FE “MIKRO LEASING” LLC

Financial statements
for the year ended December 31, 2020
Independent Auditor’s Report

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

The management of Foreign Enterprise Limited Liability Company "MIKRO LEASING", hereinafter referred to as the Company, is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") as at December 31, 2020 and affirms that the financial statements, including the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, notes and explanations, have been prepared fairly in all material respects and are free from misstatements.

In preparing the financial statements, management of FE "MIKRO LEASING" LLC is responsible for:

• selection of appropriate accounting policies and their consistent application;

• presentation of information, including data on accounting policies, in a form that ensures the relevance, reliability, comparability and ease of perception of such information;

• disclosure of additional information in cases where compliance with IFRS requirements is insufficient for the users of financial statements to understand the impact that certain operations, as well as other events or conditions, have on the financial position and financial results of FE "MIKRO LEASING" LLC:

• assessment of the ability of FE "MIKRO LEASING" LLC to continue activities in the foreseeable future;

Management is also responsible for:

• designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;

• maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable to ensure that the financial statements of the Company comply with IFRS;

• maintaining statutory accounting records in compliance with tax policy;

• taking such steps as are reasonably available to them to safeguard the assets of the Company; and

• preventing and detecting fraud and other irregularities.

The financial statements for the year ended December 31, 2020 were approved by the management of FE "MIKRO LEASING" LLC on April 15, 2021.

Soliev Ravshan

[ФИО]

Mikro Leasing

Ochilova S.E.

[ФИО]

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Independent Auditor's Report

To the Shareholders and the Management of FE "MIKRO LEASING" LLC

Opinion

We have audited the financial statements of Foreign Enterprise "MIKRO LEASING" Limited Liability Company (hereinafter referred to as the «Company»), which comprise the statement of financial position as at December 31, 2020; statement of comprehensive income; statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Company as at December 31, 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Due to the rapid spread of the COVID-19 pandemic in early 2020, many governments, including the Government of the Republic of Uzbekistan, have taken various measures to combat the outbreak, including imposing travel restrictions, quarantines, closing businesses and other institutions, and closing certain regions. Those measures had an impact on the global supply chain, on the demand for goods and services, as well as on the degree of business activity in general. It is expected that the pandemic itself, as well as measures to minimize its consequences, may have an impact on the activities of organizations in various sectors of the economy. Since March 2020, there has been significant volatility in the stock, currency and commodity exchanges, including a decline in the exchange rate of the Uzbek Soum against the US Dollar and Euro. In 2020, the Government and the Central Bank of the Republic of Uzbekistan took measures to support entrepreneurs in order to prevent a significant deterioration in economic performance as a result of the outbreak of the COVID-19 disease.

Those measures include, but are not limited to, concessional loans to organizations operating in the affected industries and to affected individuals, credit holidays, and the relaxation of certain regulatory constraints to support the financial sector and its ability to provide resources and to help clients to avoid liquidity shortages resulting from preventive measures against the spread of COVID-19.

During 2020 quarantine, the Company continued to provide the market with leasing services; it operated remotely and provided small and medium-sized businesses and individuals in Uzbekistan with leased assets.

In September 2020, when restrictions on movement in all regions of the Republic of Uzbekistan were removed, and business activity began to recover, the Company reached the pre-crisis volume of leasing transactions. The company is able to fulfill its obligations on time due to the created positive liquidity position.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Summary of Audit Methodology

Materiality was established at the level of 817 800 thousands of Uzbek Soums / 81 305 US dollars, which is 7.6% of profit before tax.

We planned and defined the scope of our audit for 2020, taking into account the specifics of the industry, accounting processes and controls. We analyzed the areas in which management made subjective judgments, such as significant accounting estimates, which included assumptions and consideration of future events that, due to their nature, involve uncertainties. As in all of our audits, we also considered the risk of management circumvention of internal control, including, but not limited to, assessing whether there are signs of management bias that creates the risk of material misstatement due to fraud.

Key Audit Matters

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

For each of the matters below, our description of how the relevant matter was addressed in our audit is provided in that context.

We have complied with the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to those matters. Accordingly, our audit included performing procedures designed in response to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including those performed in consideration of the matters below, serve as the basis for our auditor's opinion on the accompanying financial statements.

Key Matters: Provisions for Expected Credit Losses on Finance Lease Accounts Receivable and Other Financial Assets

We have paid particular attention to this issue due to the materiality of finance lease accounts receivable and other financial assets, as well as due to the fact that the calculation of allowances for credit losses (hereinafter referred to as "provisions") involves the use of significant judgment and estimates.

Provisions represent the management's estimate of expected credit losses (hereinafter "ECL") on finance lease accounts receivable and other financial assets. The Company uses an individual estimate of ECL, based on models that use the expected future cash flows for individual groups of assets in accordance with various scenarios.

The principles of modelling are the subject of professional management judgment.

We analyzed the methodology for calculation of the expected credit losses of the Company.

We evaluated the credit risk factors chosen by the management and assessed the consistency in applying the criteria selected by the management at the reporting date.

To calculate the provision for financial lease accounts receivable, the Company applied a simplified approach in accordance with the accounting policy and created provisions on an individual basis.

We tested the adequacy of the created provisions on a selective basis.

We reviewed the accuracy and completeness of the calculations group-wise with regards to the provisions for other financial assets and advances paid to suppliers.

Key Matters: We Assessed the Correctness of Presentation of Loans and Credits, Advances Received from Lessees and Other Accounts Payable

We have performed audit procedures in respect of borrowed funds. We tested on a sample basis the amortized cost of loans and borrowings and accrued interest presented in the financial statements.

We performed audit procedures for the presentation at amortized cost of advances received from lessees.

We performed audit procedures in relation to calculations and adjustments necessary to transform the accounts of the Company maintained in accordance with national accounting standards for the purpose of preparation of the financial statements in accordance with the requirements of IFRS. We also performed audit procedures in relation to the preparation of the Company's financial statements.

Engagement leader, responsible for the audit based on which the independent auditor's report was issued

Tatyana N. Anisimova

Certified auditor, auditor's certificate № 05079 dated February 23, 2013

April 30, 2021

Tashkent, Uzbekistan

Information about Audited Company

Name: FE «Mikro Leasing» LLC
The Company was registered in the Unified Register of Entrepreneurs on November 14, 2018 under No. 649480. Certificate of state registration - (GUVOHNOMA) № 649480 dated November 14, 2018. The Company was assigned TIN 305852337.
Place of location: 7, Urikzor, Yakkasaray District, Tashkent city.

Information about the Auditor

Name: Audit Organization «Baker Tilly Tashkent» LLC
The Company was registered in the Unified Register of Entrepreneurs on July 15, 2013 under No 379.
The last certificate of the state registration - (GUVOHNOMA) № 1076 dated July 15, 2013. The Company was assigned TIN 205 550 161.
The Company is included into the register of audit organizations under No 53, placed on the official website of the authorized state organization of the Republic of Uzbekistan in the field of auditing activity.
Place of location: 10 A, Khamid Alimjan Square, Mirzo-Ulugbek District, 100000, Tashkent, Republic of Uzbekistan.
Tel: +998781501512 / Fax: +998712375039.

[In thousands of US Dollars]

Statement of Financial Position as at December 31, 2020

	Notes	December 31 2 020	2 019
		Thousands of US Dollars	
ASSETS			
Non-current assets:			
Property, plant and equipment	12	38	15
Right-of-use for the rented office	13	112	136
Deferred tax assets	22	156	
Net investment in finance lease	8	4 203	1 074
Total non-current assets		**4 509**	**1 225**
Current assets:			
Inventories. Assets acquired for lease and advances to suppliers under lease dealings	10,11	770	416
Other accounts receivable		0	13
Finance lease accounts receivable	8	6 150	1 289
Other financial assets	9	125	
Other non-financial assets	9	3	
Cash and cash equivalents	7	177	246
Total current assets		**7 225**	**1 964**
Total assets		**11 734**	**3 189**
EQUITY AND LIABILITIES			
Equity:			
Share capital	19	649	282
Retained earnings		518	(433)
Foreign currency translation difference		(22)	(3)
Total equity		**1 145**	**(154)**
Non-current liabilities:			
Loans and borrowings	16	5 610	1 608
Deffered tax liabilities	22	110	
Right-of-use liabilities	8	77	140
Total non-current liabilities		**5 797**	**1 748**
Current liabilities:			
Trade and other accounts payable	14	25	210
Loans and borrowings	16	3 841	1 385
Income and other tax liabilities	15	129	
Right-of-use liabilities	13	38	
Advances from lessees	8	759	
Total current liabilities		**4 792**	**1 595**
Total equity and liabilities		**11 734**	**3 189**

Signed on behalf of management:

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHAR MAS'ULIYATI CHEKLANGAN JAMIYATI XORIJIY KORXONASI
Mikro Leasing

Ravshan Soliev	**Sayyora Ochilova**
General Director	**Chief Accountant**

[In thousands of US Dollars]

Statement of Comprehensive Income for the Year Ended December 31, 2020

	Notes	2 020	2019
		Year ended 31 December	
		Thousands of US Dollars	
Continuing operations			
Interest income	23	2 179	252
Interest costs	23	(1 173)	(138)
Net interest income		**1 006**	**114**
(Creation) / reversal of provision for expected credit losses		(209)	(215)
Net interest income/ (costs) less ECL		**850**	**(101)**
Other operating income	18	1 597	28
Other operating costs			
Administrative costs	20, 21	(796)	(258)
Commercial costs	20, 21	(174)	(7)
Net income / (loss) from translation into foreign currency			(88)
Financial income		0	
Financial costs	17	(351)	-
Net financial income/ (costs)		**(351)**	-
Profit / (loss) before tax		**1 073**	**(426)**
Corporate income tax expense/(income)		(166)	
Deferred tax asset	22	159	
Deferred tax liability	22	(115)	
Net profit/(loss) from continuing operations		**951**	**(426)**
Other comprehensive income:	-	-	
Items that will not be reclassified to profit or loss	-	-	
Foreign currency translation difference	-	(22)	
Income tax relating to items that may be reclassified	-	3	-
Other comprehensive income for the year, net of tax	-	**(19)**	-
Total comprehensive income/(loss)		**932**	**(426)**

Signed on behalf of management:

Ravshan Soliev	**Sayyora Ochilova**
General Director	**Chief Accountant**

[In thousands of US Dollars]

Statement of Changes in Equity for the Year Ended December 31, 2020

	Share capital	Retained earnings	Net foreign currency translation difference	Total
	Thousands of US Dollars			
Balance as at December 31, 2019	**281**	**(434)**		**(153)**
Past period error corrections				
Adjustments to the Share capital for the contribution the registration of which was not finished in "One Window" by the reporting date	1			1
Adjustment to the Retained Earnings for the amount of overcharged depreciation and exchange rate differences		1		1
Foreign currency translation difference			(3)	(3)
				-
Balance as at January 1, 2020	**282**	**(433)**	**(3)**	**(154)**
				-
Adjustment to the Share capital for the contribution the registration of which was not finished in "One Window" as of December 12, 2020.	367			**367**
Profit / (loss) for 2020		951		**951**
Foreign currency translation difference			(19)	**(19)**
Dividends				-
Balance as at December 31, 2020	**649**	**518**	**(22)**	**1 145**

