participant who will use the asset in the best and most efficient way.

The Company uses valuation techniques that are reasonable in the circumstances and for which sufficient data is available to measure fair value, making the most of relevant observable inputs and minimizes the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy described below based on the lowest inputs that are material to the overall fair value measurement:

- Level 1 - Quoted market prices in an active market for identical assets or liabilities (without any adjustments);
- Level 2 - Valuation models in which the inputs at the lowest level in the hierarchy are materially observable in the market, material to the measurement of fair value;
- Level 3 - Valuation models in which inputs at the lowest level in the hierarchy are not observable in the market, material to the measurement of fair value.

## Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and / or accumulated impairment. Buildings are measured at fair value less accumulated depreciation of buildings and impairment losses recognized after the date of the revaluation. Valuations are performed on a regular basis to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revaluation surplus is recognized in other comprehensive income and is credited to the increase in the revaluation reserve for property, plant and equipment included in equity. However, except for the portion that reverses the revaluation loss on the same asset recognized because of a previous revaluation in profit or loss, the increase is recognized in profit or loss. A revaluation loss is recognized in the income statement, except for that part of it that directly reduces the revaluation surplus for the same asset previously recognized in the revaluation reserve for property, plant, and equipment.

Accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the resulting amount is restated based on the revalued amount of the asset. On disposal of an asset, the attributable amount included in the revaluation reserve for property, plant and equipment is transferred to retained earnings.

Other classes of property, plant and equipment are stated at cost less accumulated depreciation and / or accumulated impairment losses. Such cost includes the cost of replacing equipment if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets:

|                           | <b>Years</b> |
|---------------------------|--------------|
| Building                  | 40-80        |
| Constructions             | 25-50        |
| Vehicles and others       | 5-15         |
| Furniture and accessories | 10-15        |
| Office equipment          | 5-10         |
| Land improvement          | 5-10         |

Derecognition of an item of property, plant and equipment and any significant portion initially recognized occurs on disposal or when no future economic benefits are expected to flow from the use or disposal of the asset. Gains or losses arising from the derecognition of an asset (calculated as the difference between the net disposal proceeds and the asset's carrying amount) are included in the statement of comprehensive loss for the reporting year in which the asset was derecognised.

The residual value, useful life and depreciation methods of property, plant and equipment are reviewed in each financial year and, if necessary, adjusted in subsequent periods.

All assets under construction are classified as "assets under construction" and are measured at cost. Depreciation is not charged on construction in progress. After the completion of projects and their commissioning, they are transferred to fixed assets. Also, construction in progress includes unassembled or unassembled furniture that is classified as furniture after assembly or installation.

## Intangible assets

Intangible assets include software.

Intangible assets acquired separately are initially measured at cost. The actual cost of intangible assets acquired in business combinations is their fair value at the date of acquisition. After initial recognition, intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. Intangible assets have finite or indefinite useful lives. Intangible assets with finite useful lives are amortized over useful lives of 6 to 7 years and are reviewed for impairment if there is any indication that the intangible asset may be impaired.

The amortization periods and procedures for intangible assets with indefinite useful lives are reviewed at least annually at the end of each reporting year.

## **Lease**

### *Finance lease - Group as lessee*

The Group recognizes finance leases as assets and liabilities in the statement of financial position at the commencement date of the lease in an amount equal to the fair value of the leased property, or at the present value of the minimum lease payments if this amount is below fair value. When calculating the present value of the minimum lease payments, the internal rate of interest under the lease is used as the discount factor, if it is possible to determine such a rate. In other cases, the incremental rate on the Group's borrowed funds is used. Initial direct costs are recognized as an asset. The lease payments are apportioned between the finance cost and the settlement of the liability. Finance costs over the lease term are charged to the reporting periods in such a way as to ensure that the costs are reflected at a constant periodic interest rate on the balance of the liability for each reporting period. Costs directly attributable to the lessee's finance lease activities are recognized as leased assets.

