

**Bishkekteploset OJSC**

**Financial statements**

*For the year ended 31 December 2021*

## Bishkekteploset OJSC

The financial statements and auditor's report have been prepared in Russian and translated into English. In case of discrepancies, the Russian version shall prevail.

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<b>Country of incorporation:</b>	2/1 Zhukeyeva-Pudovkina St, Bishkek, Kyrgyz Republic
<b>Legal form:</b>	Open Joint Stock Company
<b>Principal activities:</b>	Supply of hot water and heat to the households and organizations of Bishkek
<b>General Director:</b>	Raimbekov U.K.



## INDEPENDENT AUDITOR'S REPORT

To the Management of Bishkekteploset OJSC

### **Qualified opinion**

We have audited the accompanying financial statements of Bishkekteploset OJSC (the "Company") which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including summary of significant accounting policy.

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

### **Basis for Qualified Opinion**

As presented in Note 6, the carrying value of infrastructure assets at actual cost is 2,153 million som as at 31 December 2021 (31 December 2020: 2,057 million som). The Company did not conduct a full assessment of the infrastructure assets at the date of transition to IFRS (1 January 2004) or at subsequent years, which does not comply with the accounting policy of the Company. Additionally, the Company did not estimate the recoverable value of these assets as at 31 December 2021, despite the existence of indications of the possible impairment of property and equipment, that does not comply with the requirements of IAS 36 Impairment of Assets.

In this respect, we qualified our opinion on the financial statements of Bishkekteploset OJSC as at and for the year ended 31 December 2020.

Given the specialized nature of these assets, we could not estimate their recoverable amount, and therefore, we were unable to determine the impact of these inconsistencies on the carrying amount of property and equipment and deferred tax liabilities as at 31 December 2021, as well as depreciation and deferred tax expenses for the year then ended.

As at 31 Dec 2021, the Company recognized Expected Credit loss (ECL) of 56 million som related to trade receivables in the total amount of 434 million, applying the simplified matrix method based on aging of receivables as described at IFRS 9, Financial Instruments.

However, due to peculiarities of the information system generating the aging data as well as subjectivity of the ECL risk assessment per aging group, we were unable to determine the adequacy of the ECL amount recognized as at reporting date, as well as other income recognized as a result of ECL change for the reporting year in the amount of 13 million som (Note 21).

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### ***Emphasis of Matter - Prior period adjustments***

We draw your attention to Note 31 of the financial statements, which describes that the Company adjusted deferred income from provision of technical connection services to comply with the requirements of the IFRS 15, Revenue from contracts with customers. As part of our audit of the 2021 financial statements we also audited the adjustments described in Note 31 regarding to previous periods. The correction refers to matter that resulted to qualified opinion in previous year auditor's report. In our opinion, such adjustments are appropriate and have been properly applied. This does not resulted to modification of our report.

### ***Emphasis of Matter - Events after the reporting date***

We draw your attention to Note 30.1 of the financial statements, which describes that based on the resolution dated 8 February 2022 of the Government of the Kyrgyz Republic the Company will be restructured through the merger with "Electrical Stations" OJSC. The Company will continue its ordinary business activity, it will operate its current territory, it will enroll its current staff and resources, which will be merged into "Electrical Stations" OJSC. This does not resulted to modification of our report.

### ***Key Audit Matters***

Key audit matters are issues that, in our professional judgment, were the most significant for our audit of the financial statements for the current period. These issues were considered in the context of our audit of the financial statements as a whole and in the formation of our opinion on these statements, and we do not express a separate opinion on these issues.

Except for the matters described in the Basis for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

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

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

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

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

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



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

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

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

From the matters brought to the attention of those charged with governance, we identify the issues that were most significant for the audit of financial statements for the current period and, therefore, are key audit matters. We describe these issues in our audit opinion, except in cases where the public disclosure of information on these issues is prohibited by law or regulation or when, in extremely rare cases, we conclude that information on any issue should not be disclosed in our conclusion, since it can reasonably be assumed that the negative consequences of the disclosure of such information will exceed the socially significant benefits of its disclosure.

  
 Gnel Khachatryan, PhD, FCCA  
 Engagement Partner  
 BDO Armenia CJSC  
 18 March 2022



**Bishkekteploset OJSC**  
**Statement of financial position**  
**As at 31 December 2021**

<i>in thousands of Kyrgyz Som</i>	Note	31 December 2021	31 December 2020*	1 January 2020*
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	6	2,731,226	2,658,816	2,577,182
Intangible assets		2,416	1,059	1,615
Other non-current assets		119,660	2,451	4,661
<b>Total non-current assets</b>		<b>2,853,302</b>	<b>2,662,326</b>	<b>2,583,458</b>
<b>Current assets</b>				
Inventories	7	113,494	111,121	131,840
Trade and other receivables	8	393,240	497,310	374,789
Cash and cash equivalents	9	193,663	141,496	61,660
Debt securities		-	15,000	15,000
<b>Total current assets</b>		<b>700,397</b>	<b>764,927</b>	<b>583,289</b>
<b>Total assets</b>		<b>3,553,699</b>	<b>3,427,253</b>	<b>3,166,747</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	10	366,842	366,842	366,842
Treasury shares		(4,379)	(1,701)	(1,701)
Revaluation of assets		24,330	30,002	35,691
Reserve capital		36,684	36,684	36,684
Retained earnings		581,140	566,253	658,595
<b>Total equity</b>		<b>1,004,617</b>	<b>998,080</b>	<b>1,096,111</b>
<b>Non-current liabilities</b>				
Borrowings, net of short-term part	11	497,599	503,041	475,748
Deferred income	12	1,423,419	1,163,343	1,022,425
Deferred tax liability	24	85,943	79,460	78,847
<b>Total non-current liabilities</b>		<b>2,006,961</b>	<b>1,745,844</b>	<b>1,577,020</b>
<b>Current liabilities</b>				
Borrowings, short-term part	11	89,092	86,875	41,077
Trade and other payables	13	280,853	389,512	311,052
Advances from customers	14	62,451	64,517	44,135
Taxes payable	15	4,350	18,409	8,390
Other current liabilities	16	105,375	124,016	88,962
<b>Total current liabilities</b>		<b>542,121</b>	<b>683,329</b>	<b>493,616</b>
<b>Total liabilities</b>		<b>2,549,082</b>	<b>2,429,173</b>	<b>2,070,636</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,553,699</b>	<b>3,427,253</b>	<b>3,166,747</b>

(\*) Adjustment of prior periods are presented at Note 31.

The above statement of financial position should be read in conjunction with the accompanying notes 13-39.

General Director

Chief Accountant



Raimbekov U.K.

Ryskulova Z. S.



**Bishkekteploset OJSC**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2021**

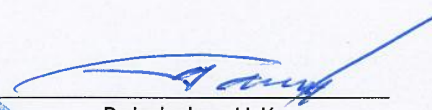
<i>in thousands of Kyrgyz Som</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers	17	2,220,503	2,169,680
Cost of sales	18	(2,056,045)	(1,986,072)
<b>Gross profit</b>		<b>164,458</b>	<b>183,608</b>
General and administrative expenses	19	(113,135)	(107,222)
Distribution costs	20	(93,003)	(102,354)
Other income	21	64,555	29,888
Other expenses		(2,417)	(1,994)
<b>Operating profit/(loss)</b>		<b>20,457</b>	<b>1,926</b>
Finance income		12,412	9,525
Finance costs		(48,594)	(44,431)
Gain/(loss) from exchange differences - net		(14,824)	(98,182)
Other non-operating income	22	80,366	65,677
Other non-operating expenses	23	(34,120)	(30,698)
<b>Profit before income tax</b>		<b>15,698</b>	<b>(96,183)</b>
Income tax expense	24	(6,483)	(613)
<b>Profit for the year</b>		<b>9,215</b>	<b>(96,796)</b>
<b>Earnings per share</b>			
<i>From continuing and discontinued operations</i>			
Basic and diluted (in som per share)	25	0.0095	(0.1003)
<i>From continuing operations</i>			
Basic and diluted (in som per share)	25	0.0095	(0.1003)
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>9,215</b>	<b>(96,796)</b>

(\*) Adjustment of prior periods are presented at Note 31.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes 13-39.