Signed on behalf of management:

Ravshan Soliev
General Director

Sayyora Ochilova
Chief Accountant

[In thousands of US Dollars]

Cash Flow Statement for the Year Ended December 31, 2020

	December 31	
	2020	**2019**
	Thousands of US Dollars	
Cash flows from operating activities		
Interest income from finance lease	1 466	244
Other interest income received	577	27
Interest paid on loans	(721)	(110)
Agency income received from suppliers and insurance companies	1 109	
Personnel costs paid	(195)	(110)
Payment for employees and third parties	(1)	
Other operating expenses paid	(148)	(90)
Income tax paid	(141)	
Other taxes paid	(257)	
Taxes withheld from non-residents' income	(79)	
Cash flows from operating activities	**1 610**	**(39)**
Net change in finance lease accounts receivable	(8 549)	(2 545)
Net change in equipment for lease, including change in advance payments to suppliers of equipment purchased for lease	(409)	(110)
Net change in advances to suppliers	-	(325)
Net change in other assets	(87)	(49)
Net change in advances received	791	186
Net change in other liabilities	(171)	62
Net cash flows from operating activities	**(6 815)**	**(2 820)**
Cash flows from investing activities		
Purchase of Property, Plant and Equipment	(31)	(43)
Net cash flows from operating activities	**(31)**	**(43)**
Cash flows from financing activities		
Formation of the Share Capital	383	223
Right-of-use payments for the rented office	(45)	
Proceeds from short-term loans	227	
Proceeds from long-term loans	7 820	3 293
Repayment of long-term loans	(1 138)	(432)
Other financial payments	(233)	
Cash flows from financing activities	**7 014**	**3 084**
Net increase/(decrease) in cash and cash equivalents	**168**	**221**

[In thousands of US Dollars]

Cash and cash equivalents at the beginning of the reporting period	**249**	**20**
Exchange differences subject to cash and cash equivalents	(118)	8
Deferred taxes	(45)	
Expected credit losses and impairment of assets	(171)	
Repossessed objects of lease	118	
Total non-cash transactions in 2020	**(216)**	**8**
Cash and cash equivalents at end of year	**201**	**249**
Expected credit losses as at December 31	(2)	(3)
Foreign currency translation difference	(22)	
Cash at the end of the reporting period in the statement of financial position, including the ECL	**177**	**246**

Signed on behalf of management:

MAS'ULIYATI CHEKLANGAN JAMIYATI XORIJIY KORXONASI O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHAR
Mikro Leasing

Ravshan Soliev
General Director

Sayyora Ochilova
Chief Accountant

Note 1. General Information
Statement of Compliance

The financial statements of FE «Mikro Leasing» LLC have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the year ended December 31, 2020, and include:

- Statement of financial position;
- Statement of profit and loss and other comprehensive income;
- Statement of changes in equity;
-Cash flow statement.
-Notes to the financial statements.

The company maintains accounting records and prepares financial statements in accordance with national accounting standards and, at the end of the year, makes the necessary adjustments and reclassifications of items that are necessary to present financial statements in accordance with IFRS.

Company Registration

Foreign Enterprise "Mikro Leasing" LLC (hereinafter referred to as the Company) was established in accordance with the legislation of the Republic of Uzbekistan at the legal address: 54, Chingiz Aytmatov St., Yunusabad district, Tashkent, Republic of Uzbekistan.

Location of FE "Mikro Leasing" LLC: 7, Urikzor, Yakkasaray district, Tashkent.

The company was included into the unified register of entrepreneurs on November 14, 2018 under No. 649480. Certificate of state registration: (GUVOKHNOMA) No. 649480 dated November 14, 2018. The company was assigned a taxpayer's identification number 305852337.

The share capital at the time of establishment amounted to 937,000 thousand UZS.

Founders of the Company

The only shareholder of the company (founder) is “Mikro Kapital Management S. A.”, a legal entity established in accordance with the legislation of the Grand Duchy of Luxembourg.

Changes in the Constituent Documents

On September 4, 2019, a new edition of the charter was registered. Thus, the share capital in the new edition amounted to 2,363,724 thousand UZS /282 thousand USD.

Decision to Increase the Share Capital

On December 21, 2020, the founder decided to increase the share capital by 300,000 EUR and transferred this amount on December 24, 2020. In accordance with the legislation of the Republic of Uzbekistan, that amount was calculated at the exchange rate established by the Central Bank on the day of receipt of funds to the bank account and amounted to 3,850,683 thousand UZS/368 thousand USD. The exchange rate as at December 24, 2020 for 1 EUR was equal to 12 835.61 UZS. As of the reporting date, the registration of the change in the charter was not completed.

Principal Activity

The principal activity of the Company is finance lease provided to individuals and legal entities in the territory of the Republic of Uzbekistan.

Regulation of Activities in the Republic of Uzbekistan

The Company's activities are regulated by:

- Law of the Republic of Uzbekistan No. 756-I "On Leasing" dated April 14, 1999;
- Law of the Republic of Uzbekistan No. 599 "The Tax Code of the Republic of Uzbekistan" dated December 30, 2019.

Net Income from Continuing Operations and Comprehensive Income in 2020

Net income from continuing operations of the Company for 2020 amounted to 9 567 225 thousand UZS / 951 USD.
The total income for 2020 was 9 567 225 UZS / 932 USD.

Continuous Activity

The company does not plan and is not forced to cease its business activities in the nearest future. The company classifies its assets and liabilities as current and non-current.

The company has positive net assets as at 31 December 2019 in the amount of 11 954 863 thousand UZS / 1 145 USD and does not plan any liquidation processes.

In addition, the Company pays out salary to its employees in time, without any delays; transfers the appropriate amounts of social contributions to insurance funds as well as corporate income tax, value added tax and other taxes to the budget; it also makes all payments related to financial and business activities of the Company, including servicing loans, credits and other obligations, to all its creditors on time and in full. As of the date of signing the financial statements, there are no bankruptcy or insolvency claims against the Company as well as there is no impossibility of debt collection by creditors.

The implementation of those measures, in the opinion of the Company's manager, reduces the liquidity risk, has a positive effect on the financial results of the Company and allows to pay off the obligations on a timely manner.

Company's Structure

FE "Mikro Leasing" LLC has no subsidiaries, associated companies and branches without the formation of a legal entity.

Note 2. Functional and Presentation Currency

Functional currency of the Republic of Uzbekistan is Uzbek Soum.
The presentation currency of the Company's financial statements is US Dollar.

The financial statements of the Company are presented in thousands of UZS / thousands of US Dollars, unless stated otherwise.

The translation into presentation currency is made at the exchange rates as follows:

- assets and liabilities are translated using the exchange rates prevailing at the reporting date - the date of the statement of financial position;
- income and expense items in the statement of profit or loss and other comprehensive income (including comparative data) are translated at the average exchange rate, since fluctuations in the exchange rates were insignificant within the reporting period;
- equity items are translated at the historical exchange rates (at the exchange rate of the Central Bank prevailing on the date of contribution);
- any resulting exchange differences are recognized in other comprehensive income and presented as the effect of conversion to the presentation currency;
- All cash flows are translated at the average rates for the presented periods.

[In thousands of US Dollars]

Exchange Rates Used to Prepare the Financial Statements in Presentation Currency

The exchange rates and the main refinancing rate of the Central Bank of the Republic of Uzbekistan used in the preparation of the financial statements are as follows:

US Dollar / Uzbek Soum	2020	2019	2018
December 31	10 476,92	9 507,56	8 339,55
Currency exchange rate as of November 14, 2018			8 271,27
Currency exchange rate as of April 9, 2019		8 451,37	
Currency exchange rate as of December 24, 2020	10 473,77		
Average exchange rate for the period from 01.01. until 31.12.	10 058,38	8 835,37	
Refinancing rate		14,00%	
The main interest rate of the Central Bank of the Republic of Uzbekistan	16,00%		
Interest rate gap for monetary transactions	-1,00%		

Note 3. The Economic Environment in Which the Company Carries out its Activity

The economy of the Republic of Uzbekistan has some characteristics inherent in emerging markets. The legal, tax and regulatory systems continue to evolve and are subject to frequent changes. The country's economy is sensitive to oil and gas prices. Stability of oil and gas prices, relatively low unemployment level and rising wages contribute to moderate economic growth. This economic environment has a significant impact on the operations and financial position of the Company.

Impact of the COVID-19 Pandemic

Due to the rapid spread of the COVID-19 pandemic in early 2020, many governments, including the Government of the Republic of Uzbekistan, have taken various measures to combat the outbreak, including imposing travel restrictions, quarantines, closing businesses, other institutions and even certain regions. Those measures had an impact on the global supply chain, on the demand for goods and services, as well as on the degree of business activity in general. It is expected that the pandemic itself, as well as measures to minimize its consequences, may have an impact on the activities of organizations in various sectors of the economy. Since March 2020, there has been a significant volatility in the stock, currency and commodity exchanges, including a decline in the exchange rate of the Uzbek Soum against the US Dollar and Euro. In 2020, the Government and the Central Bank of the Republic of Uzbekistan took measures to support entrepreneurs in order to prevent a significant deterioration in economic performance as a result of the outbreak of the COVID-19 disease. Those measures include, but are not limited to, concessional loans to organizations operating in the affected industries and to affected individuals; credit holidays, and the relaxation of certain regulatory constraints to support the financial sector and its ability to provide resources and to help clients to avoid liquidity shortages resulting from preventive measures against the spread of COVID-19.

During 2020 quarantine, the Company continued to provide the market with leasing services; it operated remotely and provided small and medium-sized businesses and individuals in Uzbekistan with leased assets.

In September 2020, when restrictions on movement in all regions of the Republic of Uzbekistan were removed, and business activity began to recover, the Company reached the pre-crisis volume of leasing transactions. The company is able to fulfill its obligations on time due to the created positive liquidity position.

The country's government has taken a number of measures to support business during the pandemic. In 2020, the tax burden for businesses has been reduced:

Tax	Budget rate for 2020	Rate approved for 2020 due to the Pandemic
Unified social tax	12%	1%

To estimate expected credit losses for receivables and similar assets, the Company uses supported forward-looking information, including forecasts of macroeconomic indicators. However, as with all economic forecasts, assumptions and the likelihood of their realization inevitably involve a high level of uncertainty, and, therefore, actual results may differ considerably from the projected ones.

Note 4. Significant Accounting Policies

Note 4. 1. Basis of Preparation of Financial Statements

Basis of Measurement

The financial statements have been prepared on the historical cost basis (acquisition cost), except for the financial instruments that are initially measured at fair value through profit or loss.

Accrual Principle

The company records transactions in the financial statements in the period in which they occurred, regardless of the cash flows associated with those transactions.

Note 4.2. Foreign Currency Transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates ruling when the transactions occur.

Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

Non-monetary items carried at historical cost are translated at the exchange rates prevailing at the date of transaction.