### **Impairment of non-financial assets**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is considered impaired if, and only if, objective evidence of impairment exists because of one or more events after the initial recognition of the asset (occurrence of a "loss event") that had a reliably measurable effect on expected future cash flows for a financial asset or group of financial assets. Evidence of impairment may include indications that a debtor or a group of debtors is in significant financial difficulty, is unable to service its debts, or is failing to pay interest or principal, or is likely to undergo bankruptcy or other financial reorganization. In addition, such evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the financial instrument, for example, changes in the level of late payments or economic conditions that correlate with asset losses. A reversal of a previously recognized allowance for doubtful accounts is recognized when the decrease in the allowance is directly attributable to events after its recognition. Such recovery is recognized in the statement of comprehensive loss as income.

### *Financial assets carried at amortized cost*

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, regardless of its significance, it includes the asset in a group of financial assets with similar credit risk characteristics and then collectively reviews those assets for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized should not be collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate. If the loan has a floating interest rate, the discount rate for estimating any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced using an allowance account and the amount of the loss is recognized in the statement of comprehensive loss. The accrual of interest income at the reduced carrying amount continues based on the interest rate used to discount the future cash flows to estimate the impairment loss. Interest income is recognized as finance income in the statement of comprehensive loss. Loans together with the related provisions are written off from the statement of financial position if there is no realistic prospect of their future recovery and all available collateral has been sold or transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases due to an event occurring after the impairment loss was recognized, the previously recognized amount of the impairment loss is increased or decreased by adjusting the allowance account. If the future write-down of the financial instrument is subsequently reversed, the reversal is recognized as an offset to finance costs in the statement of comprehensive loss.



## **Financial assets**

### ***Initial recognition and measurement***

Financial assets under IAS 39 are classified as financial assets at fair value through profit or loss. The company classifies its financial assets on initial recognition.

Financial assets are initially recognized at fair value, increased in the case of investments not revalued at fair value through profit or loss, at directly attributable transaction costs.

All purchases or sales of financial assets that require delivery of assets within the time frame established by law or regulation in a particular market ("regular way" trading) are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables and investment securities available for sale.

### **Subsequent evaluation**

The subsequent measurement of financial assets depends on their classification as follows:

The category "financial assets at fair value through profit or loss" includes financial assets designated at initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if acquired for the purpose of selling in the near term. This category includes derivative financial instruments to which the Group is a party to a contract that are not designated as hedging instruments in hedging transactions under IAS 39. "Derivative financial instruments", including separated embedded derivatives, are also classified as held for trading if only they are not intended to be effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value, and changes in fair value are recognized as finance income and finance costs.

The Group does not have financial assets designated at initial recognition as revalued at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and carried at fair value unless the inherent economic characteristics and risks are closely related to the risks and characteristics of the host contracts and the host contracts are not traded and are not classified as revalued at fair value through profit or loss. Embedded derivatives of this type are measured at fair value and changes in fair value are recognized in the statement of comprehensive loss. A revision of the accounting procedure occurs only in the event of changes in the terms of the contract, leading to a significant change in cash flows that would otherwise be required.

Loans and receivables are non-derivative financial assets that are not traded in an active market with fixed or determinable payments. After initial measurement, such financial assets are carried at amortized cost using the effective interest method, less impairment losses. Amortized cost is calculated considering any discount or premium on acquisition, and commissions or costs that are an integral part of the effective interest rate. Amortization based on the effective interest rate is included in finance income in the statement of comprehensive loss. The expense arising from impairment is recognized as finance cost for the period.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity if the Group has the intent and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses. Amortized cost is calculated considering any discounts or premiums on acquisition and commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is recognized in the statement of comprehensive loss in finance income. Impairment losses are recognized in the statement of comprehensive loss as finance costs. The Group did not have any held-to-maturity investments in the years ended December 31, 2020 and 2019.

After initial measurement, financial investments available for sale are measured at fair value and unrealized gains or losses on them are recognized as other comprehensive income in the fund of instruments available for sale until the investment in which is derecognised. accumulated income or expenses are recognized in the statement of comprehensive loss as finance costs and are reclassified from the fund of instruments available for sale. The Group did not have any available-for-sale investments during the reporting periods ended December 31, 2020 and 2019.