General Director



  
Raimbekov U.K.

Chief Accountant

  
Ryskulova Z. S.



**Bishkekteploset OJSC**  
**Statement of cash flows**  
**For the year ended 31 December 2021**

*in thousands of Kyrgyz Som*

	2021	2020
<b>Cash flows from operating activities</b>		
Cash generated from sales	2,492,865	2,133,818
Cash receipt from technical connection services	119,567	65,442
Other cash receipts	5,004	9,287
Payments to suppliers	(1,772,576)	(1,423,720)
Payments to employees	(395,108)	(358,041)
Payments to the budget	(224,715)	(181,365)
Other payments	(3,804)	(8,542)
<b>Cash generated from operations</b>	<b>221,233</b>	<b>236,879</b>
Income tax paid	(10,386)	(9,981)
<b>Net cash flows from operating activities</b>	<b>210,847</b>	<b>226,898</b>
<b>Cash flows from investing activities</b>		
Payments for acquisition of PPE	(68,954)	(107,408)
Proceeds from disposal of PPE	437	-
Interest received	12,407	9,525
Lending	58	-
<b>Net cash used in investing activities</b>	<b>(56,052)</b>	<b>(97,883)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans, grants and borrowings	12,070	22,966
Repayment of loans and borrowings	(89,038)	(47,470)
Dividends paid to shareholders	(33)	(1,269)
Interest paid on loans and borrowings	(23,180)	(23,775)
Purchase of treasury shares	(2,678)	-
<b>Net cash from financing activities</b>	<b>(102,859)</b>	<b>(49,548)</b>
Exchange (losses)/gains on cash and cash equivalents	231	369
<b>Net increase in cash and cash equivalents</b>	<b>52,167</b>	<b>79,836</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>141,496</b>	<b>61,660</b>
<b>Cash and cash equivalents at end of year</b>	<b>193,663</b>	<b>141,496</b>

*The above statement of cash flows should be read in conjunction with the accompanying notes 13-39.*

General Director

Chief Accountant



  
Raimbekov U.K.

  
Ryskulova Z. S.

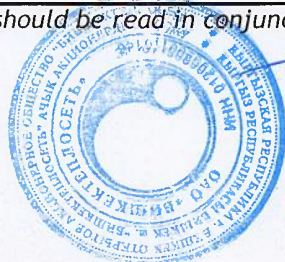
Bishkekteploset OJSC  
Statement of changes in equity  
For the year ended 31 December 2021

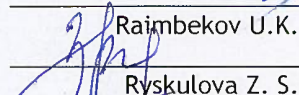
<i>in thousands of Kyrgyz Som</i>	Share capital	Treasury shares	Asset revaluation reserve	Reserve capital	Retained earnings	Total
<b>31 December 2019</b>	<b>366,842</b>	<b>(1,701)</b>	<b>35,691</b>	<b>36,684</b>	<b>730,484</b>	<b>1,168,000</b>
Adjustments of previous periods (Note 31)	-	-	-	-	(71,889)	(71,889)
<b>1 January 2020</b>	<b>366,842</b>	<b>(1,701)</b>	<b>35,691</b>	<b>36,684</b>	<b>658,595</b>	<b>1,096,111</b>
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	(96,796)	(96,796)
OCI for the year, net of tax	-	-	(5,689)	-	5,689	-
<b>Total comprehensive income</b>	-	-	<b>(5,689)</b>	-	<b>(91,107)</b>	<b>(96,796)</b>
<b>Contributions by and distributions to shareholders</b>						
Dividends	-	-	-	-	(1,235)	(1,235)
Purchase of treasury shares	-	-	-	-	-	-
<b>Total contributions by and distributions to shareholders</b>	-	-	-	-	<b>(1,235)</b>	<b>(1,235)</b>
<b>31 December 2020</b>	<b>366,842</b>	<b>(1,701)</b>	<b>30,002</b>	<b>36,684</b>	<b>566,253</b>	<b>998,080</b>
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	9,215	9,215
OCI for the year, net of tax	-	-	(5,672)	-	5,672	-
<b>Total comprehensive income</b>	-	-	<b>(5,672)</b>	-	<b>14,887</b>	<b>9,215</b>
<b>Contributions by and distributions to shareholders</b>						
Dividends	-	-	-	-	-	-
Purchase of treasury shares	-	(2,678)	-	-	-	(2,678)
<b>Total contributions by and distributions to shareholders</b>	-	<b>(2,678)</b>	-	-	-	<b>(2,678)</b>
<b>31 December 2021</b>	<b>366,842</b>	<b>(4,379)</b>	<b>24,330</b>	<b>36,684</b>	<b>581,140</b>	<b>1,004,617</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes 13-39.

General Director

Chief Accountant



  
Raimbekov U.K.  
Ryskulova Z. S.



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## **1. ABOUT THE COMPANY**

“Bishkekteploset” open joint stock company (“Company”) was established 12 June 2001 following the reorganization of “Kyrgyzenergo” JSC. During 2001, the separation of “Kyrgyzenergo” JSC was carried out in accordance with the long-term state program “Reorganization and privatization of the joint stock company “Kyrgyzenergo”, approved by the Government Decision No. 333 dated 5 July 1998. As a result of the reorganization, “Kyrgyzenergo” JSC was divided into seven new companies. All assets and liabilities, as well as the operating activities of “Kyrgyzenergo” JSC were transferred to these companies. Shareholders of “Kyrgyzenergo” JSC received an equivalent share of ownership in the new companies.

The Company operates at the following address: 2/1 Zhukeyeva-Pudovkina St, Bishkek, 720031, Kyrgyz Republic.

The Company was re-registered by the Ministry of Justice of the Kyrgyz Republic on 12 April 2007 (registration certificate No. 15573-3300-AO). The Company is a legal entity under the legislation of the Kyrgyz Republic.

As at 31 December 2021, the shareholders of the Company were: the Government of the Kyrgyz Republic represented by “National Energy Holding Company” OJSC - 80.49%, the Social Fund of - 13.16%, other organizations - 1.93%, individuals - 3.55%. The Company has purchased back its 0.87% shares in the prior periods.

The Company is in the business of distribution of hot water and heat to business customers and households.

The Company has obtained all the necessary licensing for its operation (issued by the State Agency on Energy under the Government of the Kyrgyz Republic):

- No. 000129, serial number 11 GAE, registration number No. 6 dated July 21, 2003;
- No. 000129, serial number 11-GAE, registration number No. 7 dated July 21, 2003;
- No. 000128, serial number 11-GAE, registration number No. 5 dated July 21, 2003.

The profit received as a result of economic activity is distributed by the Shareholders of the Company in accordance with the procedure established. The right to dispose of net profit belongs exclusively to the shareholders of the Company.

## **2. ECONOMIC ENVIRONMENT**

The economy of the Kyrgyz Republic shows some characteristic features inherent in emerging markets. The Republic still carries on economic reforms and development of legal, tax and administrative infrastructure that would meet the requirements of the market economy. The future stability of the Kyrgyz economy will largely depend on the progress of these reforms, as well as on the effectiveness of measures taken by the government in the economy, financial and monetary policy. The decline in prices of mineral resources had a negative impact on the Kyrgyz economy. Interest rates in national currency (Kyrgyz som) remain high. The combination of these factors has led to reduction in the availability of finance and increase in the cost of capital. Additionally, there is uncertainty regarding further economic growth. All these may have unfavorable impact on the Company’s financial position and its results of operations. The management of the Company believes that it is taking appropriate measures to maintain the economic stability of the Company in the current conditions.

The widespread geographical spread of the new type of coronavirus (COVID-19) had a material impact on the Kyrgyz Republic economy. The severity of the epidemic continues to impact as well as the effectiveness of the measures taken to address the problem remains uncertain at this time.

Management has established reserves for the impairment of trade and other receivables at the end of the reporting period, taking into account the current and projected economic situation.