Non-monetary items carried at fair value are translated at the exchange rates prevailing at the date on which the most recent fair value was determined. Exchange differences arising from changes in exchange rates are recognised as finance income or finance costs on net basis.

Note 4.3. Financial instruments

Basic Approaches to Measurement

Financial instruments are carried at fair value or amortised cost depending on their classification.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Reference to quoted market prices is regarded as the best confirmation of the fair value. An active market is a market in which an asset or liability is traded with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of financial instruments traded in an active market is estimated as the amount obtained by multiplying the quoted market price for an individual asset or liability by the number of instruments held by the Company.

Valuation models, such as a discounted cash flow model, as well as models based on data from similar transactions on an arm's length basis or considering the investee's financial data, are used to determine the fair value of financial instruments for which market price information is not available.

The results of the fair value measurement are analyzed and categorized by levels of the fair value hierarchy as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs, i.e. the estimate requires a significant amount of observable initial data).

In the case of assets and liabilities that are recognized in the financial statements on a periodic basis, the Company determines whether there has been a transfer between the levels of the sources of the hierarchy by re-analyzing the classification (based on the lowest level inputs that are relevant to the overall fair value measurement) at the end of each reporting period.

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial instrument. Additional costs are costs that would not have been incurred if a business deal had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as sales agents), consultants, brokers and dealers, fees from regulators and stock exchanges, and taxes and fees charged on the transfer of property. Transaction costs do not include premiums or discounts on debt obligations, financing costs, internal administrative costs or storage costs.

Amortised cost represents the amount at which a financial instrument was measured at initial recognition, less principal payments, reduced or increased by the accrued interest, and for financial assets, less any estimated allowance for expected credit losses. Accrued interest includes depreciation of business deal costs deferred at initial recognition and any premium or discount to the redemption amount using the effective interest method.

Effective interest rate method – it is a method of allocating interest revenue or interest expense over the appropriate period to ensure a constant interest rate in each period (effective interest rate) on the carrying amount of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) to the gross carrying amount of the financial instrument throughout the expected life of the financial instrument or, where appropriate, a shorter period. The present value calculation includes all fees paid or received by the parties to a contract and being an integral part of the effective interest rate. For the assets that have been purchased or originated from credit-impaired (POCI) financial assets at initial recognition, the effective interest rate is adjusted for credit risk, i.e. calculated on the basis of expected cash flows at initial recognition and not on the basis of contractual cash flows.

Initial Recognition of Financial Instruments

Financial instruments at fair value through profit or loss are initially recognized at fair value. All other financial instruments are initially recognized at fair value, including transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss at initial recognition is accounted only if there is a difference between the fair value and the transaction price, which can be evidenced by other observable current transactions with the same instrument or by a valuation model that uses only observable market data as the underlying one. Subsequent to initial recognition, an expected credit loss allowance is recognized for financial assets measured at amortised cost and for investments into debt instruments measured at fair value through other comprehensive income, thus resulting in an accounting loss recognized immediately after the initial recognition of an asset.

All purchases and sales of financial assets that require the delivery of assets within the timeframe established by regulation or convention in the marketplace (regular-way purchases and sales) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell a financial asset. All other purchase operations are recognized when the Company becomes a party to a contract with a financial instrument.

Classification and Subsequent Measurement of Financial Assets: Measurement Categories

The Company classifies financial assets using the following measurement categories:

- measured at fair value through profit or loss;
- measured at fair value through other comprehensive income;
- measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on:
(i) the Company's business model for managing the corresponding portfolio of assets, and
(ii) the cash flow characteristics of the asset.

Classification and Subsequent Measurement of Financial Assets:

Business Model Assessment

The business model reflects the way the Company manages its assets in order to generate the cash flows that are the purpose of the Company. The purpose of the Company may be as follows:
(i) collection of contractual cash flows ("holding assets to collect contractual cash flows"), or
(ii) collection of both contractual cash flows and cash flows from the sale of assets ("holding assets to collect contractual cash flows"), or,
(iii) if neither (i) nor (ii) applies, the financial assets are classified as "other" business models and are measured at fair value through profit or loss.

The business model is determined for a group of assets (at the portfolio level) on the basis of all relevant evidence of activities that the Company intends to undertake to achieve the objective set for the portfolio at the date of the assessment. The factors considered by the Company in determining the business model include the purpose and composition of the portfolio, past experience in obtaining cash flows from the related assets, approaches to assessing and managing risk, methods for assessing the return on assets and the scheme of compensation to managers.

Cash Flow Characteristics

If a business model involves holding assets to collect contractual cash flows or to collect contractual cash flows and sell the financial assets, the Company assesses whether the cash flows are solely payments of principal and interest ("test for payments solely against principal and interest "or" SPPI test "). Financial assets with embedded derivatives are considered collectively to determine whether their cash flows are payments solely for principal and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with the terms of the underlying loan agreement, i.e. interest consists of consideration for credit risk, time value of money, other basic lending risks of the underlying loan agreement, as well as a profit margin.

All of the Company's financial assets meet the SPPI-test criteria and are classified as assets measured at amortised cost.

Write-off of the Financial Assets

Financial assets are written off either partially or in their entirety when the Company is out of all practical possibilities for their recovery and has no reasonable expectations regarding the latter.

The Management has considered the following indicators of having no reasonable expectations regarding the recovery of assets: number of days for which the payment is in delay (more than 90 days of delay), asset collateral, availability of guarantees and pledges, counterparty liquidation / bankruptcy process, the difference between the fair value of collateral and the amount of costs to recover or to continue with the forced repossession.

A write-off constitutes a de-recognition event. The Company may write off the financial assets that are still under enforcement action when the Company attempts to recover the amounts due under the contract, although it has no reasonable expectations of recovery.

In case of receipt of payments on previously written off financial assets, the amounts are reflected in the "Other operating income" of the "Statement of Profit or Loss and Other Comprehensive Income".

De-recognition of financial assets

The Company de-recognizes the financial assets when:

(a) they are redeemed or the contractual rights to the cash flows from those financial assets have expired, or
(b) the Company has transferred the rights to cash flows from financial assets or entered into a "pass-through" agreement, and:
(i) the Company has also transferred substantially all the risks and rewards of the assets, or
(ii) The Company has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the assets.

Control is retained if the transferee does not have any practical ability to sell the asset in its entirety to an unrelated third party even without imposition of restrictions on sale.

Classification of financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- (i) financial liabilities at fair value through profit or loss. This classification applies to derivative financial instruments, financial liabilities held for trading (for example, short positions in securities), contingent consideration recognized by the acquirer in a business combination and other financial liabilities identified as such at initial recognition; and
- (ii) financial guarantee contracts and commitments to extend loans.

De-recognition of Financial Liabilities

Financial liabilities are de-recognized when they are extinguished (i.e, when the obligation specified in the contract is discharged or cancelled or expires).

Lease Deal Commencement Date

The commencement date of a lease deal is the date of conclusion of the relevant agreement or the date of the occurrence of the conditional obligation if the latter has come earlier. For the purpose of this definition, the conditional liability must be made in writing, signed by the parties interested in the lease transaction, and describe the essential terms of the transaction.

Lease Term Commencement Date

The commencement of the lease term is the date when a lessee recognizes a right-of-use assets. It is also a date of initial recognition of finance lease receivables.

Interest Income and Interest Expense on Advances

Interest income on advance payments to suppliers of the leased asset is neither accrued nor paid by suppliers of leased items. Interest expenses on advances received from lessees are neither accrued nor paid to lessees.

Lease Classification

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Nevertheless, according to the Credit Policy of "Mikro Kapital" Group, the right of ownership for a leased asset is transferred only after repayment by a lessee of contractual obligations.

Recognition of Finance Lease Receivables and Revenue Recognition

The Company accounts for finance lease receivables in the amount equal to the net investment in the lease. Net investment in leases is calculated as the aggregate of the minimum lease payments, which are the amounts guaranteed by the lessee and the unguaranteed residual value (together constituting the gross investment in the lease), discounted using the effective interest rate of the lease. The effective interest rate for leases is the discount rate at which, at the commencement date of the lease, the present value of the gross investment in the lease is equal to the fair value of the leased asset.

The difference between the gross investment in the lease and its net investment is the unearned finance income. This income is recognized over the term of the lease using the effective interest method, which assumes a constant periodic rate of return over the lease term.

The lessors' initial direct costs include the payment of intermediary services, legal fees as well as internal costs that are directly associated with conclusion of a lease agreement. They do not include general overhead costs related, for instance, to sales and marketing. In the case of finance leases, initial direct costs are included into the initial amount of finance lease receivables, reducing the amount of income recognized over the lease period. Insurance premiums paid by a lessor and reimbursed by lessees adjust the minimum lease payments.

Any advance payments to a supplier made after the commencement date of the lease and prior to the commencement date of the lease are treated as prepayments to suppliers of equipment purchased for lease. Payments received by the Company from lessees prior to the commencement date of the lease are recorded as advances received from lessees. Those amounts adjust the finance lease receivable at the commencement date of the lease.

Impairment of Financial Assets (Estimated Allowance for Expected Credit Losses)

Based on forecasts, the Company estimates expected credit losses associated with debt instruments measured at amortised cost. The Company estimates expected credit losses and recognizes an allowance for credit losses at each reporting date. Estimated expected credit losses reflect:

- (i) fair and probability-weighted amount determined by assessing the range of possible outcomes,
- (ii) the time value of money, and
- (iii) all reasonable and supportable information about past events, current conditions and forecasted future economic conditions that is available at the reporting date without undue cost and effort.

Presentation of Financial Assets in Financial Statements

Debt instruments measured at amortised cost are presented in the statement of financial position less an estimated allowance for expected credit losses. For loan commitments and financial guarantees, a separate allowance for expected credit losses is recognized as a liability in the statement of financial position. Other changes in the carrying amount are reflected in other comprehensive income as "income less losses from debt instruments measured through other comprehensive income".

The Company has chosen to measure the loss allowance in the amount equal to lifetime expected credit losses. This accounting policy applies to finance lease receivables.

Advance Payments to Suppliers of Equipment Purchased for Lease

Prepayments to suppliers of equipment purchased for lease include prepayments made by the Company to purchase equipment for finance lease. Advance payments to suppliers of equipment purchased for lease are recorded at amortised cost if the delivery time after prepayment under a contract, exceeds 60 days.

Advances Received from Lessees

Advances received from lessees represent payments received by the Company from lessees prior to the commencement date of the lease. Advances received from lessees are offset against the first installment and reduce the principal amount, which is carried at amortised cost.

Advances received from lessees without contractual requirements but under lessees' initiative, are accounted at amortised cost. Advances received from lessees are offset against the first installment and reduce the principal amount, which is carried at amortised cost.

Value Added Tax (VAT)

In accordance with the Tax Legislation of the Republic of Uzbekistan, the transfer of property to finance lease is a sales turnover and VAT on acquired lease objects reduces the amount of VAT charged to the budget.

Services for the provision of property to finance lease in terms of interest income are exempt from VAT, and the purchase and sale of foreign currency is regarded as a financial service exempt from VAT.

