

**NATIONAL ELECTRICAL GRID  
OF KYRGYZSTAN OJSC**

**Financial statements**  
for the year ended December 31, 2023

**and independent auditor's report**

# NATIONAL ELECTRICAL GRID OF KYRGYZSTAN OJSC

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# NATIONAL ELECTRICAL GRID OF KYRGYZSTAN OJSC

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report set out on pages 3-6 is made with a view to distinguish the respective responsibilities of management and those of the independent auditor in relation to the financial statements of the National Electrical Grid of Kyrgyzstan Open Joint Stock Company (the "Company").

Management of the Company is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2023, the results of its operations, cash flows and changes in shareholders' capital of the Company for the year then ended, in accordance with the International Financial Reporting Standards (the "IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements for the year ended December 31, 2023 were approved and authorized for issue on March 26, 2024 by the Management of the Company.

On behalf of the Management of the Company:



**Rysbekov A. D.**  
General Director

March 26, 2024  
Bishkek, the Kyrgyz Republic



**Batyrbekova N. K.**  
Chief Accountant

March 26, 2024  
Bishkek, the Kyrgyz Republic

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Board of Directors and Management of the National Electrical Grid of Kyrgyzstan Open Joint Stock Company:

### Opinion

We have audited the financial statements of National Electrical Grid of Kyrgyzstan Open Joint Stock Company (the "Company"), which comprise of the statement of financial position as at December 31, 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (the "IFRS").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (the "ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

### *Presentation of financial statements*

National Electrical Grid of Kyrgyzstan OJSC in accordance with the order of the Cabinet of Ministers of the Kyrgyz Republic #51-P dated February 8, 2022 and the order of the Ministry of Energy of the Kyrgyz Republic # 01-13/23 dated February 18, 2022 joined Severelectro OJSC, Vostokelectro OJSC, Jalalabatelectro OJSC, Oshelectro OJSC from August 1, 2022. IFRS does not apply to business combinations involving entities or businesses under common control, respectively, Management has used its judgment and other standards to develop accounting policies that are relevant and reliable, in accordance with IAS 8.10-12:

- For the purposes of presentation of these financial statements, comparative amounts are restated as if the merger had occurred at the beginning of the earliest comparative period presented. Thus, the financial statements for 2022 include NEGK and all distribution companies.

- Under the pooling of interest method, the combining entity accounts for the combined assets and liabilities of the parties to be acquired at book value rather than fair value. A single accounting policy should be applied in the financial statements for each class of property, plant and equipment. It is not feasible to calculate retrospectively the aggregate depreciated historical cost of the revalued assets of the distribution companies. Since property, plant and equipment at NEGK are measured in accordance with the cost model of IAS 16, and all property, plant and equipment in the combined financial statements must be valued on the same basis to achieve uniformity, a similar approach was applied to the property, plant and equipment of distribution companies. In accordance with IAS 8:23-27, management applies the cost approach prospectively from the earliest practicable date which is the beginning of the comparative period.

#### *Impairment of property, plant and equipment*

The issue of testing property, plant and equipment for impairment was one of the most significant for our audit, because property, plant and equipment represent a significant portion of the Company's total assets at the reporting date, and also because the process of management's assessment of the recoverable amount of property, plant and equipment is complex, largely subjective and is based on assumptions, in particular, on the forecast of established tariffs for the transmission and distribution of electricity, the costs of construction and repairs of existing and under construction facilities, which depend on the expected future market or economic conditions in the Kyrgyz Republic.

We evaluated the assumptions and methodologies used, particularly those related to projected electricity sales revenues, long-term growth rates and discount rates. We studied the draft amendments to the Resolution of the Cabinet of Ministers of the Kyrgyz Republic "On Approval of the Medium-Term Electricity Tariff Policy of the Kyrgyz Republic for 2021-2025" dated September 30, 2021, No. 192, under which annual indexation of tariffs by the inflation rate is planned. We compared observable model parameters, such as discount rates, with available external sources of information. We also analyzed the sensitivity of the model to changes in key valuation parameters and the Company's disclosures of those assumptions on which the impairment test results are most sensitive.