### **Relationship with the Government**

As at 31 December 2021 and 31 December 2020, the Company was controlled by the “National Energy Holding Company” OJSC (80.49% of the shares) (intermediate parent company). The activities of the “National Energy Holding Company” OJSC are controlled by the Government of the Kyrgyz Republic,



therefore, the latter is the ultimate controlling party of the Company as at December 31, 2021.

The Company's counterparties also include state-controlled companies. In addition, the Government controls a number of suppliers of the Company.

The Government has a direct impact on the Company's activities through regulation of rates for heat and hot water in the retail (consumer) market through the State Agency for Regulation of the Fuel and Energy Complex under the Government of the Kyrgyz Republic.

Rates at which the Company sells heat and hot water are determined based on the state regulations established for thermal energy and the regulations established for natural monopolies. Rates are historically determined by the "indexing" method.

As mentioned in Note 28, the policy of the Government of the Kyrgyz Republic in the economic, social and other areas may have a significant impact on the activities of the Company.

### **3. BASIS OF PREPARATION**

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as amended by the Council for International Financial Reporting Standards (hereinafter "the IFRS Council").

The principal accounting policies adopted in the preparation of the financial statements are set out in note 4. The policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements are presented in Kyrgyz Som (KGS), which is also the Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and judgments. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 5.

#### ***Basis of measurement***

These financial statements have been prepared in accordance with the historical cost measurement principle, except for certain classes of property, plant and equipment that are carried at revalued cost and financial assets and liabilities that are measured at fair value, as stated in the accounting policies and notes to these financial statements. The financial statements are presented in Kyrgyz som, and all amounts are rounded to the nearest thousand, unless otherwise indicated.

#### **Comparative information**

These financial statements present comparative information for the previous period. In case of change in the presentation format of the financial statements during the year, corresponding changes are made to the comparative indicators.

#### **Changes in accounting policies**

##### ***a) New standards, interpretations and amendments effective from 1 January 2021***

There are no new standards, interpretations and amendments, entered into force from 1 January 2021 and which had significant effect on the Company's financial statements

##### ***b) Other standards***

There were no new standards, interpretations, and amendments that are issued but not yet effective that will have or may have an impact on the Company's future financial statements.

Bishkekteploset OJSC  
Notes forming part of the financial statements  
For the year ended 31 December 2021 (continued)

#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### Classification of assets and liabilities as current and non-current

The statement of financial position presents assets and liabilities based on their classification as current and non-current. An asset is current if:

- it is supposed to be realized or is intended for sale or use within the normal operating cycle;
- it is intended primarily for trading purposes;
- it is supposed to be realized within 12 (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 pay off obligations for at least 12 (twelve) months after the end of the reporting period.

All other assets are classified as non-current.

An obligation is current if:

- it is supposed to be repaid within the normal operating cycle;
- it is held mainly for trading purposes;
- it is repayable within 12 (twelve) months after the end of the reporting period; or
- the Company does not have an unconditional right to defer repayment of the obligation for at least 12 (twelve) months after the end of the reporting period.

All other liabilities are classified as non-current.

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

##### Foreign Currency Transactions

The financial statements of the Company are presented in Kyrgyz som. Som is also the major functional currency of the Company.

Transactions in foreign currencies are initially recorded in their functional currency at the spot rate set by the National Bank of the Kyrgyz Republic (NBKR) effective on the date the transaction meets the recognition criteria.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of the functional currency effective at the reporting date. All exchange differences arising on the redemption or translation of monetary items are included in a separate statement of comprehensive income.

Non-monetary items that are valued based on historical cost in foreign currency are translated at the rates prevailing at the date of the initial transaction.

Exchange rates of foreign currencies, in which significant transactions have been conducted, are presented below:

<i>Exchange rate at the end of the year (to som)</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
1 US dollar	84.7586	82.6498
1 Euro	95.7857	101.3204
1 Russian ruble	1.1409	1.1188

<i>Average exchange rate for the year (to som)</i>	<b>2021</b>	<b>2020</b>
1 US dollar	84.6399	77.3616
1 Euro	100.1669	88.4016
1 Russian ruble	1.1495	1.0732

##### Property and equipment

Items of property and equipment are initially recognized at cost. Along with the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.



**Bishkekteploset OJSC**  
**Notes forming part of the financial statements**  
**For the year ended 31 December 2021 (continued)**

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The infrastructure assets are subsequently carried at fair value less accumulated depreciation and impairment losses recognized after the date of revaluation. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of the revalued asset does not differ significantly from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognized in profit or loss.

At the date of revaluation, the accumulated depreciation on the revalued infrastructure assets is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. The excess depreciation on revalued infrastructure assets, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when infrastructure assets are expensed through the statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

Property and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property and equipment so as to write off their carrying value over their expected useful economic lives on a straight-line basis. It is provided at the following rates:

	useful life
Buildings	8-100 years
Infrastructure assets	25 years
Equipment	5-20 years
Furniture and fixtures	5-15 years
Motor vehicles	5-10 years
Other	3-5 years

Capital repairs are added to the carrying amount of the asset repaired or are reflected as a separate asset only, if it is probable that the Company will have economic benefits from the operation of the asset and its value can be measured reliably. Significant specialized spare parts and auxiliary equipment, which are designated for capital repairs of infrastructure assets, are included in the property and equipment. All other spare parts and auxiliary equipment are reflected in the inventories and charged to the statement of profit or loss, when used in the operation.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

If the new expectations differ from previous expectations, the changes are accounted for as changes in the accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". This accounting estimate may have a significant impact on the residual value of property and equipment and on the depreciation charge recognized in the statement of comprehensive income.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

#### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The intangible assets of the Company mainly include computer software and licenses. Intangible assets



**Bishkekteploset OJSC**  
**Notes forming part of the financial statements**  
**For the year ended 31 December 2021 (continued)**

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are amortized on a straight-line basis over the estimated useful lives of the assets from 3 to 5 years.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

**Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**Financial instruments - initial recognition and subsequent measurement**

***Financial assets***

***Initial recognition and measurement***

Financial assets at initial recognition are classified as subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.



**Bishkekteploset OJSC**  
**Notes forming part of the financial statements**  
**For the year ended 31 December 2021 (continued)**

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The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, restricted cash, debt securities and trade receivables.

#### *Subsequent measurement*

For the purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets measured at amortized cost;
- Financial assets at fair value through OCI;
- Financial assets at fair value through profit or loss.

#### Financial assets at amortized cost

This category is the most appropriate for the Company. The Company measures financial assets at amortized cost, if both of the following conditions are met:

- Financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on dates specified, which are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade receivables.

#### Financial assets at fair value through profit or loss

The category of financial assets measured at fair value through profit or loss includes financial assets held for sale, financial assets classified (at the discretion of the Company) at initial recognition as measured at fair value through profit or loss, or financial assets that are necessarily measured at fair value. Financial assets are classified as held for sale if they are acquired for the purpose of selling in the near future. Derivatives, including separated embedded derivatives, are also classified as held for sale, unless they are designated, at the discretion of the Company, as effective hedging instruments.

Financial assets for which cash flows are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model used.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right of payment has been established.

#### *Impairment*

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from

default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### ***Financial liabilities***

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

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include trade and other payables and borrowings.

For purposes of subsequent measurement, financial liabilities are classified in two categories as follows:

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

#### **Financial liabilities at amortized cost (loans and borrowings)**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

The Company determines fair value of loans and borrowings, received at below-market interest rate, through discounting of the balances at market interest rate effective at the date of initial recognition.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

#### **Trade payables**

Trade payables are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

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



**Bishkekteploset OJSC**  
**Notes forming part of the financial statements**  
**For the year ended 31 December 2021 (continued)**

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The fair value of financial instruments traded in active markets at each reporting date is determined based on market quotes or dealer quotes (buy quotes for long positions and sell quotes for short positions) without deducting transaction costs.

For financial instruments that are not traded in an active market, fair value is determined by applying appropriate valuation techniques. Such techniques may include:

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

An analysis of the fair value of financial instruments and details of how they are measured are disclosed in Note 27.