## **Derecognition**

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the statement of financial position if:

- the rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay a third party the received cash flows in full and without significant delay under the "transit" agreement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has not transferred, but does not retain, virtually all the risks and rewards of the asset, but has transferred control over the asset.

If the Group transferred its rights to receive cash flows from an asset, or entered into a transit agreement, and at the same time did not transfer, but did not retain, practically all the risks and rewards of the asset, and did not transfer control over the asset, the asset is recognized in that the extent to which the Group continues to participate in the transferred asset. In this case, the Group also recognizes a corresponding liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement, which takes the form of a guarantee for the transferred asset, is recognized at the lower of the original carrying amount of the asset or the maximum amount that the Group can be required to pay.

## **Financial liabilities**

### ***Initial recognition and measurement***

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or derivatives designated as hedging instruments under effective hedging, respectively. The company classifies its financial liabilities on initial recognition.

All financial liabilities are initially recognized at fair value, increased in the case of loans and borrowings by directly attributable transaction costs.

The Groups financial liabilities include trade and other payables and borrowings.

### ***Subsequent evaluation***

The measurement of financial liabilities depends on their classification as follows:

#### ***Financial liabilities at fair value through profit or loss***

The category "financial liabilities at fair value through profit or loss" includes financial liabilities held for trading and financial liabilities designated at initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivatives to which the Company is a party to a contract that are not designated as hedging instruments in hedging transactions under IAS 39.

Financial liabilities at fair value through profit or loss (continued)

Gains and losses on trading liabilities are recognized in profit or loss.

Financial liabilities measured at initial recognition at fair value through profit or loss are measured in this way at the initial recognition date only if the criterion in IAS 39 is met. through profit or loss.

Loans

After initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method. Gains and losses on such financial liabilities are recognized in the statement of

comprehensive loss when they are derecognised and as depreciation is calculated using the effective interest rate.

Amortized cost is calculated considering any discounts or premiums on purchase and commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is included in finance costs in the statement of comprehensive loss.

This category mainly includes interest bearing loans and borrowings.

#### *Other financial liabilities*

After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses on such financial liabilities are recognized in the statement of comprehensive loss when they are derecognised and as depreciation is calculated using the effective interest rate.

Amortized cost is calculated considering any discounts or premiums on acquisition and commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is recognized in the statement of comprehensive loss in finance costs.

#### **Derecognition**

A financial liability is derecognized if the liability is extinguished, cancelled, or has expired. If an existing financial liability is replaced by another liability to the same creditor, on materially different terms, or if the terms of the existing liability are significantly changed, such replacement or changes are accounted for as derecognition of the original liability and the beginning of a new liability, and the difference in their carrying amount is recognized in the statement about the total loss.

#### **Offsetting financial instruments**

Financial assets and liabilities are offset against the net balance in the statement of financial position only:

- if there is a legally enforceable right to offset;
- and the intention is either to settle on a net basis or to realize the asset concurrently with settlement of the liability.

#### **Fair value of financial instruments**

The fair value of financial instruments traded in active markets at each reporting date is determined based on quoted market prices or dealer prices (bid prices for long positions and ask prices for short positions) without any deduction for transaction costs.

For financial instruments that are not traded in an active market, fair values are determined using appropriate valuation techniques. Such techniques may include:

- use of prices from recent commercial transactions;
- use of the current fair value of similar instruments;
- analysis of discounted cash flows or other valuation models.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction, or production of an asset, which necessarily takes an extended period to prepare it for use as the Company intends or for sale, are capitalized as part of the cost of that asset. All other borrowing costs are expensed in the reporting period in which they are incurred. Borrowing costs include interest payments and other costs incurred by the entity in connection with borrowed funds.

#### **Inventories**

Inventories are measured at the lower of cost of acquisition and net realizable value. The cost of inventory, which includes all purchase and other costs incurred to bring the inventory to its current location and condition, is based on a weighted average cost. Net realizable value is determined as the estimated selling price in the ordinary course of business, less estimated costs to complete and estimated selling costs.