#### *Accounting for loans received*

A significant part of the liabilities of the Company is accounted for by loans received from the Government of the Kyrgyz Republic represented by the Ministry of Finance of the Kyrgyz Republic. The fair value of the loans at the date of initial recognition, as well as significant modifications of such financial instruments, is determined by the Company based on valuation models that may use complex assumptions and unobservable inputs. Different valuation methods and the use of different assumptions can have a significant impact on the outcome of the fair value measurement. This issue was one of the most significant for our audit due to the application of significant management judgments in relation to the calculation of the fair value of loans received.

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2 to the financial statements, which indicates that the Company has accumulated deficit as at December 31, 2023 and 2022, the increase in tariffs to cover operating expenses is subject to control by the Government of the Kyrgyz Republic. Currently, revenues from the transmission and sale of electricity are not always sufficient to cover operating costs. These financial statements do not include any adjustments that might result from the outcome of these uncertainties. These circumstances do not lead to modification of the auditor's opinion.

National Electrical Grid of Kyrgyzstan OJSC is included in the register of strategic organizations of the Kyrgyz Republic. In accordance with the Law "On the special status of the Toktogul hydroelectric power plants and the national high voltage transmission line" dated December 28, 2001 # 7 the Company's property is protected by the state and the state-owned shares cannot be sold, pledged, exchanged for the payment of the Kyrgyz Republic external debt, transferred to the trust management to anyone, the Company's property is not subject to any type of alienation, including indirect. The energy system of the Kyrgyz Republic is in the process of reform. In 2023, the Kyrgyz Republic government accepted the draft amendments to the regulation of the Cabinet of Ministers of the Kyrgyz Republic #192 dated September 30, 2021 "On Approval of the medium term electricity tariff policy of the Kyrgyz Republic for the period 2021-2025" whereby from May 1, 2024 tariffs are planned to be increased and further indexed annually by the level of inflation. Such reforms may cause material changes to the financial statements which cannot be estimated reliably.

This report has been prepared for the management, shareholders of the Company, the Ministry of Energy of the Kyrgyz Republic (the "Ministry of Energy"), Asian Development Bank (the "ADB") and World Bank. To the fullest extent, permitted by the Law, our audit work has been undertaken so that we might report those matters that we are required to report in an Auditor's Report in accordance with ISA and IFRS and for no other purpose. We do not, in providing this opinion, accept or assume responsibility for any other purposes or to any other person to whose knowledge this report may come to.

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

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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



Kubat Alymkulov



Certified accountant, FCCA  
Certificate of auditor of the Kyrgyz Republic  
No. A 0069 dated October 19, 2009  
Audit Partner,  
Director, Baker Tilly Bishkek LLC

Baker Tilly Bishkek LLC is registered in the "Register of audit organizations admitted for audit of public Interest entities and large entrepreneurship entities" of the Unified state register of auditors, audit organizations, professional audit associations. Individual registration number 2101510 dated August 9, 2023

March 26, 2024  
Bishkek, the Kyrgyz Republic

# NATIONAL ELECTRICAL GRID OF KYRGYZSTAN OJSC

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023 (in thousands of Kyrgyz soms)

	Notes	December 31, 2023	December 31, 2022 (restated)
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant, equipment and intangible assets	6	66,443,626	62,953,664
Advances paid, long-term part	7	43,999	-
Investments		31,940	19,075
Other assets, long term part		2,457	3,168
		<u>66,525,022</u>	<u>62,975,907</u>
<b>CURRENT ASSETS:</b>			
Inventories	8	1,669,649	1,710,702
Trade and other accounts receivable	9	1,259,696	1,553,143
Advances paid, short-term part	7	55,444	154,216
Taxes paid in advance	10	113,768	138,715
Restricted cash	11	9,047	8,777
Cash and cash equivalents	11	996,053	518,203
Other assets, short term part		36,692	16,137
		<u>4,140,349</u>	<u>4,099,893</u>
<b>TOTAL ASSETS</b>		<u><b>70,665,371</b></u>	<u><b>67,075,800</b></u>