### Equity

#### *Share capital*

Share capital is recognized at the fair value of consideration received or paid. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

#### *Dividends*

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws Kyrgyz Republic, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

### Inventories

The costs of individual items of inventory are determined using first-in first-out (FIFO) inventory accounting method. Inventories are valued at the lower of cost and net realizable value. Cost of inventories includes purchase cost determined using the weighted average cost method, as well as other costs incurred in bringing each item to its present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks, in transit and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

### Advances to suppliers

Advances paid are accounted for at historical cost, less any allowance for impairment losses. Advances paid are classified as non-current when goods or services related to advances will be received within a period of more than one year, or if advances relate to an asset that, upon initial recognition, is classified as non-current. Advances for fixed assets are charged to the value of these fixed assets when the Company gains control of these assets and it is probable that it will receive future economic benefits associated with these assets. When there are indicators of impossibility to receive goods or services related to advances paid, the carrying amount is reduced and the corresponding impairment loss through profit or loss is recognized in the statement of comprehensive income.

### Revenue from contracts with customers

**Bishkekteploset OJSC**  
**Notes forming part of the financial statements**  
**For the year ended 31 December 2021 (*continued*)**

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Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Sale of heat and hot water

The Company recognizes revenue generally at the time of delivery and when collection of the resulting receivable is reasonably assured. When the Company considers that the criteria for revenue recognition are not met for a transaction, revenue recognition is delayed until such time as collectability is reasonably assured. Payments received in advance of revenue recognition are recorded as deferred income.

Provision of maintenance services

The Company recognizes revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

Revenues are reflected net of VAT.

Trade receivables

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section "Financial instruments - initial recognition and subsequent measurement".

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Pensions

As stipulated by the legislation of the Kyrgyz Republic, the Company makes pension contributions (withheld from employee salary) at the rate of 10% of payroll to cumulative pension funds. The Company does not have any other obligations in relation to pensions.

Taxes

*Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*



**Bishkekteploset OJSC**  
**Notes forming part of the financial statements**  
**For the year ended 31 December 2021 (continued)**

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

Deferred 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 is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **Value Added Tax (VAT)**

Income, expenses and assets are recognized net of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included
- The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. The recoverable VAT is recovered upon payment of debts to suppliers, as well as upon satisfaction of settlement requests to the tax authorities. VAT not recovered is reflected as either addition to the cost of goods acquired or expensed in the P&L statement.

#### **Contingent liabilities and contingent assets**

Contingent liabilities are not recognized, but are disclosed, unless the possibility of an outflow is remote.

Bishkekteploset OJSC  
Notes forming part of the financial statements  
For the year ended 31 December 2021 (*continued*)

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Contingent assets are not recognized, but are disclosed, if the inflow of economic benefits is probable.



## 5. SIGNIFICANT ASSUMPTIONS AND SOURCES OF UNCERTAINTY IN ASSESSMENTS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

### Going concern

The financial statements of the Company are prepared on the basis of the going concern principle, which provides for the continuation of ordinary activities, sale of assets and repayment of obligations in the ordinary course of business.

The management assumes that it will continue its activities in accordance with the principle of going concern, and in making such a judgment, the management has taken into account the current intentions and financial position of the Company. When assessing the Company's ability to continue its activities as a going concern, the following factors were considered:

- The Company is a strategically important entity for Bishkek city, distributing heat and hot water to business customers and households. The Company is a natural monopolist.
- One of the principles of the state policy in relation to the Company is a state sponsorship of Bishkekteploset OJSC. Therefore, the management believes the Company will continue its operations in the foreseeable future.

Based on the resolution dated 8 February 2022 of the Government of the Kyrgyz Republic the Company will be restructured through the merger with "Electrical Stations" OJSC. The Company will continue its ordinary business activity, it will operate its current territory, it will enroll its current staff and resources, which will be merged into "Electrical Stations" OJSC.

After making assessments, the Company's management has a reasonable expectation that the Company is able to continue its operational existence in the foreseeable future. The Company, therefore, continues to adopt the going concern basis in preparing its financial statements, therefore these financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern.

### Useful lives of property and equipment

Management has estimated the useful lives of property and equipment based on its best estimate of the asset's life, as well as its intentions to continue using those assets. Management believes that the estimated useful lives of property and equipment are not significantly different from the economic lives of these assets. If the actual useful lives of property and equipment differ from estimates, then the financial statements may also differ materially.

### Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as



well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Company.

#### **Revaluation of property and equipment**

The Company carries its infrastructure assets at fair value, with changes in fair value being recognized in OCI. For these assets, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data because of the nature of the properties. The Company engages an independent valuation specialist to assess fair value of infrastructure assets. Key assumptions used in obtaining estimates using the above method include a discount rate and a forecast of future cash flows.

#### **Estimated provision for expected credit losses on trade receivables**

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 8.

#### **Taxes**

The Company operates in KR jurisdiction with quite complex legal and tax regulatory environment. The income tax positions taken are considered by the Company to be supportable and are intended to withstand challenge from tax authorities. However, it is acknowledged that some of the positions are uncertain and include interpretations of complex tax laws which could be disputed by tax authorities. The Company judges these positions on their technical merits and this on a regular basis using all the information available (legislation, case law, regulations, established practice, authoritative doctrine as well as the current state of discussions with tax authorities, where appropriate). A liability is recorded for each item that is not probable of being sustained on examination by the tax authorities, based on all relevant information. The liability is calculated taking into account the most likely outcome or the expected value, depending on which is thought to give a better prediction of the resolution of each uncertain tax position in view of reflecting the likelihood of an adjustment being recognized upon examination. These estimates are based on facts and circumstances existing at the end of the reporting period. The Company estimates the likelihood of arising tax disputes as low and hence does not expect significant resulting cash outflows. Therefore, no liability is recognized in this respect

The tax legislation of the Kyrgyz Republic provides liability for tax violations:

- If the tax is underestimate of up to 2% of the comprehensive annual profit for the year preceding the audited calendar year, tax penalty is not applied;
- If the tax is underestimated in above 2% and up to 5% of the comprehensive annual profit for the year preceding the audited calendar year, a tax penalty of 50% of the underestimated tax is applied;
- If the tax is underestimated in above 5% of the comprehensive annual profit for the year preceding the audited calendar year, a tax penalty of 100% of the underestimated tax is applied.



#### Fair value measurement of financial instruments

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- *Level 1*: Quoted prices in active markets for identical items (unadjusted)
- *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
- *Level 3*: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

Bishkekteploset OJSC  
Notes forming part of the financial statements  
For the year ended 31 December 2021 (continued)

6. PROPERTY, PLANT AND EQUIPMENT

<i>in thousands of Kyrgyz Som</i>	Land and buildings	Infrastructure assets	Motor vehicles	Other	Construction in progress	Total
<b>Cost or valuation</b>						
As at 1 January 2020	105,034	3,759,275	12,775	90,929	485,717	4,453,730
Additions	-	161,013	1,715	-	70,847	233,575
Disposals	-	(23,882)	(156)	-	-	(24,038)
Transfers from CIP	519	56,884	149	-	(57,552)	-
<b>31 December 2020</b>	<b>105,553</b>	<b>3,953,290</b>	<b>14,483</b>	<b>90,929</b>	<b>499,012</b>	<b>4,663,267</b>
Additions	-	152,646	839	3,079	67,629	224,193
Disposals	-	(36,153)	(248)	(1,818)	(1,380)	(39,599)
Transfers from CIP	21	85,052	425	-	(85,498)	-
<b>31 December 2021</b>	<b>105,574</b>	<b>4,154,835</b>	<b>15,499</b>	<b>92,190</b>	<b>479,763</b>	<b>4,847,861</b>
<b>Accumulated depreciation</b>						
As at 1 January 2020	37,020	1,776,765	8,892	53,871	-	1,876,548
Depreciation charge	1,847	129,089	949	5,918	-	137,803
Disposals	-	(9,753)	(147)	-	-	(9,900)
<b>31 December 2020</b>	<b>38,867</b>	<b>1,896,101</b>	<b>9,694</b>	<b>59,789</b>	<b>-</b>	<b>2,004,451</b>
Depreciation charge	1,813	135,736	1,208	5,528	-	144,285
Disposals	-	(30,054)	(229)	(1,818)	-	(32,101)
Internal movement	21	(298)	277	-	-	-
<b>31 December 2021</b>	<b>40,701</b>	<b>2,001,485</b>	<b>10,950</b>	<b>63,499</b>	<b>-</b>	<b>2,116,635</b>
<b>Net book value</b>						
<b>31 December 2020</b>	<b>66,686</b>	<b>2,057,189</b>	<b>4,789</b>	<b>31,140</b>	<b>499,012</b>	<b>2,658,816</b>
<b>31 December 2021</b>	<b>64,873</b>	<b>2,153,350</b>	<b>4,549</b>	<b>28,691</b>	<b>479,763</b>	<b>2,731,226</b>



**Bishkekteploset OJSC**  
**Notes forming part of the financial statements**  
**For the year ended 31 December 2021 (continued)**

Government borrowings are secured on the Company's property and equipment with net book value of 165,364 thousand som as at 31 December 2021 (31 December 2020: 181,489 thousand som).