Inventory write-downs are recorded on a weighted average basis.

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position include cash at the bank and cash on hand.

**Provisions**

Provisions are recognized when the Company, as a result of a specific past event, has a legal or constructive obligation, the settlement of which is likely to require an outflow of resources embodying future economic benefits and which can be reliably estimated. If the Company expects to receive reimbursement of some or all of the reserves, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the receipt of the reimbursement is beyond doubt. If the effect of the time value of money is material, provisions are discounted at the current pre-tax rate that reflects, where applicable, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**Authorized capital**

Ordinary shares are classified as equity. Third party service costs directly attributable to the issue of new shares, other than in a business combination, are recognized in equity as a deduction from the issue. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional equity.

**Additional paid in capital**

Additional paid-in capital represents losses incurred by the Group because of the actions of the government of the Republic of Tajikistan.

**Recognition of income and expenses**

Revenue is recognized to the extent that it is highly probable that an inflow of economic benefits will flow to the Company and that the amount of revenue can be reliably estimated. Revenue is recorded net of indirect taxes. To recognize revenue in the financial statements, the following criteria must also be met:

*Provision of services*

Revenue from the provision of services is recognized based on the actual volumes of services provided during the reporting period.

*Interest income*

Interest income is recognized when interest is accrued using the effective interest rate, which is the rate that discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset.

*Interest expenses*

Interest expense is recognized when interest is accrued using the effective interest rate, which is the rate that discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset.

*Expenses*

Expenses are recognized when the goods or services are received, regardless of when cash or cash equivalents were paid, and are shown in the financial statements in the period to which they relate.

## **Government subsidies**

Government grants are recognized when there is reasonable assurance that they will be received, and all associated conditions will be met. If a grant is issued for the purpose of financing certain expenses, it should be recognized as income on a systematic basis in the same periods in which the related costs that it is supposed to compensate are charged to expenses.

## **Current income tax**

Assets and liabilities for current income tax for the current and prior period are calculated based on the amount of expected reimbursement from the tax authority or payment to the tax authority. The tax rates and tax laws applied to calculate this amount are the rates and laws enacted or enacted at the reporting date in the countries in which the Group operates and receives taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

## **Deferred taxes**

Deferred income tax is calculated using the liability method by determining temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except when:

- The deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that did not arise from a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
- For taxable temporary differences arising from investments in subsidiaries, associates, and interests in joint ventures, if the timing of the reversal of the temporary differences can be controlled and it is highly probable that the temporary difference will not decrease in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that taxable profit will exist against which the deductible temporary differences, unused tax credits and unused tax losses, unless:

- Deferred tax assets related to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
- For deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is highly probable that the temporary differences will be utilized in the foreseeable future and there will be taxable profit against which the temporary differences can be exploited.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is estimated that it is unlikely that sufficient taxable profit will be achieved in the future to enable all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reviewed at each reporting date and are recognized to the extent that it is probable that future taxable profit will allow the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the reporting year when the asset is realized and the liability is extinguished, based on the tax rates (and tax laws) that were enacted at the reporting date. or put into effect.

Deferred tax related to items recognized outside profit or loss is also not recognized in profit or loss. Deferred tax items are recognized in accordance with the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset against each other if there is a legally enforceable right to set off current tax assets and liabilities and the deferred taxes relate to the same taxable company and taxation authority.

## **Contingent assets and liabilities**

Contingent assets are not recognized in the consolidated financial statements. When it is virtually possible to realize the income, then the related asset is not a contingent asset and is appropriate to recognize.

Contingent liabilities are not recognized in the financial statements. Contingent liabilities are disclosed in the consolidated financial statements, unless the possibility of an outflow of resources representing economic benefits is remote.

### **Events after the reporting date**

The result of events occurring after the end of the year, which provide additional information about the position of the Group at the reporting date (adjusting events), is reflected in the consolidated financial statements. Events occurring after the end of the reporting year that are not adjusting events are disclosed in the notes to the consolidated financial statements if they are material.