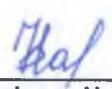
**NATIONAL ELECTRICAL GRID OF KYRGYZSTAN OJSC**

**STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2023 (CONTINUED)**  
*(in thousands of Kyrgyz soms)*

	Notes	December 31, 2023	December 31, 2022 (restated)
<b>EQUITY AND LIABILITIES:</b>			
<b>EQUITY:</b>			
Share capital	12	7,982,717	2,587,418
Repurchased shares		(10,092)	(10,092)
Reserve capital		243,466	243,466
Accumulated deficit		<u>(7,227,721)</u>	<u>(3,813,182)</u>
<b>TOTAL EQUITY</b>		<u>988,370</u>	<u>(992,390)</u>
<b>NON-CURRENT LIABILITIES:</b>			
Borrowings, long-term part	13	55,331,080	54,032,950
Deferred income, long-term part	14	1,355,163	1,242,107
Liabilities under contracts with suppliers	15	212,074	220,145
Deferred tax liabilities		1,728,178	2,129,416
Trade accounts payable, long-term part	17	-	165,828
Employee defined benefit obligations, long-term part	16	<u>150,332</u>	<u>164,704</u>
		<u>58,776,827</u>	<u>57,955,150</u>
<b>CURRENT LIABILITIES:</b>			
Borrowings, short-term part	13	6,150,508	5,682,767
Trade accounts payable, short-term part	17	2,605,606	2,331,418
Advances received	18	390,555	256,194
Taxes payable	19	574,753	713,589
Employee benefit obligations	21	964,304	876,591
Other liabilities	20	<u>214,448</u>	<u>252,481</u>
		<u>10,900,174</u>	<u>10,113,040</u>
<b>TOTAL LIABILITIES</b>		<u>69,677,001</u>	<u>68,068,190</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>70,665,371</u>	<u>67,075,800</u>

On behalf of the Management of the Company:

  
  
**Rysbekov A. D.**  
**General Director**  
 March 26, 2024  
 Bishkek, the Kyrgyz Republic

  
**Batyrbeková N. K.**  
**Chief Accountant**  
 March 26, 2024  
 Bishkek, the Kyrgyz Republic

The notes on pages 13-54 form an integral part of the financial statements. The independent auditor's report is on pages 3-6.

**NATIONAL ELECTRICAL GRID OF KYRGYZSTAN OJSC**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2023**

*(in thousands of Kyrgyz soms)*

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Revenue	22	22,568,572	19,826,373
Cost of sales	23	(17,856,828)	(15,459,134)
<b>GROSS PROFIT</b>		<b>4,711,744</b>	<b>4,367,239</b>
Selling expenses	24	(2,372,488)	(2,135,799)
General and administrative expenses	25	(1,117,376)	(1,008,338)
Net loss on foreign exchange operations	26	(2,651,920)	(238,428)
Finance gain	27	55,470	42,775
Finance costs	28	(3,762,201)	(3,042,196)
Other operating income	29	981,871	449,374
Other operating expenses	29	(33,343)	(66,011)
Other non-operating expenses, net	30	(155,682)	(189,610)
<b>LOSS BEFORE INCOME TAX</b>		<b>(4,343,925)</b>	<b>(1,820,994)</b>
Income tax	31	401,238	(4,102)
<b>NET LOSS FOR THE YEAR</b>		<b>(3,942,687)</b>	<b>(1,825,096)</b>
Other comprehensive income		32,034	59,665
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(3,910,653)</b>	<b>(1,765,431)</b>

On behalf of the Management of the Company:

  
  
**Rysbekov A. D.**  
**General Director**  
 March 26, 2024  
 Bishkek, the Kyrgyz Republic

  
**Batyrbekova N. K.**  
**Chief Accountant**  
 March 26, 2024  
 Bishkek, the Kyrgyz Republic

The notes on pages 13-54 form an integral part of the financial statements. The independent auditor's report is on pages 3-6.