The date of transfer of the property to finance lease is regarded as the date of sales turnover in accordance with a transfer and acceptance certificate signed by the parties to the finance lease agreement.

When transferring property to finance lease, the VAT tax base for a lessor is determined as the aggregate amount of all periodic lease payments (including the redemption amount, if provided by a contract) less the lessor's interest income and income tax.

An expected credit loss allowance for the accounts receivable has been calculated based on the aggregate amount of the accounts receivable, including VAT.

Repossessed Objects of Lease for Re-sale

Repossessed objects of lease for re-sale are the assets that have been withdrawn from lessees due to the breach of contractual terms. Lease assets for sale are measured at the lower of cost or net realizable value. They are not subject to depreciation and are included into inventories. If the present value of an asset exceeds its fair value less costs to sell, the present value is reduced and an impairment loss is recognized in profit or loss for the year.

Collateral Received for Non-payments

The collateral received for non-payment is represented by non-financial assets got by the Group as a result of settlement of overdue finance lease receivables. Those assets are initially recognized at the lower of cost or net realizable value on receipt, included into inventories, subsequently re-valued and accounted for in accordance with the accounting policies adopted for that category of assets.

Cash and Cash Equivalents

Cash and cash equivalents are assets that can be converted into cash within one day. Cash and cash equivalents include cash, current bank accounts and cash on corporate plastic cards. Cash is carried at historical cost. Cash in the statement of financial position is presented net of allowance for expected credit losses.

In 2020, the Company had no cash equivalents.

Prepayments

Prepayments are recognized if the Company has made a prepayment under a service agreement for the services that have not been rendered yet. They are stated at cost less allowance for impairment losses. If there is an indication that a prepaid service will not be received, the present value of the prepayment is written off appropriately and a related impairment loss is recognized in profit or loss for the year.

Note 4. 4. Fixed Assets

Recognition in Financial Statements

Property, plant and equipment are stated at cost less accumulated depreciation and allowance for impairment losses (where required). At the end of each reporting period, the Company assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates its recoverable amount that is determined as the higher of the fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized in profit or loss for the year. An impairment loss recognized for an asset in prior periods is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Costs of minor repair and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items is capitalized and the replaced part is retired.

Gains and losses on disposal, determined by comparing proceeds with the carrying amount are recognized in profit or loss for the year as part of other operating income and expenses.

Depreciation

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of the assets at the following rates:

Furniture and office equipment	10 years
Computer equipment	7 years
Transport	5 years
Other fixed assets	10 years

Depreciation starts from the month the asset is accepted for accounting.

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of the assets and their useful lives are reviewed and adjusted, if appropriate, at the end of the reporting period.

Note 4.5. Intangible Assets

The Company has no intangible assets.

Note 4.6. Right-of-use Assets

The company rents office premises. Contracts can include both lease and non-lease components. An entity allocates contract amount between lease components and non-lease components based on their relative stand-alone price.

Assets arising from leases are initially measured at their present value. Right-of-use assets are measured at historical cost, which includes the following components:

• The amount of the initial value of the lease obligation;
• Any lease payments made on or prior to the commencement of the lease less any incentive lease payments received;
• Any initial direct costs;
• Estimated recovery costs provided for in the terms of a lease agreement.

Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If the Company has a reasonable degree of certainty that the purchase option will be exercised, the Company depreciates the right-of-use asset over the useful life of the underlying asset. The Company depreciates the right-of-use asset on a straight-line basis over an estimated useful life of 36 months.

The Company uses an incremental borrowing rate that is the rate at which the Company could raise, for a similar period and with similar collateral, the borrowed funds necessary to obtain an asset with a value similar to the value of the right-of-use asset in similar economic conditions. The discount rate is 20% per annum.

Lease Obligations

Liabilities arising from leases are initially measured at current present value. Lease obligations include the net present value of the following lease payments:

• fixed payments (including direct fixed payments), net of any incentive lease payments receivable;

• variable lease payments, which depend on the price index or interest rate, initially estimated using the price index or interest rate at the date of commencement of the lease.

The company has no intention to prolong the rental agreements. The rental agreement does not provide for any payments of fines for its early termination, the only condition is a warning no later than 60 days before the early termination of the rental agreement.

The Company is exposed to the risk of possible increase in variable payments, which depend on the price index or interest rate that are not reflected in the rental liability until it becomes effective. When the changes in the lease payments, that depend on the index or rate, become effective, the lease liability is revalued with an adjustment to the value of the right-of-use asset.

Rental payments are allocated between the liability and financial expenses. Finance costs are recognized in profit or loss over the lease term to ensure a constant periodic interest rate on the remaining lease liability for each period.

Note 4.7. Borrowed Funds and Loans

Bank Loans

Bank loans are recognized starting from the date when the banks provide cash or other assets to the Company. Bank loans are initially recognized at fair value less transaction costs incurred and are subsequently measured at amortised cost at the effective interest rate.

Borrowed Funds

Other borrowed funds include funds raised from companies. Other borrowed funds are carried at amortised cost at the effective interest rate. Interest expense related to other borrowed funds is classified as financing activities.

Note 4.8. Income Tax

The financial statements reflect income tax expenses in accordance with the requirements of the legislation, using tax rates and statutory norms that are in force or, in fact, entered into force at the end of the reporting period. Income tax expense comprises current tax payments and deferred income tax and is recognized in the income statement for the reporting year unless it is required to be recognized in other comprehensive income or directly in equity due to the fact that they are related to transactions that are also reflected in this or another period in other comprehensive income or directly in equity.

Current taxation is calculated based on the amounts expected to be paid to or recovered from the tax authorities in respect of taxable profit or loss for the current and prior periods. Taxable profit or loss is based on estimates if the financial statements are approved prior to the filing of the relevant tax calculations (declarations). Other tax expenses, excluding income tax, are included into administrative and other operating expenses.

Deferred income tax is calculated using the balance sheet liability method for deferred tax losses and temporary differences between the tax base of assets and liabilities and their carrying amounts in accordance with the financial statements.

Deferred tax is not recorded for temporary differences on initial recognition of an asset or a liability if the transaction, upon initial recognition, affects neither accounting nor taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are in effect or substantially in effect at the end of the reporting period and which are expected to apply in the period when the temporary differences will be realized. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences.

Uncertain Tax Positions

The Company's uncertain tax positions are assessed by management at the end of each reporting period. Liabilities are recorded for taxes when management believes that it is probable that additional tax liabilities will arise if the Company's tax position is challenged by the tax authorities. Such an assessment is made on the basis of the interpretation of tax laws in force or substantively in force at the end of the reporting period and any known court order or other similar decision. Liabilities for penalties, interest and taxes other than income tax are recorded on the basis of management's best estimate of the costs required to settle the liability at the end of the reporting period.

Note 4. 9. Provisions for Liabilities and Deductions

Provisions for liabilities and charges represent liabilities of a non-financial nature with an indefinite maturity or amount. Provisions are recognized in the financial statements if the Company has obligations (legal or arising from established business practices) that emerged before the reporting date and there is a high probability that the Company will need an outflow of economic resources to fulfill those obligations, and the amount of the obligations can be estimated with a sufficient degree of accuracy.

Note 4.10. Accounts Payable

Accounts payable are recognized when the counterparty fulfills its obligations and are carried at amortised cost.

Note 4.11. Presentation of Current and Non-current Assets and Liabilities

Management believes that the Company does not have a clearly identifiable operating cycle. Consequently, management has determined that presenting assets and liabilities in the statement of financial position in order of liquidity, together with the disclosures on liquidity position presented in Note 22, provides information that is reliable and more relevant than presenting current and non-current assets and liabilities.

Note 4.12. Share Capital and Dividends

100% of the Share capital belongs to one shareholder – «Mikro Kapital Management S. A.», a legal entity established in accordance with the legislation of the Grand Duchy of Luxembourg. The Share capital of the Company is registered in Uzbek Soums. Contributions to the Share capital were made in Euros, at the exchange rate of the Central Bank of the Republic of Uzbekistan on the day the funds were received into the foreign currency bank account.

The company has the right to make a decision on the distribution of its net profit (dividends) to the Shareholder of the company once in a quarter, once in every six months or once a year. The decision on the amount of the company's profits to be distributed among the company's shareholders is taken by the general shareholders' meeting. The term and procedure for the payment of dividends are determined by the charter of the company or by a decision of the general shareholders' meeting. In this case, the period for the payment of dividends should not exceed sixty days from the date of a decision on distribution of profits between the Company's shareholders. Dividends are recognized as a liability and deducted from equity in the period in which the decision on distribution of dividends was made. Distribution of profits and their payments are carried out on the basis of financial statements prepared in accordance with the legislation requirements.

Note 4.13. Income and Expenses

Finance Income

Finance income from leases is recognized over the term of the lease using the effective interest method, which assumes a constant rate of return over the life of the lease. Interest income and expense for all debt instruments is recorded on an accrual basis using the effective interest method. According to that method the interest income and expense include all commissions and fees paid or received by the parties to a contract and being an integral part of the effective interest rate, transaction costs as well as all other premiums or discounts. Fees related to the effective interest rate include fees received or paid in connection with the formation or acquisition of a financial asset (for example, fees for assessing creditworthiness, evaluating or accounting for guarantees or collateral, for settling the terms of the instrument and for processing transaction documents).

Interest income is calculated using the effective interest rate applied to the gross carrying amount of financial assets, other than: (i) financial assets that have become impaired (phase 3) and for which interest income is calculated using the effective interest rate applied to their amortised cost (less provision for expected credit losses); and (ii) purchased or originated credit-impaired financial assets to the amortised cost of which the original effective interest rate, adjusted for credit risk, is applied.

If there is any doubt about the timely repayment of finance lease receivables, loans issued and other debt instruments, they are written off to their recoverable amount with subsequent recognition of interest income based on the effective interest rate that was used to discount future cash flows in order to determine the amount of impairment.

Agency income received from insurance companies, like all other commission income, other income and other expenses, is usually recorded on an accrual basis, depending on the stage of completion of a particular transaction, determined as a portion of the actually provided service in the total volume of services that are to be provided.

Note 4.14. Staff Costs and Related Unified Social Tax

Wages and salaries, unified social tax, paid annual leave for the period of time provided for in employment contracts, sick leaves, bonuses and non-monetary benefits are accrued in the process of rendering the corresponding services by the employees of the Company. The Company does not have any legal or business-related obligation to pay pensions or similar benefits in excess of the uniform social tax.

Note 4.15. Changes to the Financial Statements after Issue

All subsequent changes to the financial statements require the approval of the Company's management, which approved the financial statements.