### **Significant accounting judgments and estimates**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that may affect the reported amounts of income, expenses, assets, and liabilities, as well as disclosure of contingent liabilities at the reporting date. However, uncertainty in assumptions and estimates may necessitate material adjustments to the carrying amount of assets or liabilities in the future.

In applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

#### *Impairment of non-financial assets*

An impairment occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. The calculation of fair value less costs to sell is based on information available from legally binding commercial sales of similar assets or on observable market prices less incremental costs incurred to dispose of the asset. The value in use calculation is based on a discounted cash flow model. Cash flows are recovered from the budget for the next five years and do not include restructuring activities for which the Group is not yet committed or significant future investments that will improve the performance of the assets of the impaired cash generating unit. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model and to the expected cash inflows and growth rates used for extrapolation purposes.

#### *Useful life of property, plant, and equipment*

The Group estimates the remaining useful lives of property, plant and equipment on an annual basis. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8 "Accounting policies, changes in accounting policies and errors".

#### *Deferred tax*

Deferred tax assets are recognized for allowances for doubtful accounts and obsolete inventories, accrued vacation liabilities and other liabilities to the extent that it is probable that the taxable temporary differences and the business nature of such expenses will be justified, and the successful application of a tax planning strategy.

#### *Reserves*

Provisions are recognized when the Group has a current legal or constructive obligation arising from past events, it is highly probable that an outflow of economic benefits will be required to settle the obligation, and the amount of such obligation can be measured reliably.

#### *Doubtful debt reserve*

The company creates reserves for doubtful accounts receivable and advances paid. A significant estimate is used to calculate the doubtful debt. When assessing doubtful debts, the historical and expected performance of the buyer or customer is considered. Changes in general economic conditions, industry conditions, or the performance of a particular buyer and customer may require adjustments to the allowance for doubtful accounts receivable in the financial statements.

#### 4. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2020 and 2019 property, plant and equipment of the Group are presented as follows:

|                                 | Buildings and constructions | Machinery and equipment | Furniture and office equipmen | Vehicles | Construction in progress and equipment for installation | Total   |
|---------------------------------|-----------------------------|-------------------------|-------------------------------|----------|---|---------|
| <b>Cost</b>                     |                             |                         |                               |          |   |         |
| at December 31, 2018            | 27,074                      | 4,720                   | 453                           | 6,081    | 8,808   | 47,136  |
| Additions                       | 894                         | 349                     | -                             | -        | -   | 1,243   |
| Disposals                       | -                           | -                       | (28)                          | -        | (8,808)   | (8,836) |
| at December 31, 2019            | 27,968                      | 5,069                   | 425                           | 6,081    | -   | 39,543  |
| Additions                       | 4,977                       | 289                     | 2                             | 683      | 1,388   | 7,339   |
| at December 31, 2020            | 32,945                      | 5,358                   | 427                           | 6,764    | 1,388   | 46,882  |
| <b>Accumulated depreciation</b> |                             |                         |                               |          |   |         |
| at December 31, 2018            | 8,591                       | 1,130                   | 109                           | 1,456    | -   | 11,286  |
| Charge for the year             | 586                         | 77                      | 7                             | 99       | -   | 769     |
| at December 31, 2019            | 9,177                       | 1,207                   | 116                           | 1,555    | -   | 12,055  |
| Charge for the year             | 364                         | 48                      | 5                             | 62       | -   | 479     |
| at December 31, 2020            | 9,541                       | 1,255                   | 121                           | 1,617    | -   | 12,534  |
| <b>Net book value</b>           |                             |                         |                               |          |   |         |
| at December 31, 2019            | 18,791                      | 3,862                   | 309                           | 4,526    | -   | 27,488  |
| at December 31, 2020            | 23,404                      | 4,103                   | 306                           | 5,147    | 1,388   | 34,348  |

As at reporting dates the Group did not have property, plant and equipment pledged as collateral for liabilities of the Group.