The fully depreciated property and equipment at cost was 927,015 thousand som as at 31 December 2021 (31 December 2020: 923,324 thousand som).

Depreciation charge is allocated as follows:

<i>In thousands of Kyrgyz Som</i>	<b>2021</b>	<b>2020</b>
Cost of sales	141,912	135,527
General and administrative expenses	1,678	1,428
Distribution costs	696	848
	<b>144,286</b>	<b>137,803</b>

## **7. INVENTORIES**

<i>in thousands of Kyrgyz Som</i>	<b>2021</b>	<b>2020</b>
Materials and consumables	106,103	101,077
Fuel	2,261	4,780
Spare parts	1,668	1,501
Other	3,462	3,763
	<b>113,494</b>	<b>111,121</b>

Materials and consumables are used for maintenance and repair works of the heating system.

As at 31 December 2021 and 2020 provision for inventory obsolescence was 12,592 thousand som and 12,592 thousand som, respectively.

## **8. TRADE AND OTHER RECEIVABLES**

<i>in thousands of Kyrgyz Som</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Trade receivables	434,008	562,186
Less: provision for impairment of trade receivables	(55,851)	(70,452)
<b>Total financial assets excluding cash carried at amortized cost</b>	<b>378,157</b>	<b>491,734</b>
Other receivables	3,699	4,436
Advances to suppliers	11,315	189
Prepaid taxes	69	951
	<b>393,240</b>	<b>497,310</b>

The carrying value of trade and other receivables classified at amortized cost approximates fair value.

Movements in the impairment allowance for trade receivables are as follows:

**Bishkekteploset OJSC**  
**Notes forming part of the financial statements**  
**For the year ended 31 December 2021 (continued)**

<i>in thousands of Kyrgyz Som</i>	<b>2021</b>	<b>2020</b>
Opening provision for impairment of trade receivables	70,452	61,012
Increase /(reduction) of allowance	(13,155)	9,440
Receivable written off during the year as uncollectible	(1,446)	-
<b>At 31 December</b>	<b>55,851</b>	<b>70,452</b>

The lifetime expected loss provision for trade receivables is as follows:

**31 December 2021**

<i>in thousands of Kyrgyz Som</i>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-270 days</b>	<b>270-365 days</b>	<b>Over a year</b>	<b>Total</b>
Gross carrying amount	57,716	323,078	3,824	14,962	7,297	27,131	434,008
Expected loss rate	1.00%	4.67%	9.96%	36.28%	99.24%	100.00%	12.89%
<b>Loss provision</b>	<b>(577)</b>	<b>(15,092)</b>	<b>(381)</b>	<b>(5,429)</b>	<b>(7,241)</b>	<b>(27,131)</b>	<b>(55,851)</b>

**31 December 2020**

<i>in thousands of Kyrgyz Som</i>	<b>0-30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>181-270 days</b>	<b>270-365 days</b>	<b>Over a year</b>	<b>Total</b>
Gross carrying amount	85,649	400,305	4,339	36,191	10,319	25,383	562,186
Expected loss rate	1.00%	4.68%	8.97%	41.87%	96.37%	100.00%	12.53%
<b>Loss provision</b>	<b>(856)</b>	<b>(18,728)</b>	<b>(389)</b>	<b>(15,152)</b>	<b>(9,944)</b>	<b>(25,383)</b>	<b>(70,452)</b>

**9. CASH AND CASH EQUIVALENTS**

<i>in thousands of Kyrgyz Som</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Cash at bank available on demand	187,523	134,162
Restricted cash	4,000	4,000
Cash in transit	2,107	3,298
Cash on hand	34	36
	<b>193,663</b>	<b>141,496</b>
Less restricted cash	(4,000)	(4,000)
<b>Total cash and cash equivalents presented in the statement of CF</b>	<b>189,663</b>	<b>137,496</b>

An interest at 6.5% a rate per annum is accrued on current bank accounts.

Restricted cash represents the amounts deposit account.

As at 31 December 2021 and 31 December 2020, the Company concentrated cash in one commercial bank in the amount of 126,440 thousand som or 66%, and 118,820 thousand som or 86%, respectively.

All funds are placed in commercial banks of the Kyrgyz Republic without assigned external credit ratings.

As at 31 December 2021 and 2020, cash and cash equivalents were denominated in the following currencies:

<i>in thousands of Kyrgyz Som</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Kyrgyz som	181,571	129,265
U.S. dollar	11,909	12,228
Russian ruble	183	3
	<b>193,663</b>	<b>141,496</b>



**Bishkekteploset OJSC**  
**Notes forming part of the financial statements**  
**For the year ended 31 December 2021 (continued)**

**10. SHARE CAPITAL AND RESERVES**

As at 31 December 2021 and 2020, the share capital of the Company was 366,842 thousand som and 366,842 thousand som respectively. The number of shares was 965,237,234 with a nominal value of 0.38 som. As at 31 December 2021 and 2020, the Company's shares were distributed among the shareholders as follows:

<i>in thousands of Kyrgyz Som</i>	<b>Number of shares</b>	<b>Share %</b>
"National Energy Holding Company" OJSC	776,873,392	80.49%
Social Fund of the Kyrgyz Republic	127,040,460	13.16%
Other (legal entities)	18,616,520	1.93%
Treasury shares	8,421,014	0.87%
Other (individuals)	34,285,848	3.55%
	<b>965,237,234</b>	<b>100%</b>

The total equity comprises of share capital, reserves and retained earnings. The reserve capital has been established in accordance with the KR laws at 10% of the share capital for covering future losses.

**11. BORROWINGS**

As at 31 December 2021 and 2020, loans included the following:

<i>in thousands of Kyrgyz Som</i>	<b>2021</b>	<b>2020</b>
Borrowings (denominated in US dollars)	586,691	589,916
Less: short-term part	(89,092)	(86,875)
Borrowings, net of short-term part	<b>497,599</b>	<b>503,041</b>

The borrowings were provided by the Government of the Kyrgyz Republic represented by the Ministry of Finance and the Russian-Kyrgyz Development Fund. The Government of the Kyrgyz Republic received funds provided to the Company from international financial organizations, the International Development Association and the European Bank for Development and Reconstruction.

*in thousands of Kyrgyz Som*

<b>Lender</b>	<b>Currency</b>	<b>Interest rate under the agreement</b>	<b>Maturity</b>	<b>2021</b>	<b>2020</b>
Russian-Kyrgyz Development Fund (RKDF)	US dollar	4.0-5.0%	2027	357,971	406,877
International Development Association (Emergency Assistance Program)	US dollar	2.5%	2031	165,060	174,229
International Development Association (Heating System Improvement Program)	US dollar	1%	2055	63,659	8,810
				<b>586,690</b>	<b>589,916</b>

Since the borrowings were provided to the Company at below-market interest rates, the amortized cost of the borrowings was determined by discounting future cash flows at market interest rates effective at the date of initial recognition of borrowings, 8.34% for borrowing from IDA (Emergency Assistance Program), 8.00% for borrowing from IDA (Heating System Improvement Program), and 6.57% for borrowing from the RKDF. Accordingly, the finance costs of borrowings for the years ended 31 December 2021 and 31 December 2020 (accrued using the effective interest method) were 48,594 thousand som and 44,431 thousand som respectively. The difference between the carrying value of borrowings and their fair value at 31 December 2021 and 2020 was recognized as deferred income (see Note 12).