Note 5. Significant Accounting Judgments, Estimates and Assumptions

The Company makes estimates and assumptions that will affect the amounts recognized in the financial statements as well as the carrying amounts of assets and liabilities in the next financial year. Estimates and assumptions are reviewed on an ongoing basis taking into account the management's experience and other factors, including expectations with regards to future events, which, in the opinion of the management, are reasonable in the light of current circumstances. In the process of applying accounting policies, management also uses professional judgment and estimates. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Estimation of Expected Credit Losses

Estimation of expected credit losses is a significant estimate that is obtained using valuation methodology, models and inputs. Details of the methodology for estimating expected credit losses are disclosed in Note 22. The following components have a significant impact on the credit loss allowance: definition of default, significant increases in credit risk, probability of default, exposure to default and loss in case of default, as well as macroeconomic scenario models. A description of those components and details of the methodology are disclosed in Note 22. The Company regularly reviews and validates the models and model inputs to reduce the discrepancy between the estimated expected credit losses and actual loan losses.

The Company has used supported forward-looking information to estimate expected credit losses, principally the results of its own forecast macroeconomic model.

Impairment Losses on Leased Assets for Sale

The Company tests leased assets for impairment on a regular basis. In determining whether an impairment loss should be recognized in profit or loss for the year, the Company uses professional judgment as to whether there is visible evidence of a measurable decrease in estimated future cash flows separately for each asset returned by lessees. The methodology and assumptions used to estimate the amounts and timing of future cash flows are reviewed regularly to decrease any discrepancies between estimated and actual losses.

Deferred Tax Asset Recognition

Recognized deferred tax assets represent the amount of income taxes that may be offset against future income taxes and are reflected in the statement of financial position. A deferred tax asset is recognized only if it is probable that the related tax benefit will be utilized. This assumes that temporary differences exist that are expected to reverse in the future and that there is sufficient future taxable profit to deduct. The determination of future taxable profit and the amount of tax deductions that are likely to be offset in the future is based on the business plan prepared by management and the results of its extrapolation to the future. The business plan is based on management's expectations that are believed to be reasonable in the circumstances.

Note 6: Adoption of New or Revised International Financial Reporting Standards and Interpretations

The following revised standards and interpretations became binding on the Company from January 1, 2020, but did not have a significant impact on the Company:

Amendments to the Conceptual Framework for Financial Statements (issued on March 29, 2018 and effective for annual periods beginning on or after January 1, 2020). The revised Financial Reporting Framework contains a new chapter on valuation, recommendations for reporting financial performance, improved definitions and recommendations (in particular, the definition of liabilities), and clarifications on important issues such as the role of governance, prudence and valuation uncertainty in preparing of financial statements.

Classification of a business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of an annual reporting period beginning on or after 1 January 2020). These amendments change the definition of a business. A business is made up of inputs and essential processes that together form the ability to create value. The new guidance includes a system to determine if there is input and significant process, including for companies in the early stages of development that have not yet received a return. In the absence of returns, an organized workforce must be present for an enterprise to be considered a business. The definition of “returns” is narrowed to focus on the goods and services provided to customers, on the creation of investment income and other income, while excluding the results in the form of cost savings and other economic benefits. In addition, there is no longer any need to assess whether market participants are capable of replacing missing items or integrating acquired activities and assets. An organization can apply a "concentration test". The assets acquired will not be considered a business if substantially all of the fair value of the gross assets acquired is concentrated in one asset (or a group of similar assets).

Definition of Materiality - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). These amendments clarify the definition of materiality and the application of this concept by incorporating definitional guidance that was previously provided in other IFRSs. In addition, the explanations for this definition have been improved. The amendments also ensure consistency in the use of the definition of materiality in all IFRSs. Information is considered material if omission, misstatement, or difficulty in understanding it could reasonably be expected to influence decisions made by the principal users of general purpose financial statements based on those financial statements that provide financial information about a specific reporting entity.

Interest Rate Reform - Amendments to IFRS 9, IFRS (IAS) 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were caused by the replacement of base interest rates such as LIBOR and other interbank offer rates (IBOR). The amendments provide for a temporary exemption from the specific hedge accounting requirements for hedging relationships that are directly affected by the IBOR reform. The application of cash flow hedge accounting in accordance with IFRS 9 and IFRS (IAS) 39 requires that future hedged cash flows be “highly probable”. Where these cash flows are dependent on IBOR, the amendment exemption requires the entity to assume that the interest rate on which the hedged cash flows are based will not change as a result of the reform. For the application of hedge accounting, both IAS 39 and IFRS 9 require a forward-looking estimate. It is currently expected that cash flows at IBOR and IBOR replacement rates will be broadly equal, minimizing any inefficiencies, but this may change as the reform date approaches. Under the amendments, an entity can assume that the underlying interest rate on which cash flows of the hedged item, hedging instrument or hedged risk are based will not change as a result of the IBOR reform.

[In thousands of US Dollars]

As a result of the IBOR reform, hedging could go beyond the 80-125% range required to meet the flashback test conditions under IFRS (IAS) 39. Therefore, IFRS (IAS) 39 has been amended to provide an exemption for flashback testing effectiveness, in that the hedge is not discontinued during a period of IBOR uncertainty simply because retrospective effectiveness is outside a specified range. However, other requirements for hedge accounting, including prospective measurement, still need to be met. In some hedged situations, the hedged item or risk being hedged is the risk component associated with the IBOR that is designated outside the contract. To apply hedge accounting, both IFRS 9 and IFRS (IAS) 39 require separate identifiability and a reliable measurement of an identified risk component. The amendments require that the risk component is separately identified only on the initial designation of the hedge and not on an ongoing basis. In the context of macro hedging, where an entity frequently renegotiates a hedging relationship, the exemption applies from the time the hedged item was originally designated in that hedging relationship. In accordance with IFRS (IAS) 39 and IFRS 9, any hedge ineffectiveness will continue to be recognized in the income statement. The amendments establish the factors that determine the end of the exemption, including the end of the uncertainty arising from the reform of the base interest rate. The amendments require entities to provide investors with additional information about hedging relationships that are directly affected by such uncertainty, including the nominal value of the hedging instruments to which the exemption applies, any significant assumptions or judgments made in applying the exemption, and qualitative information about the impact of the IBOR reform. has an impact on the organization and how the organization manages the transition. The Company is currently assessing the impact of the amendments on the financial statements.

The adoption of the following other new accounting policies is not expected to have a material impact to the Company:

- Amendments to IFRS 10 and ISA 28 - Investments in Associates and Joint Ventures (issued on 11 September 2014 and effective for annual periods beginning on the date to be determined by the IASB or after that date).

- IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

Unless otherwise stated above, these new standards and interpretations are not expected to have a material impact on the Company's financial statements.

Note 7. Cash and Cash Equivalents

	December 31	
	2020	**2019**
	Thousands of US Dollars	
Cash on a corporate plastic card	1	1
Cash and bank balances - UZS	167	222
Cash and bank balances – EUR	10	19
Cash and bank balances - USD	1	7
Provision for expected credit losses	(2)	(3)
Total cash and cash equivalents	**177**	**246**

According to the management, JSCB "Kapital Bank", with which the Company's current accounts are opened and the Company's term deposits are placed, is a stable financial institution. The bank has been assigned a Moody's rating of 83. Current bank account balances with an original maturity of 90 days or less are not regarded as past due or impaired.

[In thousands of US Dollars]

Note 8. Finance Lease Accounts Receivable

Lease payments are usually made by lessees on a monthly basis.
Risks associated with damage to assets transferred under finance lease, risks of theft and other risks are usually insured by lessees.
The Company's management periodically evaluates fulfillment by the lessees of their contractual obligations by monitoring the amount of overdue debts.
The company retains ownership to the assets leased out under the finance lease during the lease term.
At the end of a contract, if all the contractual conditions are observed and full payment is made, the ownership to the assets under the finance lease is transferred to a lessee in accordance with the terms of a lease contract.

Analysis of Finance Lease Accounts Receivable as at December 31, 2020:

	Vehicles	Trucks	Construction Machinery	Other Equipment (sewing, food and office)	Immovable Property	Total
			Thousands of US Dollars			
Gross investment in finance lease	**12 055**	**720**	**912**	**35**	**40**	**13 762**
including:						
Future finance lease income	(2 794)	(197)	(211)	(8)	(15)	(3 225)
Net investment in finance lease	**9 261**	**523**	**701**	**27**	**25**	**10 537**
Allowance for credit losses	(321)	(24)	(27)	(9)	(1)	(382)
Total finance lease accounts receivable	**8 940**	**499**	**674**	**18**	**24**	**10 155**

[In thousands of US Dollars]

Structure of Finance Lease Accounts Receivable Industry-wise as of December 31, 2020

	Legal entities					Individuals	
	Manufacturing	Trade	Services	Agriculture	Construction	Individuals	Total finance lease
	Thousands of US Dollars						
Financial assets, expected credit losses for which are individually assessed							
Total, including:	**721**	**546**	**972**	**125**	**701**	**7 472**	**10 537**
Not past due	678	529	860	125	551	7 349	10 092
with a lease payment delay of up to 30 days	15	17	96	0	127	108	363
with a lease payment delay from 31 to 90 days	17	0	16	0	23	15	71
with a lease payment delay by more than 90 days	11	0	0	0	0		11
Allowance for impairment of finance lease accounts receivable	(39)	(23)	(40)	(5)	(27)	(248)	(382)
Total finance lease accounts receivable	**682**	**523**	**932**	**120**	**674**	**7 224**	**10 155**

[In thousands of US Dollars]

Analysis of Gross Investments in Finance Leases and Net Investments in Finance Leases by Maturity as at December 31, 2020

	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Total
			Thousands of US Dollars			
Gross investment in finance leases with individuals	6 093	2 164	1 057	251	102	9 667
Including finance lease income from individuals	(1 348)	(585)	(194)	(58)	(9)	(2 194)
Total net investment in finance lease with individuals	**4 745**	**1 579**	**863**	**193**	**93**	**7 473**
Estimated provision for credit losses on finance leases with individuals						(248)
Total finance lease accounts receivable with individuals						**7 225**
Gross investment in finance leases with legal entities	2 210	1 404	432	40	10	4 096
Including finance lease income from legal entities	(664)	(300)	(59)	(8)	(1)	(1 032)
Total net investment in finance lease with legal entities	**1 546**	**1 104**	**373**	**32**	**9**	**3 064**
Estimated provision for credit losses on finance leases with legal entities						(134)
Total finance lease accounts receivable with legal entities						**2 930**
Total net investment in finance lease	6 291	2 683	1 236	225	102	10 537
Estimated provision for credit losses on finance leases						(382)
Total finance lease accounts receivable						**10 155**

[In thousands of US Dollars]

Analysis of Financial Lease Accounts Receivable by Delay in Payments and by Types of Leased Assets as of December 31, 2020

	Vehicles	Trucks	Construction Machinery	Other Equipment (sewing, food and office)	Immovable Property	Total
			Thousands of US Dollars			
Financial assets, expected credit losses for which are individually assessed						
Total, including:	**9 261**	**523**	**701**	**27**	**25**	**10 537**
Not past due	9 025	503	523	16	25	10 092
with a lease payment delay of up to 30 days	191	20	152	0	0	363
with a lease payment delay from 31 to 90 days	46	0	25	0	0	71
with a lease payment delay by more than 90 days	0	0	0	11	0	11
Allowance for impairment of finance lease accounts receivable	(321)	(24)	(27)	(9)	(1)	(382)
Total finance lease accounts receivable	**8 940**	**499**	**674**	**18**	**24**	**10 155**