## 5. LOANS ISSUED

As at December 31, 2020 and 2019 loans issued of the Group are presented as follows:

|         | December 31,<br>2020 | December 31,<br>2019 |
|---------|----------------------|----------------------|
| North   | 47,389               | 53,866               |
| North-2 | 46,741               | 17,999               |
| Central | 36,817               | 51,385               |
| South-2 | 34,209               | 11,926               |
| South   | 4,875                | 7,487                |
|         | <u>170,031</u>       | <u>142,663</u>       |

The State Unitary Enterprise "Khojagii Manziliyu Kommunalii" (the "Company") according to the agreements, signed between the Company and European Bank for Reconstruction and Development (Note 11), provides loans to its subsidiaries.

## 6. INVENTORY

As at December 31, 2020 and 2019 inventories of the Group are presented as follows:

|                           | December 31,<br>2020 | December 31,<br>2019 |
|---------------------------|----------------------|----------------------|
| Materials and spare parts | 185                  | 186                  |
| Low valuable items        | 144                  | 150                  |
| Fuel and lubricants       | 84                   | 6                    |
| Other                     | 89                   | 205                  |
|                           | <u>502</u>           | <u>547</u>           |

## 7. ADVANCES PAID

As at December 31, 2020 and 2019 advances paid of the Group are presented as follows:

|                                      | December 31,<br>2020 | December 31,<br>2019 |
|--------------------------------------|----------------------|----------------------|
| Advances paid for goods and services | 1,009                | 1,000                |
| Advances paid to employees           | 174                  | 49                   |
| Taxes paid in advance                | 192                  | 16                   |
| Other                                | 19                   | 4                    |
|                                      | <u>1,394</u>         | <u>1,069</u>         |

## 8. TRADE ACCOUNTS RECEIVABLE

As at December 31, 2020 and 2019 trade accounts receivable of the Group are presented as follows:

|  | December 31,<br>2020 | December 31,<br>2019 |
|--|----------------------|----------------------|
| SSE "Specialized mechanization management"   | 15,827               | 13,948               |
| Water utility of cities and districts        | 7,029                | 277                  |
| Communal services of cities and districts    | 1,607                | 909                  |
| Khujand heating system                       | 634                  | 634                  |
| Other  | 3,564                | 2,289                |
|  | <u>3,564</u>         | <u>2,289</u>         |
| Expected credit loss for accounts receivable | <u>(16,530)</u>      | <u>(14,582)</u>      |
|  | <u>12,131</u>        | <u>3,475</u>         |

Movement in Expected credit loss for accounts receivable for the year ended December 31, 2020 and 2019 was as follows:



|                | <b>2020</b>          | <b>2019</b>          |
|----------------|----------------------|----------------------|
| At January 1   | 14,582               | 13,487               |
| Accrual        | <u>1,947</u>         | <u>1,095</u>         |
| At December 31 | <u><u>16,530</u></u> | <u><u>14,582</u></u> |

## 9. CASH AND CASH EQUIVALENTS

As at December 31, 2020 and 2019 cash and cash equivalents of the Group are presented as follows:

|                      | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|----------------------|------------------------------|------------------------------|
| Cash on hand         | 905                          | 1,128                        |
| Cash in bank account | <u>14</u>                    | <u>107</u>                   |
|                      | <u><u>919</u></u>            | <u><u>1,235</u></u>          |

## 10. SHARE CAPITAL

As of December 31, 2020 and 2019, the authorized capital of the Company in the amount of 375 thousand somoni was declared, issued and fully paid.

As of December 31, 2020 additional paid-in capital in the amount of 774 thousand somoni represents the Company's expenses incurred for the construction of water supply systems in a number of regions of the Republic of Tajikistan, which will subsequently be transferred to the ownership of related parties of the Company, under the control of the owner.

## 11. BORROWINGS

The State Unitary Enterprise "Khojagii Manziliyu Kommunalii" has approved a loan from the European Bank for Reconstruction and Development for water rehabilitation by signing the following agreements:

- Agreement dated May 8, 2009 for the South cities and regions (Dangara, Qurghonteppa and Kulob) at the amount 2,000 thousand US dollars, until November 20, 2024.
- Agreement dated November 2011 for the Central cities and regions (Gissar, Shahrinav, Somoniyon and Tursunzoda) at the amount 7,000 thousand US dollars, until September 30, 2026.
- Agreements dated December 14, 2012 for the North (Shahriston, Zafarobod, Panjakent and Istaravshan) and South (Yovon and Isaev) cities and regions, at the amount 7,000 thousand US dollars and 5,000 thousand US dollars respectively, until November 2028.