# NATIONAL ELECTRICAL GRID OF KYRGYZSTAN OJSC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023

(in thousands of Kyrgyz soms)

	Note	Share capital	Reserve capital	Repurchased shares	Accumulated deficit	Total equity
as at December 31, 2021	12	<u>2,587,418</u>	<u>243,466</u>	-	<u>(2,823,042)</u>	<u>7,842</u>
Loss for the year		-	-	-	(1,825,096)	(1,825,096)
Dividends declared	12	-	-	-	(62,103)	(62,103)
Recognition of fair value of borrowings	13	-	-	-	847,175	847,175
Repurchased shares		-	-	(10,092)	-	(10,092)
Revaluation of employee defined benefit obligation	16	-	-	-	59,665	59,665
Adjustments of previous years		-	-	-	(9,781)	(9,781)
as at December 31, 2022 (restated)		<u>2,587,418</u>	<u>243,466</u>	<u>(10,092)</u>	<u>(3,813,182)</u>	<u>(992,390)</u>
Loss for the year		-	-	-	(3,942,687)	(3,942,687)
Recognition of fair value of borrowings	13	-	-	-	497,267	497,267
Revaluation of employee defined benefit obligation	16	-	-	-	32,034	32,034
Adjustments of previous years		-	-	-	(1,153)	(1,153)
Shares issued	12	<u>5,395,299</u>	-	-	-	<u>5,395,299</u>
as at December 31, 2023	12	<u>7,982,717</u>	<u>243,466</u>	<u>(10,092)</u>	<u>(7,227,721)</u>	<u>988,370</u>

On behalf of the Management of the Company:

  
**Rysbekov A. D.**  
 General Director

March 26, 2024  
 Bishkek, the Kyrgyz Republic

  
**Batyrbekova N. K.**  
 Chief Accountant

March 26, 2024  
 Bishkek, the Kyrgyz Republic

The notes on pages 13-54 form an integral part of the financial statements. The independent auditor's report is on pages 3-6.

**NATIONAL ELECTRICAL GRID OF KYRGYZSTAN OJSC**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023**  
*(in thousands of Kyrgyz soms)*

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Proceeds from sale of services		22,425,013	16,397,961
Other proceeds		774,876	676,298
Interest received		42,605	-
Payments to suppliers for goods and services		(2,507,005)	(2,767,749)
Payroll and related taxes		(8,907,822)	(5,106,025)
Other payments		<u>(9,297,388)</u>	<u>(3,340,789)</u>
Cash flows from operating activities		<u>2,530,279</u>	<u>5,859,696</u>
Interest paid	13	(1,516,605)	(621,973)
Income tax paid		<u>(2,371)</u>	<u>(169,426)</u>
Net cash inflow from operating activities:		<u>1,011,303</u>	<u>5,068,297</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of fixed assets	6	(3,201,023)	(6,449,113)
Proceeds from sale of fixed assets		-	241
Interest and dividends received		-	493
Repayment of deposit		<u>87</u>	<u>8,000</u>
Net cash flows used from financing activities		<u>(3,200,936)</u>	<u>(6,440,379)</u>

**NATIONAL ELECTRICAL GRID OF KYRGYZSTAN OJSC**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023 (CONTINUED)**  
*(in thousands of Kyrgyz soms)*