[In thousands of US Dollars]

Note 8. Finance Lease Accounts Receivable (continued)

	December 31	
	2020	**2019**
	Thousands of US Dollars	
Gross investment in finance leases	10 536	
Expected credit losses for the principal amount	(382)	
Interests receivable	296	
Unearned one-time lease commission	(97)	
Principal receivables less expected credit loss		
Total finance lease accounts receivable,	**10 353**	
including:		
Non-current principal receivables	**4 203**	
Current finance lease accounts receivable, total	**6 150**	
including:		
Current principal receivables	5 951	
Margin receivables	199	

Note 9. Other Assets

	December 31	
	2020	**2019**
Other Non-financial Assets:	Thousands of US Dollars	
Pre-paid expenses	0	
Advances on other taxes	3	
Total other non-financial assets	**3**	**0**

	December 31	
	2020	**2019**
Other Financial Assets:	Thousands of US Dollars	
Settlements with suppliers of agency services	114	
Others	11	
ECL allowance	-	
Total other financial assets	**125**	**0**

[In thousands of US Dollars]

Note 10. Assets Held for Sale

	December 31	
	2020	**2019**
	Thousands of US Dollars	
Vehicles, total	**52**	
including:		
Hyundai Creta K213640	19	
Hyundai Sonata 0535	38	
Impairment of Hyundai Sonata 0535	(5)	
Road Building Equipment, total	**53**	
including:		
Road milling machine XCMG XM101	28	
Wheel excavator Jonyang W4-60C	29	
Impairment of a wheel excavator	(4)	
Total assets held for sale	**105**	**26**

Note 11. Assets Acquired for Leasing and Advances to Suppliers under Lease Dealings

	December 31	
	2020	**2019**
	Thousands of US Dollars	
Other inventories	0	0
Repossessed leased items for sale (see note 10)	105	26
Vehicles purchased for lease	575	111
Total assets acquired for lease	**680**	**137**
Advance payments to suppliers under lease dealings	148	324
Allowance for impairment of advance payments	(58)	(45)
Total advances to suppliers under lease dealings	**90**	**279**
Total other inventories and assets acquired for lease, as well as advances to suppliers under lease dealings	**770**	**416**

Analysis of Changes in Provision for Impairment of Advance Payments

	December 31	
	2020	**2019**
	Thousands of US Dollars	
Impairment provision as of 01.01.	(45)	-
(Creation) / reversal of provision for impairment losses	(13)	(45)
		-
Total allowance for impairment as of 31.12.	**(58)**	**(45)**

[In thousands of US Dollars]

Analysis of the Credit Quality of Advances to Suppliers under Lease Dealings

	December 31	
	2020	**2019**
	Thousands of US Dollars	
Not past due and not impaired	82	273
Past due:		
- up to 30 days	20	4
- from 31 to 90 days	4	47
- up to a year or more	42	
Total past due	**148**	**324**
Impairment allowance	(58)	(45)
Total advances under lease dealings	**90**	**279**

Assets acquired for lease represent assets that will be subsequently transferred to lessees. Advance payments to suppliers under lease transactions represent payments to suppliers for assets that will be subsequently transferred to lessees. In accordance with the Civil Code of the Republic of Uzbekistan, a lessor is not liable to a lessee if a supplier is unable to fulfill its obligations under the asset sale and purchase agreement when a lessee selects a supplier.

The Company is exposed to financial risk in relation to assets acquired for lease and advances to suppliers under lease transactions due to the fact that those assets represent the first stage of mutual settlements under lease agreements that are made after the commencement of contractual obligations.

[In thousands of US Dollars]

Note 12. Property, Plant and Equipment

	Computer and office equipment	Furniture	Other fixed assets	Advances for the fixed assets	Total
INITIAL COST:			Thousands of US Dollars		
Balance at January 1, 2020	**11**	**6**	**-**	**-**	**17**
Receipts	15	14	1	1	31
Disposal	-	-	-	-	-
Foreign currency translation difference	(1)	(1)	-	-	(2)
Balance at December 31, 2020	**25**	**19**	**1**	**1**	**46**
DEPRECIATION AND IMPAIRMENT:					
Balance at January 1, 2020	**(2)**	**(1)**	**-**	**-**	(3)
Accrued depreciation for 2020	(4)	(2)	-		(6)
Disposal					-
Foreign currency translation difference	1	1	-	-	2
Balance at December 31, 2020	**(5)**	**(2)**	**-**	**-**	**(7)**
CARRYING VALUE:					
Balance at December 31, 2020	**20**	**17**	**1**	**1**	**39**
Foreign currency translation difference		(1)	-	-	(1)
Balance at December 31, 2020	**20**	**16**	**1**	**1**	**38**

[In thousands of US Dollars]

	Computer and office equipment	Furniture	Other fixed assets	Advances for the fixed assets	Total
INITIAL COST:			thousand US Dollars		
Balance at January 1, 2019	**-**	**-**	**-**	**-**	**-**
Receipts	11	7	-	-	18
			-	-	
Disposal	-	-	-	-	0
Balance at December 31, 2019	**11**	**7**	**-**	**-**	**18**
DEPRECIATION AND IMPAIRMENT:					
Balance at January 1, 2019	**-**	**-**	**-**	**-**	**0**
Accrued depreciation for 2019	(2)	(1)	-	-	-3
Disposal					0
Balance at December 31, 2019	**(2)**	**(1)**	**-**	**-**	**(3)**
CARRYING VALUE:					
Balance at January 1, 2019	**-**	**-**	**-**	**-**	**-**
Balance at December 31, 2019	**9**	**6**	**-**	**-**	**15**

Note 13. Right-of-use for the Rented Office

	December 31	
	2020	**2019**
	Thousands of US dollars	
Balance as of 01.01.	136	0
Receipt of the right-of-use for the rented office	131	150
Depreciation of the right-of-use	(27)	(4)
Writing off the right-of-use after termination of the contract	(116)	
Foreign currency translation difference	(12)	(10)
Balance at 31.12.	**112**	**136**

Right-of-use costs incurred in 2020:	**Amount in thousands of US Dollars**
Depreciation accrual for the period from 01.01 to 31.08.2020	(12)
Depreciation accrual for the period from 01.09 to 31.12.2020	(14)
Interest accrual for the period from 01.01 to 31.08.2020	(2)
Interest accrual for the period from 01.09 to 31.12.2020	(11)
Total expenses incurred for office rent	**(39)**
The amount of cash payments for rent in 2020, excluding VAT	**37**

The company rents office space. Lease agreements for the comparative and reporting periods were concluded:
- in March 2019, for a period of 22 months, but the Company's management did not intend to renew this agreement;
- in September 2020 for a period of 36 months. As of the date of the financial statements, the management of the Company does not intend to extend the lease term beyond that specified in the lease agreement and the lease does not contain an option to renew the lease.

The lease agreement contains an option for early termination of the lease at the initiative of either of the parties to the agreement, without additional payments, with the requirement to notify the counterparty under the agreement 90 days in advance by the lessor and 60 days in advance by the lessee.

The right of use under this agreement was calculated using an effective interest rate of 20% for a period of 36 months. The right-of-use calculation was made on the basis of net lease payments excluding value added tax.

The company does not provide any residual value guarantees for the leased asset,
The office rent was classified as a right-of-use until December 31, 2019.

In 2020 the Company had neither short-term rental agreements for the office nor the agreements with low value, which are reflected in administrative expenses.

Leases do not contain any covenants other than security for the leased assets owned by the lessor. Leased assets cannot be used as collateral for loans and borrowings.

[In thousands of US Dollars]

For the right-of-use for the rented office recognized in 2019, there was no information on the effective interest rate and the estimated lease term. Therefore, we decided to calculate the right-of-use at a rate of 16% per annum and for a period of 18 months; to make the necessary entries based on the schedule; to offset the over-recognised amount of the right-of-use asset against an obligation on rent payment in the amount of 1,170,160 thousand Uzbek Soums / 116 thousand US Dollars after termination of the contract.

Note 14. Trade and Other Accounts Payable

	December 31	
	2020	**2019**
	Thousands of US Dollars	
Audit fee	7	
Remuneration to employees	6	
Vacation allowance	8	
Other	4	
Total trade and other accounts payable	**25**	**210**

Note 15. Income and Other Tax Liabilities

	December	
	2020	**2019**
Tax liabilities:	Thousands of US Dollars	
Income tax	26	
Value Added Tax	56	
Personal income tax	2	
Non-resident's income tax	45	
Single tax payment		
Total income and other tax liabilities	**129**	

Note 16. Loans and Borrowings

	December 31	
	2020	**2019**
	Thousands of US Dollars	
Loan obligations	9 214	2 993
Effect of presenting a loan at an effective interest rate	(442)	
Interest payable on loans	509	
Adjustment of interest payable at an effective rate	(49)	
Principal amount of a bank loan	218	
Bank loan interest payable	1	
Total loans and borrowings	**9 451**	**2 993**
including:		
Long-term portion of the loan principal amount	5 610	1 608
Short-term portion of the loan principal amount	3 841	1 385

Within a year the Company received investments from the "Alternative" Securitization Fund to finance the Company's lease operations. The terms of the contracts are on average 33 months. Payment of principal and interest under the financing line is made in equal quarterly installments according to the schedules. The effective borrowing rate was 21.85%.

Note 17. Finance Expenses

Finance Costs	December 31 2020	2019
	Thousands of US Dollars	
Losses from foreign exchange rates	118	
Losses from foreign exchange rates under a forward contract	233	
Total finance costs	**351**	

The management decided to book losses under the forward contract as finance expenses in 2020 and not to amortize them during the period of the novation agreement, since at the time the forward agreement was entered into, it was obvious that the agreement was onerous for the Company.

Note 18. Other Operating Income

	December 31 2020	2019
	Thousands of US Dollars	
Income from loan accounting at an effective interest rate	460	
Income from the presentation of advances from lessees at amortised cost	53	
Agency fee to an insurance agent	48	
Agency fee to suppliers of leased objects	1 011	
Penalty for late payments	24	8
Other income	0	20
Total other operating income	**1 597**	**28**

Note 19. Share Capital

Founders	Formation of the Share Capital as of December 31, 2020 — Date	Amount in thousands of USD
Mikro Kapital Management S.A. with registered address at 10, Rue C.M. Spoo, L-2546, Luxembourg Trade and Companies Register under number b-227640	23.11.2018	29
	25.02.2019	85
	02.04.2019	168
Total amount of share capital as of 31.12.2019		**282**

	Formation of the Share Capital as of December 31, 2020	
Founders	**Date**	**Amount in thousands of USD**
Mikro Kapital Management S.A. with registered address at 10, Rue C.M. Spoo, L-2546, Luxembourg Trade and Companies Register under number b-227640	24.12.2020	367
Total amount of share capital as of 31.12.2020		**649**

The last increase in the share capital in the amount of 300 thousand Euros / 367 thousand USD / 3,850,683 thousand Uzbek Soums did not pass registration in the "One Window" Center.