As of December 31, 2020 and 2019 the outstanding balance of the borrowing are 153,149 thousand somoni and 137,136 thousand somoni, respectively.

## 12. Grants

As at December 31, 2020 and 2019 grants of the Group presented as follows:

|  | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|--|------------------------------|------------------------------|
| Grant from government (Shurob)   | 2,996                        | 3,030                        |
| Grant for purchasing of fixed assets                                     | 2,808                        | 2,841                        |
| Grant for water supply system (Kulob)                                    | 2,621                        | 2,652                        |
| Grant for Building Resilience to Climate Change in the Pyanj River Basin | <u>936</u>                   | <u>947</u>                   |
|  | <u><u>9,361</u></u>          | <u><u>9,470</u></u>          |

### 13. TRADE ACCOUNTS PAYABLE

As of December 31, 2020 and 2019, the trade accounts payables of the Group are presented as follows:

|   | December 31,<br>2020 | December 31,<br>2019 |
|---|----------------------|----------------------|
| Accounts payable for goods and services | 1,778                | 1,602                |
|   | <u>1,778</u>         | <u>1,602</u>         |

### 14. ADVANCES RECEIVED

As of December 31, 2020 and 2019 advances received of the Group are presented as follows:

|                                       | December 31,<br>2020 | December 31,<br>2019 |
|---------------------------------------|----------------------|----------------------|
| Water utility of cities and districts | 2,857                | 2,720                |
| Hotel "Orom"                          | 414                  | 414                  |
| Other                                 | 77                   | 53                   |
|                                       | <u>3,348</u>         | <u>3,187</u>         |

### 15. TAXES PAYABLE

As of December 31, 2020 and 2019 taxes payable of the Group are presented as follows:

|   | December 31,<br>2020 | December 31,<br>2019 |
|---|----------------------|----------------------|
| Road tax payable                                  | 1,287                | 1,259                |
| Excise tax  | 125                  | 125                  |
| Withholding tax from non-residents income payable | 121                  | 43                   |
| VAT payable                                       | 81                   | 82                   |
| Other taxes                                       | 19                   | 18                   |
|   | <u>1,633</u>         | <u>1,527</u>         |

### 16. OTHER LIABILITIES

As at December 31, 2020 and 2019 other payables and accrued expenses of the Group are presented as follows:

|                               | December 31,<br>2020 | December 31,<br>2019 |
|-------------------------------|----------------------|----------------------|
| Social fund                   | 145                  | 121                  |
| Premium and bonuses provision | 143                  | 143                  |
| Salary payable                | 97                   | 74                   |
| Unused vacation provision     | 82                   | 82                   |
| Other                         | 91                   | 62                   |
|                               | <u>558</u>           | <u>482</u>           |

### 17. REVENUE

Revenue of the Group represents contributions from subsidiaries equal to 8% of their gross income. Also, it represents the revenue of subsidiaries from their operating activities.

## 18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, 2020 and 2019 are presented as follows:

|  | For the year<br>ended<br>December 31,<br>2020 | For the year<br>ended<br>December 31,<br>2019 |
|--|---|---|
| Allowance on bad debts and advances paid | 1,947   | 1,095   |
| Salary and related taxes                 | 1,791   | 2,373   |
| Depreciation                             | 701   | 716   |
| Professional services                    | 118   | -   |
| Business trip                            | 60  | 52  |
| Utility                                  | 34  | 36  |
| Bank fees                                | 15  | 8   |
| Communication                            | -   | 39  |
| Electricity                              | -   | 32  |
| Social fund                              | -   | 32  |
| Other                                    | 1,169   | 1,994   |
|  | <u>5,835</u>                                  | <u>6,377</u>                                  |