The table below details the changes in liabilities resulting from financing activities, including both changes arising from cash flows and non-cash changes. Liabilities arising from financing activities are those liabilities from which cash flows have been or future cash flows will be classified in the statement of cash flows as cash flows from financing activities.

**Bishkekteploset OJSC**  
**Notes forming part of the financial statements**  
**For the year ended 31 December 2021 (continued)**

<i>in thousands of Kyrgyz Som</i>	2021	2020
At the beginning of year	589,916	516,825
Cash flows		
Proceeds from long-term borrowings	12,070	22,966
Repayment of short-term borrowings	(89,038)	(47,470)
	<b>512,948</b>	<b>(24,504)</b>
Non-cash flows		
Direct payment to suppliers	118,954	-
Recognition of discount on new borrowings	(80,806)	(16,774)
Amortization of discount	20,649	16,522
The effect of foreign currency revaluation	14,945	97,847
	<b>73,742</b>	<b>97,595</b>
At the end of year	<b>586,690</b>	<b>589,916</b>

**12. DEFERRED INCOME**

<i>in thousands of Kyrgyz Som</i>	31.12.2021	31.12.2020
Deferred income on infrastructure assets received (a)	1,073,912	968,111
Deferred income on technical connections (b)	205,813	111,568
Deferred income on government borrowings (c)	143,694	83,664
	<b>1,423,419</b>	<b>1,163,343</b>

(a) Based on the KR Government decision the Company has received infrastructure assets constructed to connect new buildings to the heating system of Bishkek City.

(b) Deferred income on connecting technical connections to general heating system.

(c) Difference between the carrying amount of government borrowings and their fair value (see Note 11).

The movement of deferred income is presented as follows:

<i>in thousands of Kyrgyz Som</i>	2021	2020
At the beginning of year	1,163,343	1,022,425
Additions	340,018	191,821
Income recognized during the year	(79,942)	(50,903)
At 31 December	<b>1,423,419</b>	<b>1,163,343</b>

**13. TRADE AND OTHER PAYABLES**

<i>in thousands of Kyrgyz Som</i>	31.12.2021	31.12.2020
Trade payables for thermal energy purchased	260,886	366,194
Other payables for PPE and capital construction purchased	8,265	10,703
Other payables for goods and materials purchased	8,317	11,397
Other payables for other services purchased	2,973	1,169
Other payables for repair works purchased	412	49
	<b>280,853</b>	<b>389,512</b>

The carrying value of trade and other payables classified as financial liabilities measured at amortized cost approximates fair value.

The average credit period for accounts payable generally does not exceed 1-3 months. No interest is accrued on trade payables. Trade payables mainly include the balance of goods and services purchased and operating expenses. As at 31 December 2021 and 2020, trade and other payables are denominated in Kyrgyz som.

As at 31 December 2021 and 31 December 2020, the Company had one creditor with the debt of



**Bishkekteploset OJSC**  
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260,886 thousand som and 365,410 thousand som, respectively, or 93% and 94%.

**14. ADVANCES FROM CUSTOMERS**

<i>in thousands of Kyrgyz Som</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Advances of buyers for heat and hot water supply	30,633	20,740
Advances of customers for other services	31,818	43,777
	<b>62,451</b>	<b>64,517</b>

**15. TAXES PAYABLE**

<i>in thousands of Kyrgyz Som</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
VAT payable	2,025	13,813
Payroll taxes payable	2,325	4,596
	<b>4,350</b>	<b>18,409</b>

**16. OTHER CURRENT LIABILITIES**

<i>in thousands of Kyrgyz Som</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Accrued payroll	45,006	59,331
Reserves	22,637	24,875
Accrued payroll taxes	14,978	18,270
Dividends payable	6,428	6,460
Interest payable	10,782	5,846
Other	5,546	9,234
	<b>105,376</b>	<b>124,016</b>

**17. REVENUE**

<i>in thousands of Kyrgyz Som</i>	<b>2021</b>	<b>2020</b>
Revenue from sale of heat and hot water	2,109,10	2,059,78
Revenue from services rendered	111,40	109,89
	<b>2,220,50</b>	<b>2,169,68</b>

The Company generated all its revenue within the territory of the Kyrgyz Republic (Bishkek City).

**18. COST OF SALE**

<i>in thousands of Kyrgyz Som</i>	<b>2021</b>	<b>2020</b>
Cost of thermal energy purchased	1,234,609	1,204,376
Employee benefits	239,165	226,311
Depreciation of property and equipment	141,797	135,388
Unrecoverable VAT	121,210	117,295
Cost of services rendered*	111,033	103,744
Repairs and maintenance	88,367	70,588
Utilities	65,526	60,391
Payroll taxes	34,304	29,857
Fuel and lubrication materials	7,040	6,521
Accident repairs	10,000	5,415
Other	2,994	26,186
	<b>2,056,045</b>	<b>1,986,072</b>

(\*) Includes depreciation charge of property and equipment equivalent to 115 thousand som (2020: 140 thousand som)

Bishkekteploset OJSC  
Notes forming part of the financial statements  
For the year ended 31 December 2021 (*continued*)

som).

**19. GENERAL AND ADMINISTRATIVE EXPENSES**

<i>in thousands of Kyrgyz Som</i>	2021	2020
Employee benefits	83,889	83,205
Payroll taxes	12,152	11,204
Penalties, late payment fees	1,918	1,606
Depreciation of property and equipment	1,678	1,428
Materials and consumables	1,287	787
Other taxes	921	921
Amortization of intangible assets	323	428
Fuel	689	627
Other	10,278	7,016
	<b>113,135</b>	<b>107,222</b>

**20. DISTRIBUTION COSTS**

<i>in thousands of Kyrgyz Som</i>	2021	2020
Employee benefits	72,344	73,699
Payroll taxes	10,355	9,974
Materials and consumables	757	1,302
Depreciation of property and equipment	696	848
Utilities	330	307
Amortization of intangible assets	74	127
Services	61	158
Fuel	80	98
Impairment loss	-	9,440
Other	8,305	6,401
	<b>93,003</b>	<b>102,354</b>

**21. OTHER INCOME**

<i>in thousands of Kyrgyz Som</i>	2021	2020
Income from late payment fees	42,827	24,305
Income from reversal of impairment	13,155	-
Income from disposal of inventories	2,574	2,123
Income from rents	838	774
Other income	5,161	2,686
	<b>64,555</b>	<b>29,888</b>

**22. OTHER NON-OPERATING INCOME**

<i>in thousands of Kyrgyz Som</i>	2021	2020
Deferred income released on infrastructure assets received	54,515	44,118
Deferred income released on discounting of gov. borrowings	20,776	14,865
Surplus on disposal of fixed assets	3,189	2,324
Other income	4,269	3,650
	<b>80,366</b>	<b>65,677</b>

**23. OTHER NON-OPERATING EXPENSES**

<i>in thousands of Kyrgyz Som</i>	2021	2020
Loss on disposal of fixed assets	6,142	6,157
Grant expenses	12,978	11,297
Other accruals	15,000	-
Inventory impairment	-	8,863
Expenses on employee loyalty program	-	4,381



Bishkekteploset OJSC  
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For the year ended 31 December 2021 (continued)

34,120      30,698

#### 24. INCOME TAX EXPENSES

The Company accrues income tax for the current period in accordance with the requirements of the Kyrgyz Republic tax legislation, which may differ from IFRS. For the years ended 31 December 2021 and 2020, the corporate income tax rate was 10%.

As some expenses are not deductible for tax purposes and also due to their non-taxable nature, the Company has certain permanent tax differences.

Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount determined for tax purposes. The temporary differences as at 31 December 2021 and 2020 mainly resulted from different accounting methods for tax financial reporting purposes.

<i>in thousands of Kyrgyz Som</i>	2021	2020
Current income tax expense	-	-
Deferred income tax expense	6,483	61
<b>Income tax expense recognized in the statement of comprehensive income</b>	<b>6,483</b>	<b>61</b>

Reconciliation of tax expense and the accounting profit multiplied by Kyrgyz Republic domestic tax rate for 2021 and 2020 is as follows:

<i>in thousands of Kyrgyz Som</i>	2021	2020
<b>IFRS profit before tax</b>	<b>15,698</b>	<b>(96,183)</b>
Tax at statutory income tax rate of 10% (2020: 10%)	(1,570)	9,618
Tax effect of permanent differences	(4,913)	(10,231)
<b>Profit tax expense</b>	<b>(6,483)</b>	<b>(613)</b>
Current income tax	-	-
Deferred income tax	(6,483)	(613)
<b>Income tax expense</b>	<b>(6,483)</b>	<b>(613)</b>

The following shows the tax effect on the main temporary differences that give rise to deferred income tax assets and liabilities as at 31 December 2021 and 2020:

<i>in thousands of Kyrgyz Som</i>	2021	2020	Recognized in profit or loss
<b>Deferred tax assets arising from:</b>			
Reserve for unused vacation leaves	(22,637)	(24,875)	2,23
Provisions for impairment of receivables	(55,851)	(70,452)	14,60
Provisions for impairment of securities	(15,000)		(15,000)
Provisions for impairment of advances	(12,592)	(12,592)	
Provisions for impairment of inventories	(41,413)	(103,450)	62,03
Tax losses	(205,813)	(96,518)	(109,295)
<b>Deferred tax liabilities arising from:</b>			
Accelerated depreciation for tax purposes	1,212,73	1,102,48	110,25
<b>Deferred tax liabilities, net</b>	<b>859,43</b>	<b>794,59</b>	<b>64,83</b>
<b>Deferred income tax (10%)</b>	<b>85,94</b>	<b>79,46</b>	<b>6,48</b>

#### 25. EARNINGS PER SHARE

	2021	2020
Net profit (in thousand som)	9,215	(96,796)
Weighted average number of ordinary shares outstanding (pcs.)	965,237,234	965,237,234
<b>Basic earnings/loss per share (in som per share)</b>	<b>0.0095</b>	<b>(0.1003)</b>

**Bishkekteploset OJSC**  
**Notes forming part of the financial statements**  
**For the year ended 31 December 2021 (continued)**

## 26. TRANSACTIONS WITH RELATED PARTIES

Related parties are represented by the key management personnel of the Company, the companies in which the Company's key management personnel directly or indirectly owns a significant voting power, as well as the entities controlled by the Government of the Kyrgyz Republic. Transactions with related parties were carried out on terms agreed between the parties, which were not necessarily carried out at market rates, except for regulated services, offered to both related and third parties at state regulated rates.

The following table shows the total amount of transactions with related parties for 2021 and 2020, as well as the balances on accounts with related parties as at 31 December 2021 and 2020:

<i>in thousands of Kyrgyz Som</i>	2021	2020
Purchases of thermal energy from Electric Stations OJSC (part of CoS)	1,291,894	1,114,230
Accounts payable to Electric Stations OJSC	260,886	365,410
Purchases of electricity "Severelectro" OJSC	73,092	67,059
Accounts payable to "Severelectro" OJSC	-	-
Borrowings from MFKR and KRDF	586,690	589,916
Finance costs on borrowings	48,594	44,431

### Compensation to key management personnel

The key management personnel of the Company comprise of members of the Company's management, which were four persons as at 31 December 2021 and 2020, and compensation to the key management personnel for the years ended 31 December 2021 and 2020 amounted to 7,346 thousand som and 6,399 thousand som, respectively. In 2021 and 2020, there were no payments to key management personnel related to long-term employee benefit liabilities.

## 27. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Company's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and construction of fixed assets. The Company's financial assets comprise trade receivables, cash and cash equivalents, debt securities that arise directly from its operating activities.

The Company is exposed to foreign currency risk, credit risk and liquidity risk.

The Company's senior management oversee the management of these risks. It takes the necessary measures to ensure that financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

### FINANCIAL ASSETS

<i>in thousands of Kyrgyz Som</i>	2021	2020
<b>Financial assets at amortized cost:</b>		
Trade receivables (Note 8)	378,157	491,734
Debt securities	-	15,000
Other financial assets	706	2,451
Cash and cash equivalents (Note 9)	193,663	141,496
	<b>572,526</b>	<b>650,681</b>

### FINANCIAL LIABILITIES

<i>in thousands of Kyrgyz Som</i>	2021	2020
<b>Financial liabilities at amortized cost:</b>		
Borrowings (Note 11)	586,690	589,916
Trade and other payables (Note 13)	280,853	389,512
	<b>867,543</b>	<b>979,428</b>



**Bishkekteploset OJSC**  
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**For the year ended 31 December 2021 (continued)**

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

*Foreign currency sensitivity*

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant. The Company's exposure to foreign currency risk for all other currencies is insignificant.

<b>31 December 2021</b> <i>in thousands of Kyrgyz Som</i>	<b>USD underlined</b> <i>Thousand Som</i>	<b>Total</b> <i>Thousand Som</i>
<b>Current assets</b>		
Cash and cash equivalents	11,909	11,909
	<b>11,909</b>	<b>11,909</b>
<b>Liabilities</b>		
Borrowings	(586,690)	(586,690)
Interest payable	(10,782)	(10,782)
	<b>(597,472)</b>	<b>(597,472)</b>
<b>Net position</b>	<b>(585,563)</b>	<b>(585,563)</b>
<b>31 December 2020</b> <i>in thousands of Kyrgyz Som</i>	<b>USD underlined</b> <i>Thousand Som</i>	<b>Total</b> <i>Thousand Som</i>
<b>Current assets</b>		
Cash and cash equivalents	12,228	141,496
	<b>12,228</b>	<b>650,681</b>
<b>Liabilities</b>		
Borrowings	(589,916)	(589,916)
Interest payable	(5,846)	(5,846)
	<b>(595,762)</b>	<b>(595,762)</b>
<b>Net position</b>	<b>(583,534)</b>	<b>(583,534)</b>

*Sensitivity analysis*

In case of a 10% inflation of the Kyrgyz som against the mentioned foreign currencies, the Company's capital as at 31 December 2021 would have decreased by 58,556 thousand som (2020: 58,353 thousand som). This analysis assumes that all other variables, in particular interest rates, would remain unchanged.

In case of a 10% appreciation of the Kyrgyz som against the mentioned foreign currencies, the Company's capital as at 31 December 2021 would have increased by 58,556 thousand som (2020: 58,353 thousand som), assuming that all other variables would remain unchanged.

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks.

With regard to credit risk associated with other financial assets of the Company, which include cash in banks, trade and other receivables, the credit risk of the Company is associated with the possibility of default of the counterparty, while the maximum risk is equal to the carrying amount of these instruments.

The Company holds cash and cash equivalents in Optima Bank OJSC, Kyrgyz Investment Commercial Bank OJSC. The mentioned banks were not assigned credit ratings.

Trade receivables are mainly represented by receivables from consumers (business customers and

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households) of hot water and heat. The Company does not have a significant concentration of credit risk for one counterparty.

The above book value of cash in banks, receivables, debt securities and other financial assets reflects the maximum credit risk of the Company for these financial instruments.

#### **Liquidity risk**

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's management has created the necessary liquidity risk management system in accordance with the requirements of liquidity management and short-term, medium-term and long-term financing. The Company manages liquidity risk by maintaining adequate reserves, loans and available credit lines, by constantly monitoring the forecasted and actual movement of money and comparing the maturities of financial assets and liabilities.