Note 20. Salary

	December 31	
	2020	**2019**
	Thousands of US Dollars	
Opening balance	**6**	
Accrued during the year:		
Salary	143	
Production bonuses	78	
Sick leaves	3	
Financial assistance	1	
Transportaion costs to work and home	8	
Other	2	
Vacation Allowance	8	
Total accounts payable to employees	**243**	**132**
Accrued unified social tax	8	
Total accounts payable to employees and unified social tax	**251**	
Withheld and paid:		
Personal income tax withheld	(30)	
Paid out to employees	(195)	
Unified social tax paid to the budget	(8)	
Withheld from employees	(8)	
Total withheld and paid	**(241)**	**-**
Foreign currency translation difference	(2)	
Closing balance	**14**	**-**

Compensation accrued to key administrative staff, which includes the CEO of the Company, amounted to 613 773 thousand Uzbek Soums / 52 thousand USD in 2020.

[In thousands of US Dollars]

Note 21. Period Expenses

Commercial Costs	December 31 2020	December 31 2019
	Thousands of US Dollars	
Personnel costs and unified social tax	92	
Advertising and marketing costs	17	7
Costs for the repair of repossessed objects of lease	0	
Agency fees	9	
Communication services (mobile, internet. telephone)	1	
Depreciation of the right-of-use	21	
Expected credit losses	-	
Legal costs	3	
Costs of lessees' credit history collection	3	
Pledge register	1	
VAT on non-deductible expenses	16	
Inventories	0	
HR agency costs	10	
Costs for registration of leased objects	1	
Costs for storage of repossessed objects of lease	0	
Depreciation of fixed assets	0	
Total commercial costs	**174**	**7**

Administrative costs	December 31 2020	December 31 2019
	Thousands of US Dollars	
Personnel costs and unified social tax	151	143
Professional services	17	8
Transportation costs	8	0
Depreciation of the right-of-use assets	6	19
Program software	9	0
Technical support	1	0
Depreciation of fixed assets	5	7
Communication services (mobile, internet. telephone)	1	1
Stationery and office supplies	3	0
Business trip expenses	0	6
Subscription	0	0
Bank services	20	14
Non-resident's income tax	119	0
Office repair and maintenance	8	0
Expected credit losses on advances to suppliers	6	51
Expected credit losses on other accounts receivable	0	0
Expected credit losses on cash in bank accounts	(1)	3
Charity	0	1
Loss from presenting the amortised cost of finance leases at an effective rate	402	0
Recovery of other liabilities	23	0
Impairment of assets held for sale	9	0
Other	9	5
Total administrative costs	**796**	**258**

For the information on personnel costs, please, refer to Note 20.

[In thousands of US Dollars]

Note 22. Income Tax

Legal entities in the Republic of Uzbekistan independently make calculations of taxes, including income tax, and file them with the tax authorities. The standard corporate income tax rate for 2020 and 2019 was 15%. In 2020, according to the Tax legislation of the Republic of Uzbekistan, income tax was accured in the amount of 1,670,045 thousand Uzbek Soums/166 thousand USD.

A deferred tax asset is recognized only to the extent that it is probable that it will be available for recovery in the near term.

		Data for the year ended 31.12.2020				
	Tax rate for 2021	Permanent differences	Taxable difference	Subtracted difference	Deferred tax liability	Deferred tax asset
		Thousands of US Dollars				
The right-of-use for the rented office	15%	0	112		18	
Finance lease	15%			706		106
Inventories and advances for them	15%	0	95		14	
Other financial assets	15%	0		234		35
Cash and cash equivalents	15%			3		0
Loan obligations and advances from lessees	15%	0	552		83	
Right-of-use liabilities	15%	0		120		18
Total deferred taxes in the Statement of Comprehensive Income					115	159
Foreign currency translation difference					**(5)**	**(6)**
			759	**1 063**	**110**	**153**
Income tax relating to items that may be reclassified						3
Total deferred taxes in the Statement of Financial Position					**110**	**156**

[In thousands of US Dollars]

Note 23. Income and Expenses

Interest income	December 31	
	2020	**2019**
	Thousands of US Dollars	
Interest income from finance lease	1 688	252
One-time margin	491	
Total interest income	**2 179**	**252**

Interest expense	December 31	
	2020	**2019**
	Thousands of US Dollars	
Interest expense on borrowings	1 159	
Interest expense on loans	1	
Interest expenses on the right-of-use for the rented office	13	
Total interest expense	**1 173**	**138**

Note 24. Financial Risk Management

Risk Management

The activities of the Company are inherent to financial risks, operational and legal risks. Financial risks consist of credit risk, market risk and liquidity risk. Market risk comprises currency risk, interest rate risk and other price risks. The company manages financial risks by setting limits and ensuring compliance with them. Operational and legal risk management should ensure that internal policies and procedures are properly followed to minimize operational and legal risks.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations. Credit risk arises from issuance of loans, finance leases and other Company's transactions with its counterparties, which give rise to financial assets. The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

The company structures the level of credit risk by setting limits on the amount of risk assumed for a lessee or a group of lessees.

The Company monitors its credit risk on an annual basis or more frequently. The company has collateral for the net investment in the lease. The assessment of the value of collateral is based on the value calculated at the inception of the finance lease and is generally not revised.

Credit quality by types of assets is disclosed in Note 8.

The Company manages the credit risk associated with finance lease receivables based on an analysis of lessees on a group and individual basis.

Impairment Assessment

The Company recognizes an allowance for expected credit losses on all net investments in leases and other debt financial instruments.

Under IFRS 9, the impairment requirements do not apply to equity instruments.

The allowance for expected credit losses is measured at the amount of credit losses that are expected to occur over the life of the asset (lifetime expected credit losses) if the credit risk on the financial asset has increased significantly since initial recognition. Otherwise, the ECL will be measured at the amount of ECL over a 12-month horizon. Lifetime ECL and 12-month ECL are calculated either on an individual basis or on a group basis, depending on the nature of the portfolio of financial instruments.

The Group has established an assessment policy at the end of each reporting period as to whether there has been a significant increase in the credit risk of a financial instrument since initial recognition, taking into account changes in the risk of a default occurring over the remaining life of the financial instrument. Based on the above process, the Group combines financial assets as follows:

Stage 1: On initial recognition of financial assets, the Group recognizes an ECL allowance equal to 12-month ECL. Stage 1 also includes financial assets for which the credit risk has decreased to the extent that they were transferred from Stage 2.

Stage 2: If the credit risk of a financial asset has increased significantly since initial recognition, the Group recognizes an ECL in an amount equal to the ECL for the life of the asset. Stage 2 also includes financial assets for which the credit risk has decreased to the extent that they were transferred from Stage 3.

Stage 3: Financial assets that are credit-impaired. The Group recognizes an allowance for expected credit losses in an amount equal to lifetime ECL. The Group believes that a financial instrument has defaulted and, therefore, is related to Stage 3 (credit-impaired assets) for ECL purposes whenever the counterparty is 90 days overdue for at least one transaction, or there are other signs of impairment. For example, financial instruments will be classified as related to Stage 3 if one or more transactions with a counterparty are terminated unilaterally by the Group, regardless of the delay. Fraudulent financial instruments also fall into Stage 3.

The Company assesses ECL collectively for all other classes of financial assets that it adds up into homogeneous groups based on their intrinsic and extrinsic characteristics.

Estimation of Expected Credit Losses (ECL)

Expected credit losses are an estimate of the present value of future cash losses weighted by probability (i.e. the weighted average of credit losses using the respective risks of a default occurring over a given period of time as weights). Estimates of expected credit losses are objective and are determined by calculating a range of possible outcomes. Estimates of expected credit losses are based on four components used by the Company: the probability of default, the amount of the credit requirement at risk of default, loss in case of default and the discount rate.

Indebtedness at the time of default is an assessment of the risk at a future default date, taking into account the expected changes in the amount of risk after the end of the reporting period, including repayment of principal and interest, and the expected use of funds on loan commitments.

To assess the probability of default, the Company defines a default as a situation in which the exposure to risk meets one or more of the following criteria:

• a borrower delays the payments stipulated by the agreement for the period exceeding 90 days;

• a borrower is insolvent, has violated financial conditions, or there is a high probability of bankruptcy.

For disclosure purposes, the Company has brought the definition of default in line with the definition of impaired assets. The above definition of default applies to the leasie and other financial assets of the Company.

Default of Cash and Cash Equivalents

To assess the probability of default on cash and cash equivalents, the Company relies on the criteria for inclusion of financial institutions by international rating agencies in the default rating class.

Probability of Default (PD) - an estimate of the probability of default occurring over a specified period of time. Loss in case of default (LGD) is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows payable and those that the lender expects to receive, including the sale of collateral. This indicator is expressed as a percentage of the debt at the time of default. The expected losses are discounted to their present value at the end of the reporting period. The discount rate is an effective rate for a financial instrument. The Company believes that there has been a significant increase in credit risk for a financial instrument when one or both of the following criteria are met:

- delay in payment for 30 days;

- the presence of negative information on the financial condition of the counterparty, taking into account the assessment by the internal rating.

The level of expected credit losses recognized in the financial statements is dependent on the presence of a significant increase in the borrower's credit risk since initial recognition. This approach is based on a three-step model for estimating expected credit losses.

Stage 1 - For a financial instrument that was not impaired at the time of initial recognition and there has been no significant increase in credit risk since then, a credit loss provision is created based on 12-month expected credit losses.

Stage 2 - If a significant increase in credit risk has been identified since initial recognition, the financial instrument is transferred to Stage 2, but is not yet considered impaired, but an allowance for credit losses is created based on lifetime expected credit losses.

Stage 3 - If the financial instrument is impaired, it is transferred to Stage 3 and a loss allowance is created based on lifetime expected credit losses. As a result of the transfer of the asset to Stage 3, the entity ceases to recognize interest income based on the gross carrying amount and, in calculating interest income, applies the asset's effective interest rate less expected credit losses to the carrying amount. A three-step model for estimating expected credit losses is applied by segment, i.e. for retail and corporate transactions separately.

The Company uses three approaches to estimate expected credit losses:

(i) assessment on an individual basis;

(ii) collective assessment: internal ratings are assessed on a case-by-case basis, however, in the process of calculating expected credit losses for the same credit risk ratings and similar segments of the loan portfolio, the same credit risk parameters are applied (for example, probability of default, loss in case of default);

(iii) assessment based on external ratings.

The Company performs valuation on a case-by-case basis for finance lease receivables and other financial assets of the corporate transactions segment classified under Stage 3 of the ECL model. Credit risk assessment is based on the expert opinion of the employees directly involved into the work with accounts receivable.

For stages 1 and 2 of the model, the Company calculates an allowance for losses on a group basis in the context of corporate and retail lease products, and for stages 3 for other financial assets of retail lease impairment is recognized. The evaluation criteria are the client's payment discipline and additional negative information about the client received from the department involved into the work with accounts receivable.

In general, expected credit losses are equal to the product of the following credit risk parameters: debt at default, probability of default and losses in case of default, as defined above, discounted to their present value using the instrument's effective interest rate.