## 19. OTHER NON-OPERATING GAIN / (LOSS), NET

Net other non-operating gain / (loss) for the years ended December 31, 2020 and 2019 is presented as follows:

|                                    | For the year<br>ended<br>December 31,<br>2020 | For the year<br>ended<br>December 31,<br>2019 |
|------------------------------------|---|---|
| Grant income                       | 58  | 145   |
| Income from tenders                | 29  | 71  |
| Other income                       | 140   | 6   |
|                                    | <u>227</u>                                    | <u>222</u>                                    |
| Grant expense                      | (40)  | (189)   |
| Loss from disposal of fixed assets | -   | (8,038)                                       |
| Other non-operating expenses       | (50)  | (34)  |
|                                    | <u>(90)</u>                                   | <u>(8,261)</u>                                |
|                                    | <u>137</u>                                    | <u>(8,039)</u>                                |

## 20. RELATED PARTY TRANSACTIONS

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

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

The Government of the Republic of Tajikistan does not provide the general public or companies under its control / ownership with a complete list of parties that are owned or controlled directly or indirectly by the state. In connection with these circumstances, the Company's management disclosed only the information that is available to it.

|  | <b>Organizations under common control</b> |             |
|--|---|-------------|
|  | <b>2020</b>                               | <b>2019</b> |
| Sales to related parties                       | 8,519                                     | 7,276       |
| Other contribution income from related parties | 647                                       | 231         |
| Amounts owed by related parties                | 1,346                                     | 1,213       |
| Finance income                                 | 2   | 826         |

#### *Key management personnel compensation*

The key management personnel of the Company consist of 2 members of management as of December 31, 2020 (as of December 31, 2019: 2 people). The total remuneration paid to key management personnel included in the statement of comprehensive loss is 186 thousand somoni for the year ended December 31 2020 (2019: 169 thousand somoni). Key management personnel compensation includes primarily salaries and other payments related to the internal position of the Company.

## **21. RISK MANAGEMENT**

*Capital risk management* - The Group manages its capital to ensure that the Group will be able to continue as a going concern. The management of the Group reviews the capital structure on a regular basis. Management plans growth of the Group's revenue and profit in future as a result of further increases of income. The management also believes that the founder of the Group will continue providing financial and technical support to the Group as and when the need arises, in order to continue the Group's operations in foreseeable future.

*Major categories of financial instruments* - The Group's principle financial liabilities comprise long and short-term borrowings, trade accounts payable and other liabilities. The Group has financial asset such as cash and cash equivalents.

|                                    | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|------------------------------------|------------------------------|------------------------------|
| <b>Financial assets</b>            |                              |                              |
| Cash and cash equivalents          | 919                          | 1,235                        |
| Trade accounts receivable          | 12,131                       | 3,475                        |
| Investments                        | 44                           | 44                           |
| Loans issued                       | 170,031                      | 142,663                      |
| <b>Total financial assets</b>      | <u>183,125</u>               | <u>147,417</u>               |
| <b>Financial liabilities</b>       |                              |                              |
| Borrowings                         | 153,149                      | 137,136                      |
| Trade accounts payable             | 1,778                        | 1,602                        |
| Other liabilities                  | 558                          | 482                          |
| <b>Total financial liabilities</b> | <u>155,485</u>               | <u>139,220</u>               |

Management of risk is fundamental in Group's business. The main risks inherent to the Group's operations are those related to:

- Credit risk
- Operational risk;
- Liquidity risk;
- Market risk.

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its planned objectives. These principles are used by the Group to manage the following risks:

**Credit risk**

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

**Geographical concentration**

Financial department exercises control over the risk associated with changes in the norms of the legislation and assesses its impact on the Group. Management assesses country risk of correspondent banks. This approach allows the Group to minimize potential losses from the investment climate in the Republic of Tajikistan and in counterparties' countries.

**Liquidity risk**

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

**22. SUBSEQUENT EVENTS**

As at the date of issue of the Group consolidated financial statements no significant events or transactions occurred which should be disclosed in the project consolidated financial statements.

**23. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by management of the Group and authorized for issue on December 6, 2021.