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from borrowings	13	3,105,561	6,005,407
Repayment of borrowings	13	(5,675,681)	(2,655,195)
Increase in share capital	12	5,395,299	-
Repurchase of shares		-	(636)
Dividends paid	12	(31,873)	(26,399)
Other proceeds from financing activities		66,885	-
Net cash inflow from financing activities		<u>2,860,191</u>	<u>3,323,177</u>
Effect of foreign exchange differences on cash and cash equivalents		<u>(183,262)</u>	<u>(72,982)</u>
NET INCREASE OF CASH AND CASH EQUIVALENTS		<u>487,296</u>	<u>1,878,113</u>
Cash and cash equivalents, at the beginning of the year	11	<u>518,203</u>	<u>1,052,496</u>
Changes in restricted cash		<u>(9,446)</u>	<u>(2,412,406)</u>
Cash and cash equivalents, at the end of the year	11	<u>996,053</u>	<u>518,203</u>

On behalf of the Management of the Company:

  
  
**Rysbekov A. D.**  
**General Director**  
 March 26, 2024  
 Bishkek, the Kyrgyz Republic

  
**Batyrbekova N. K.**  
**Chief Accountant**  
 March 26, 2024  
 Bishkek, the Kyrgyz Republic

The notes on pages 13-54 form an integral part of the financial statements. The independent auditor's report is on pages 3-6.

# NATIONAL ELECTRICAL GRID OF KYRGYZSTAN OJSC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(in thousands of Kyrgyz soms, unless otherwise stated)

### 1. BACKGROUND

National Electrical Grid of Kyrgyzstan OJSC (hereinafter — the “Company”) was established on September 7, 2001 as a result of reorganization of Kyrgyzenergo OJSC. During 2001 the division of Kyrgyzenergo OJSC was carried out in accordance with long-term governmental program “Reorganization and privatization of Kyrgyzenergo JSC” appointed by the decision of Government No. 333 dated July 5, 1998. As a result of reorganization, Kyrgyzenergo OJSC was divided into seven newly formed companies, becoming successors of assets and liabilities, as well as operating activity of Kyrgyzenergo OJSC. Shareholders of Kyrgyzenergo OJSC received equivalent shares in newly formed companies.

The Company was initially registered in the Ministry of Justice of the Kyrgyz Republic on December 25, 2001, certificate No. 16742-3301-OAO and reincorporated on November 11, 2023.

National Electrical Grid of Kyrgyzstan OJSC in accordance with the order of the Cabinet of Ministers of the Kyrgyz Republic #51-P dated February 8, 2022 and with the order of the Ministry of Energy of the Kyrgyz Republic # 01-13/23 dated February 18, 2022 joined Severelectro OJSC, Vostokelectro OJSC, Jalalabatelectro OJSC, Oshelectro OJSC from August 1, 2022.

The Company is a legal entity, registered in accordance with the law of the Kyrgyz Republic and is responsible for the following activities:

- transmission of electric power, according to license No. 341 of September 7, 2022;
- distribution of electric power, according to license No. 342 of September 7, 2022;
- sale of electric power, according to license No. 343 of September 7, 2022;
- export of electric power, according to license No. 344 dated September 7, 2022;
- import of electric power, according to license No. 345 dated September 7, 2022;

The Company consists of 9 branches and head office located in Bishkek, conducting administrative and coordinative control on operational and maintenance field activities of the branches. The Company includes the following branches: Chui, Issyk-Kul, Naryn, Talas, Osh, Batken, Jalal-Abad, Bishkek high-voltage electrical grid plants, and the Training Center.

As at December 31, 2023 and 2022 the structure of shareholders is presented as follows:

	December 31, 2023		December 31, 2022 (restated)	
	Amount, thousand soms	Share	Amount, thousand soms	Share
Ministry of Energy of the Kyrgyz Republic	4,817,148	60.34%	-	-
Ministry of Finance of the Kyrgyz Republic	2,660,640	33.33%	-	-
Other legal entities	386,967	4.85%	46,998	2.20%
Individuals	117,962	1.48%	107,386	4.15%
National Energy Holding Company OJSC	-	-	2,082,489	80.49%
Social Fund of the Kyrgyz Republic	-	-	340,545	13.16%
	<u>7,982,717</u>	<u>100%</u>	<u>2,587,418</u>	<u>100%</u>

Total number of the Company's employees as at December 31, 2023 and 2022 equaled to 10,452 and 10,436 workers, respectively.