To calculate expected credit losses, two types of default probability are used: the probability of default within 12 months and the probability of default over the entire period. The 12-month probability of default estimate is based on the latest available historical defaults and adjusted for forward-looking information as necessary. The lifetime probability of default is an estimate of the probability that a default will occur over the remaining life of the financial instrument and is the sum of the 12-month probabilities of default over the life of the instrument. To calculate the probability of default over the entire period, the Company uses different statistical methods depending on the segment and type of financial instrument.

The loss on default represents the Company's expectation of the amount of the loss on the defaulted loan. The loss in case of default depends on the type of counterparty, the type and priority of the claim as well as on the availability of collateral or other credit security. Losses in the event of default for 12 months and for the entire period are determined based on factors that influence the expected recovery after the occurrence of a default. The approach to estimating a loss in the event of a default can be divided into three possible methods:

- an estimate of the loss in case of default based on the specific characteristics of the collateral;
- calculation of loss in case of a portfolio default based on statistical data on compensation received;
- individual determination of loss in case of default, depending on various factors and scenarios.

The Company calculates a loss in the event of default based on specific characteristics of the collateral, such as the estimated value of the property being sold. The loss in case of default is calculated collectively using the latest available sales statistics for each segment separately.

The assessment of significant increases in credit risk and the calculation of expected credit losses require the use of forward-looking information. In order to take into account forecast information, the available part of the last economic cycle is divided into the following phases: Optimistic, Average, Pessimistic. Based on the Company's expectations regarding the frequency of defaults on the lease portfolio on the annual horizon after the reporting date, the phase of the economic cycle that is closest to expectations is selected. The assessment of the frequency of defaults over the next year depends both on the state of the Company's lease portfolio as of the reporting date and the frequency of defaults in the previous period as well as on the forecast regarding the economy condition of the Republic of Uzbekistan.

Market Risk

Market risk is a risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, currency rates and equity prices. The company does not have significant concentrations of market risk.

Currency Risk

Currency risk is a risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

For the past 12 months of 2020, the Company carried out its activity in the territory of the Republic of Uzbekistan and mostly made settlements in Uzbek Soums. It does not have significant positions in foreign currencies in financial assets and financial liabilities, and, therefore, it is not exposed to significant currency risks.

[In thousands of US Dollars]

The table shows the Company's commitment to foreign exchange risk

	December 31, 2020			
	Uzbek sums	**US Dollars**	**Euro**	**Total**
	Thousands of USD			
Financial assests				
Cash and cash equivalents	166	1	10	177
Net investment in lease	10 155			10 155
Other financial assets	323			323
Total financial assets	**10 644**	**1**	**10**	**10 655**
Financial liabilities				
Advances from lessees	(759)			(759)
Loans received	(9 451)			(9 451)
Other financial liabilities	(140)			(140)
Total financial liabilities	**(10 350)**	**-**	**-**	**(10 350)**
Net position	**294**	**1**	**10**	**305**

Interest Rate Risk

The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Such fluctuations can increase the level of interest margins, however, in the event of unexpected changes in interest rates, the interest margin can decrease or lead to losses. Management takes into account the current level of interest rates on bank loans when setting interest rates for finance lease agreements.

Financing of investments in lease is carried out mainly at the expense of borrowed capital received from:

- "Alternative", a securitization fund established in accordance with the laws of the Grand Duchy of Luxembourg under the management of the Joint Stock Company "Micro Capital Management SA" and

- Joint-Stock Commercial Bank "Kapital-Bank".

Despite the fact that interest rates on the loan got by the Company from banks are fixed, the banks have the contractual right to increase interest rates in the event of a change in the refinancing rate of the Central Bank of the Republic of Uzbekistan. The management assesses the possibility of changes in the refinancing rate of the Central Bank of the Republic of Uzbekistan as having a low degree of probability.

The table below shows the weighted average effective interest rates based on the reports analyzed by the Group's key executives:

Items in the Statement of Financial Position	**2020**	**2019**
Assets		
Finance lease receivables	27 to 36%	27 to 36%
Liabilities		
Bank loans	22%	
Borrowings from the parent company	22%	

Liquidity Risk

Liquidity risk is a risk that the Company will encounter difficulties in meeting its obligations. The liquidity level is constantly monitored in order to create and maintain a diversified resource base. The management of the liquidity loss risk is carried out by the Administrative Personnel of the Company in order to maintain the current solvency. The Company's finance lease agreements are funded by separate tranches of bank loans with corresponding or later maturities, and under the terms of loan agreements, banks are not entitled to demand early repayment of loans if the Company fulfills its obligations. The Company has the right to repay loans ahead of schedule, earlier than the contractual maturity date. For the purposes of liquidity risk management, the administrative staff monitors the Company's liquidity position based on an analysis of contractual undiscounted cash flows for related financial assets, financial liabilities, and non-financial assets and liabilities related to finance lease transactions on a weekly basis.

Note 25. Capital Management

Capital management of the Company is aimed at ensuring the Company's ability to function as a going concern.

The administrative personnel of the Company manages the capital based on the data of managerial reports, in which the valuation of assets and liabilities coincides with the financial statements in accordance with IFRS.

The administrative staff considers equity, loans from banks and loans from "Alternative" as capital used for capital management purposes. As of December 31, 2020, the amount of capital under the management of the Company amounted to 105,237,718 thousand Uzbek Soums / 10,100 thousand US Dollars (2019: 14,066,286 thousand Uzbek Soums / 3,415 thousand US Dollars). The capital of the Company changes due to changes in retained earnings, receipt and repayment of loans from banks, issuance and repayment of loans.

Management believes that the amount of capital as at 31 December 2020 is sufficient to support the stable operation of the Company.

Note 26. Contingent Liabilities

Lawsuits

In legal proceedings, the Company can potentially act as a defendant and a plaintiff. As of December 31, 2020, there are no legal proceedings pending against the Company.

The company is in litigation with unscrupulous lessees. As of December 31, 2020, the Company is acting as a plaintiff in 6 lawsuits and 2 lawsuits are being prepared for submission to court. The total amount for all the lawsuits already filed and being in the process of filing amounted to 178 775 thousand Uzbek Soums /17 thousand US Dollars.

Tax Legislation

On January 1, 2020 the new edition of the Tax Code of the Republic of Uzbekistan came into force. There are no official comments and interpretations on its application. A number of provisions in the new Tax Code of the Republic of Uzbekistan are formulated ambiguously (based on a judgment), and during the audit they may be challenged by the tax authorities and there may be additional accrual of income tax, value added tax, penalties and fines.

Capital Commitment

As of December 31, 2020, the Company did not have any contractual capital commitments.

Operating Lease Liability

As of December 31, 2020, the Company has a lease agreement for a period of three years, the agreement contains a clause on early termination of the lease agreement upon prior notification from the lessor 90 days in advance and from the Company's side 60 days in advance without compensation payments. The Company's management estimates early termination of the lease as unlikely and reflects this lease in the financial statements as the right-of-use, with an effective rate of 20% and a duration of 36 months.

Note 27. Fair Value of Financial Instruments

The estimated fair value of financial instruments measured at fair value through profit or loss for the period is based on quoted market prices at the reporting date without any deduction of transaction costs. In the absence of quoted market prices, the fair value is determined using valuation techniques, including discounted cash flows and other valuation techniques used by market participants.

The results of the fair value measurements are analyzed and categorized by levels of the fair value hierarchy as follows:

(i) Level 1 includes estimates at quoted prices (unadjusted) in active markets for identical assets or liabilities,

(ii) Level 2 includes valuation techniques in which all significant inputs used are observable for the asset or liability, either directly (i.e., for example, price) or indirectly (i.e., price derivatives), and

(iii) Level 3 includes estimates that are not based on observable market data (i.e based on unobservable inputs). Management uses judgment in categorizing financial instruments in the fair value hierarchy. If the fair value measurement uses observable data that requires a significant adjustment, it is classified as Level 3. The significance of the data used is evaluated across the entire population of fair value measurements.

The economy of the Republic of Uzbekistan continues to exhibit some of the characteristics of developing countries, and economic conditions continue to constrain volume of activity in the financial markets. Quoted market prices may be outdated or reflect low selling price and, therefore, may not reflect the fair value of financial instruments. In determining the fair value of financial instruments, the Management of the Company uses all available market information.

Note 28. Related Party Transactions

Parties are regarded as related if they are under common control, or one party has the ability to control the other, or can exercise significant influence over the other party in making financial and operational decisions. When considering relationships with all related parties, the economic substance of the relationship is taken into account, not just its legal form.

The only member of the company (shareholder) is "Mikro Kapital Management S. A.", a legal entity established in accordance with the legislation of the Grand Duchy of Luxembourg. At the same time, “ALTERNATIVE”, a securitization fund established and operating under the laws of the Grand Duchy of Luxembourg, being the lender of “MIKRO LEASING” LLC is under the management of "Mikro Kapital Management S. A."

Settlements with Affiliated Parties

	December 31	
	2 020	2 019
	Thousands of USD	
Balance at the beginning of the period total, including:	**2 993**	**0**
Principal amount	2 951	0
Interest payable	42	0
Loans received during the period	7 507	3 293
Interest accrued on loans during the period	1 211	104
Adjustment of interest payable at the effective rate	(51)	
Effect of presenting a loan at the effective interest rate	(442)	
Accrued exchange rate difference under the forward contract to the novation agreement	233	
Charged transaction costs (bank money transfer services)	7	
Total received and accrued	**8 465**	**3 397**
Paid in repayment of the principal amount of loans	(1 093)	432
Interest paid on loans	(721)	62
The exchange rate difference has been paid under the forward contract	233	
Transaction costs paid (bank money transfer services)	7	
Total paid	**(1 573)**	**494**
Foreign exchange rate differences	**123**	**89**
on principal amount	122	90
on interest payable	2	0
Foreign currency translation difference		
on principal amount	(274)	
on interest payable	(21)	
Balance at the end of the period, total, including:	**9 232**	**2 993**
Principal amount	8 772	2 951
Interest payable	460	42

In the statement of financial position, debt on loans as of 31.12.2020 in thousands of Uzbek Soums:

Short-term portion of the principal amount	3 162	1 385
Long-term portion of the principal amount	5 610	1 608
Interest payable on loans	460	
Total loan liability	**9 232**	**2 993**

Note 29. Events after the Reporting Date (Period from January 1 to April 28, 2021)

By the decision of the sole shareholder of FE "MIKRO LEASING" LLC under No. 19 dated 03/15/2020, a branch of FE "MIKRO LEASING" LLC was established in Samarkand.
A loan agreement was concluded with SIA Mintos Finance for the amount of 3 million Euro.
Most of the advances paid to suppliers have been closed.
Representative offices were opened in Namangan and Andijan.
A new edition of the Charter was registered in January 2021. Amendments were made to paragraph 4 "Share Capital" of the Charter. The registered amount of the Share capital is 6 204 326 thousands of Uzbek Soums. The amount of the share capital contributed by the founders in 2019 in the amount of 10 081 thousand Uzbek Soums / 1 thousand US Dollars was not registered.