The table below summarizes the maturity dates of the financial liabilities of the Company as at 31 December 2021 and 31 December 2020 based on contractual undiscounted payments:

<b>31 December 2021</b>					
<i>in thousands of Kyrgyz Som</i>	<b>1-3 m</b>	<b>3 m - 1 yr</b>	<b>1-2 yrs</b>	<b>2-5 yrs</b>	<b>Over 5 yrs</b>
Borrowings	13,780	101,330	233,862	296,723	260,191
Trade and other payables	280,853	-	-	-	-
	<b>294,633</b>	<b>101,330</b>	<b>233,862</b>	<b>296,723</b>	<b>260,191</b>

<b>31 December 2020</b>					
<i>in thousands of Kyrgyz Som</i>	<b>1-3 m</b>	<b>3 m - 1 yr</b>	<b>1-2 yrs</b>	<b>2-5 yrs</b>	<b>Over 5 yrs</b>
Borrowings	20,725	89,448	107,179	301,518	276,400
Trade and other payables	389,512	-	-	-	-
	<b>410,237</b>	<b>89,448</b>	<b>107,179</b>	<b>301,518</b>	<b>276,400</b>

#### **Capital management**

The primary objective of the Company's capital management is to ensure that it will be able to keep abiding going concern principle along with maximizing the shareholders' value by the leverage optimization.

The company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2021.

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

As at 31 December 2021 and 2020, there were no financial instruments classified as financial instruments of level 1 or 2.

For the years ended 31 December 2021 and 2020, there were no transfers of financial instruments fair value between levels 1, 2 and 3.

As at 31 December 2021 and 2020, the management assessed that the fair value of financial instruments, such as trade receivables and payables, other financial assets, cash and cash equivalents approximates their carrying amount, largely due to short-term maturities of these instruments.

Borrowings are carried at amortized cost, which approximates their fair value.

## **28. CONTINGENT LIABILITIES**

### **Operating environment**



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The Kyrgyz Republic continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the country's economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary policy measures undertaken by the Government.

Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

#### **Taxation**

Various types of laws and regulations in the Kyrgyz Republic are not always clearly stated and their interpretation is subject to opinions of the local tax inspectors. Instances of inconsistent opinions between laws and regulations are not unusual, including opinions on interpretations with regard to revenue, expenses and other financial statement areas. In this regard, the position of the management regarding taxes may be disputed by tax authorities. Government control over taxation in the Kyrgyz Republic is growing. Tax audits may cover three calendar years preceding the year in which the decision to conduct the audit is made. In certain circumstances, earlier periods may also be reviewed.

These circumstances may indicate that tax risks in the Kyrgyz Republic can be much higher than in other countries. The Company believes that it has paid or accrued all taxes that are applicable. Because of uncertainties associated with Kyrgyz Republic's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount paid to date and accrued at 31 December 2021.

The resulting effect of this matter is that additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for the management to estimate financial impact in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Company may be held liable.

#### **Environmental matters**

As the environment regulation of the Kyrgyz Republic on payments for environmental pollution and remedial actions is evolving, the Company may incur losses in the future, financial effect of which is impossible to reasonably estimate due to impact of such factors as ambiguity in determination of parties responsible for these losses and Government's assessment of the involved parties' opportunities to compensate the losses on environment recovery. From the management's viewpoint, such losses will unlikely have material effect on the Company's financial position, and, consequently, will not result in a need to make additional provision for probable claims or penalties of state conservation authorities in the financial statements.

#### **Antimonopoly laws**

The Company's operations are subject to antitrust laws control. It is possible, that with the evolution of the interpretation of antitrust laws in the Kyrgyz Republic and changes in the approach of the Antimonopoly Agency such transactions may be challenged in the future. Currently, the impact of such matters on the financial statements cannot be reliably estimated, and, therefore, no provision for any liability has been made in these financial statements.

#### **Insurance**

The insurance industry in the Kyrgyz Republic is in the process of development, and many forms of insurance coverage common in developed countries are not yet available in the Kyrgyz Republic.

The Company has obtained insurance policies restricting insurance coverage to certain types of risks relating to its assets, operations, civil liability, or other insured risks. Thus, the Company is exposed to the risks for which there is no insurance coverage.

Management understands that as long as the Company does not have adequate insurance coverage, there is a risk that loss of particular assets may have a material adverse effect on the Company's operations and its financial position.

#### **Legal proceedings**

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In the normal course of its operating activity, the Company may be the subject of legal proceedings and adjudications. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company.

**29. FAIR VALUE MEASUREMENT DISCLOSURES**

The following table sets out the assets and liabilities, for which fair values are disclosed in the notes.

Item	Fair value thous. som	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Borrowings	586,690	<i>Current and non-current</i> The carrying amount of borrowings approximates their fair value.	Level 3	Interest rate 6.57% - 8.34%
Trade receivables	378,157	<i>Current</i> The carrying amount of short term (less than 12 months) trade receivables approximates their fair value.	Level 3	N/A
Trade and other payables	280,853	<i>Current</i> The carrying amount of short term (less than 12 months) trade payables approximates their fair value.	Level 3	N/A

**30. EVENTS AFTER REPORTING DATE**

**30.1. Company restructuring**

By resolution of N: 51-r dated February 8, 2022, the Government of the Kyrgyz Republic decided to restructure the energy sector management system of the Kyrgyz Republic, in order to reduce the efficiency of energy sector management, enhance reliable energy supply to consumers, and improve the quality of energy services. According to the resolution, the "Bishkekteploset" OJSC shall be reorganized through merging with "Electrical Stations" OJSC.

Based on the above all property of "Bishkekteploset" OJSC, including all rights in relation to debtors and all obligations shall be transferred to "Electrical Stations" OJSC. However, "Bishkekteploset" OJSC will operate on its former territory (Kyrgyz Republic, Bishkek, Zhukeeva-Pudovkina street, 2/1), enrolling its employees and resources, which will be included into the structure of "Electrical Stations" OJSC.

**30.2. Military conflict between Russian Federation and Republic of Ukraine**

On February 24, 2022, Russia launched a large-scale military conflict against Ukraine. In order to resist Russia, the EU and the United States, and other countries around the world, have imposed economic and political sanctions, as a result of which the Russian economy is facing significant issues. At present, the course of the war, the impact of sanctions, and the extent of the consequences are unpredictable.

Taking into consideration of Russia's political and economic influence on the Kyrgyz Republic, as well as the fact that country is a member of the Russia lead Eurasian Economic Union (EEU), the current situation may indirectly affect the stability of Kyrgyz Republic's financial and economic systems.

At the moment, given the unpredictability of these circumstances and their impact, the Company finds it difficult to assess the impact of the latter on the results of the Company's future activities, financial condition, and liquidity.



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**31. ADJUSTMENTS OF PRIOR PERIODS**

The Company adjusted deferred income from the provision of services for technical connection in the total amount of 111,568 thousand soms, in accordance with agreements concluded with developers of objects connected to the general heating network. Since the heat networks and other infrastructure assets built under the agreement remain in the ownership and full control of the Company, and in return, heat energy and hot water must be provided to the facilities connected to the heat network, for the period until the end of the useful life of the constructed heat networks and other infrastructure assets, the above amount will be amortized as they are used over their useful lives, in accordance with the requirements of IAS 15, Revenue from Contracts with Customers.

Consecutively, following adjustments were made on previous year financial statements.

*Statement of financial position*  
*As of 1 January 2020*

	31 December 2019	Adjustment	1 January 2020
	As presented before		Restated
Deferred income	944,300	78,125	1,022,425
Deferred tax liabilities	85,083	(6,236)	78,847
Retained earnings	730,484	(71,889)	658,595

*Statement of financial position*  
*As of 31 December 2020*

	31 December 2020	Adjusted	31 December 2020
	As presented before		Restated
Deferred income	1,051,775	111,568	1,163,343
Deferred tax liabilities	89,112	(9,652)	79,460
Retained earnings	668,169	(101,916)	566,253

*Statement of profit and loss and other comprehensive income*  
*For the year ending 31 December 2020*

	2020	Adjustment	2020
	As presented before		Restated
Other operating income	59,550	(29,662)	29,888
Other income	69,458	(3,780)	65,678
Income tax expense	(4,029)	3,416	(613)