Registered address: 326, Zhibek Zholu av., Bishkek, 720070, the Kyrgyz Republic.

The financial statements were approved by the Management of the Company on March 26, 2024.

## 2. PRESENTATION OF FINANCIAL STATEMENTS

### Statement of compliance

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

### Use of estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates. The key sources of estimation of uncertainty in these financial statements are presented in Note 4.

### Functional and reporting currencies

Items included in the Company's financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances related to the Company (the "functional currency"). Functional and reporting currency of the presentation of these financial statements is Kyrgyz som (the "som").

These financial statements are presented in thousands of soms, unless otherwise indicated. These financial statements have been prepared on the historical cost basis, with the exception of the measurement of certain financial instruments that are carried at fair value.

### Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern. The increase in tariffs to cover operating costs is subject to control by the Government of the Kyrgyz Republic. Currently, revenues from the transmission and sale of electricity are not always sufficient to cover operating costs. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

As at December 31, 2023 and 2022, accumulated loss is equaled to 7,227,721 thousand soms and 3,813,182 thousand soms, respectively. The Company is included in the list of strategic organizations of the Kyrgyz Republic. The whole energy system of the Kyrgyz Republic is experiencing significant restructuring and reform. Such reforms may cause material changes to the financial statements which cannot be estimated reliably.

The Company actively participates in the implementation of the CASA-1000 project with the support of the World Bank Group, the Islamic Development Bank, European Investment Bank, as well as several other international donor organizations. The purpose of the Project is to create conditions for sustainable electricity trade conditions between Tajikistan and the Kyrgyz Republic in the Central Asia and Afghanistan and Pakistan in the South Asia, as a result of which the Company expects a significant increase in revenues from the transmission of electrical energy from export.

According to Article 5 of the Law of the Kyrgyz Republic *On the Special Status of the Cascade of Toktogul Hydroelectric Power Plants and the National High-Voltage Transmission Line*, one of the principles of the state policy towards the Company is state incentives, which the management believes will enable the Company to continue its operations in the foreseeable future.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Revenue and expense recognition

The Company's revenues from sales of goods and providing services are accounted for on the accrual basis in accordance with IFRS 15 "Revenue from contracts with customers", which represents a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is

recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

Revenue is recognized when it is probable that the economic benefit associated with the transaction will flow to the Company and the amount can be reliably measured.

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

#### **Cash and cash equivalents**

Cash and cash equivalents include petty cash, cash in transit and cash at banks.

#### **Property, plant, equipment and intangible assets**

Property, plant and equipment and intangible assets, acquired after foundation of the Company, are carried at revalued cost less accumulated depreciation and any accumulated impairment loss. Property, plant and equipment constructed by the Company itself include cost of materials, direct labor costs and related part of overhead production expenses. When property, plant and equipment include significant components with different useful lives, these components are accounted separately.

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

Capitalized cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures are reflected in the statement of profit or loss and other comprehensive income within operating expenses as incurred unless they meet the requirements for capitalization.

Depreciation is computed under the straight-line method and reflected in the statement of profit or loss and other comprehensive income. Depreciation is charged from the moment of assets acquisition or, related to assets constructed by the Company itself, from the moment of completion of construction works and putting into operations.

Useful lives for depreciation are as follows:

Buildings and constructions;	5-100 years
Equipment	2-59 years
Office equipment;	3-10 years
Furniture and fixtures;	3-15 years
Vehicles;	5-50 years
Intangible assets (software);	5-10 years
Other	5-10 years

The costs of maintenance, repairs, and replacement of minor items of property are charged to maintenance expense. Upon sale or disposal, the cost and related accumulated depreciation are eliminated from the financial statements. Any resulting gains or losses are included in the statement of profit or loss and other comprehensive income.

#### **Impairment of property, plant, equipment and intangible assets**

On each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land,

buildings, or equipment, carried at a revalued amount, in which case the impairment loss is treated as a decrease in the related revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Inventories**

Inventories are accounted for at the lower of cost and net realizable value. Cost for fuel is determined using the weighted-average method, for the rest inventories using the FIFO method.

### **Recognition and valuation of financial instruments**

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

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

The Company classifies financial assets in the following main categories:

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

### **Debt instruments**

The classification and subsequent accounting of debt instruments depend on:

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

Gains or losses on debt instruments measured at fair value through profit or loss are recognized in the statement of profit or loss as part of the "Net Trade Income".

### **Equity instruments**

The Company holds the equity instruments of its subsidiaries over which it has control. In preparing financial statements the Company accounts for investments in subsidiaries at historical cost. The Company applies uniform accounting treatment for each of its investments in subsidiaries at historical cost.

### **Reclassification**

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

### **Derecognition of financial assets**

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

- the rights to receive cash flows from the asset have ceased;

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

### **Classification and subsequent accounting of financial liabilities**

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

### **Offset of assets and liabilities**

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

### **Derecognition of financial liabilities**

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

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

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

### **Impairment of financial assets**

The application of IFRS 9 has not radically changed the accounting treatment used by the Company in respect of impairment losses on financial assets.

IFRS 9 requires the Company to reflect estimated reserves and expected debt and financial assets not measured at fair value through profit or loss.

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

### **Borrowing costs**

Borrowing costs are recognized in the statement of profit or loss and other comprehensive income in the period in which they are incurred. Any discounts or premiums associated with borrowings are recorded to income based on the effective interest rate method.

Borrowings – All borrowings are initially recorded at the fair value of the proceeds received, net of direct issue costs. Subsequent to initial recognition all borrowings are measured at amortized cost, which is calculated by taking into account any discount or premium on settlement.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

## Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to Kyrgyz som at the market rates prevailing at December 31, 2023 and 2022. Transactions denominated in foreign currencies are reported at the rates of exchange prevailing at the date of the transaction. Any gains or losses arising from a change in exchange rates subsequent to the date of the transaction are included as an exchange gain or loss in the statement of profit or loss and other comprehensive income.

According to the National Bank of the Kyrgyz Republic as at December 31, 2023 and 2022 the official rates of foreign currencies to the Kyrgyz som were as follows:

	December 31, 2023	December 31, 2022
Kyrgyz som / US Dollar	89.0853	85.6800
Kyrgyz som / Euro	98.5328	91.4377
Kyrgyz som / Russian ruble	0.9935	1.1763
Kyrgyz som / Kazakhstani tenge	0.1960	0.1852
Kyrgyz som / Special drawing rights	119.5599	114.0271

## Taxation

Income tax expense represents the sum of current taxes payable and deferred taxes. The Company calculates current tax based on tax accounting and prepared in accordance with the tax regulations of the Kyrgyz Republic which may differ from International Financial Reporting Standards. The corporate income tax rate for the years ended December 31, 2023 and 2022 in the Kyrgyz Republic was 10%.

The Company is subject to certain permanent tax differences due to the certain expenditures are not deductible for taxation purposes as well as the possibility of non-taxable income.

Deferred tax reflects the net tax effects of temporary differences between the accounting value of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2023 and 2022 relate mostly to different methods of income and expense recognition as well as to accounting value of certain assets.

### Current tax

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

### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

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

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

### **Borrowings**

Borrowings are initially recognized at fair value. Subsequently received amounts are reflected at amortized cost and difference between the carrying and the redemption value is recognized in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method within interest expense.

### **Contingencies**

Contingent liabilities are not recognized in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

### **Share capital**

Share capital is recognized at initial cost.

Dividends are recorded as a reduction in the period in which they are declared. Dividends declared after the balance sheet date is treated as an event after the balance sheet date under IAS 10 "Events after the Reporting Period" and information about it is disclosed accordingly.

### **Pension liabilities**

In accordance with the laws of the Kyrgyz Republic the Company withholds the amount of pension contributions from employee's salaries and transfers them to the State pension fund. The existing pension system provides for the calculation of current payments by the employer as a percentage of current gross salary payments. Such expenses are recognized in the period, which includes appropriately payment for employees. At retirement, all pension payments are implemented by above mentioned pension fund.

The Company has additional pension arrangements and defined benefit plan separate from the State pension system of the Kyrgyz Republic. The Company has no other benefits provided to employees upon retirement, or other significant compensated benefits requiring accrual.

### **Employee defined benefit obligation**

The Company voluntarily offers its employees long-term post-retirement benefits in accordance with the collective agreement between Company and employees, the Company's regulations, and other documents, including those determined by the legislation of the Kyrgyz Republic, which, in particular, stipulate payments related to retirement, anniversaries, provision of material assistance in the event of death of pensioners, etc. Eligibility for receipt of benefit is usually granted depending on the period remaining to retirement and availability of minimum length of service.

The estimated costs of lump-sum benefits are accrued over the course of an employee's employment using the methodology that is used to calculate post-employment defined benefit plans. For a post-employment defined benefit plan, the difference between the fair value of the pension assets (if any) and the present value of the pension liabilities is recognized as an asset or liability in the statement of financial position.

Actuarial gains and losses arising during the year are recognized through other comprehensive income. For this purpose, actuarial gains and losses include both the effect of changes in actuarial assumptions and the effect of past experience on differences between actuarial assumptions and actual data. Revaluation results are not reclassified to profit or loss in subsequent periods.

Other changes in net surplus or deficit are recognized in the statement of comprehensive income, including the cost of current services and impact of any reduction of staff or dismissal.

### **Provisions**

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

### **Application of new and revised International financial reporting standards**

The Company has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the "IFRIC") which became effective for the Company's financial statement for the year ended December 31, 2023:

- Amendments to IAS 1 Presentation of Financial Statements, which issued non-mandatory practical recommendations for making judgments about materiality required in making decisions about disclosures in financial statements.
- Amendments to IAS 12 Income Taxes, which addresses the accounting for deferred tax in certain transactions.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which clarify the relationship between accounting policies and accounting estimates by specifying that the Company develops accounting estimates to achieve the objective set out in the accounting policies.
- The new standard IFRS 17 Insurance Contracts is effective for annual periods beginning on or after January 1, 2023. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The adoption of the new or revised standards did not have significant effect on the financial position or performance of the Company in the financial statements.

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

A number of new Standards and Interpretations has been issued and not yet adopted as at December 31, 2023 and had not been applied in preparation of these financial statements. Following Standards and Interpretations are relevant to operations of the Company. The Company intends to adopt these Standards and Interpretations from their effective dates. The Company has not analyzed potential effect of adoption of these standards on its financial statements.

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

- Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: Disclosures" which will introduce targeted disclosure requirements that will enhance transparency of supplier finance arrangements and their effects on Company's liabilities and cash flows.

- Amendments to IAS 1 "Presentation of Financial Statements" requires to classify liabilities as current or noncurrent based on Company's rights to defer settlement for at least 12 months which must exist and have a substance as at the reporting date. Only covenants with which a company must comply on or before the reporting date may affect this right.
- Amendments to IFRS 16 "Leases" which introduce a new model for accounting of variable payments and will require seller-lessees to reassess and possibly restate sale-leaseback transactions.
- Introduction of IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures" which provide a framework for Companies to report on all sustainability-related topics across the areas of governance, strategy and risk management. These standards are also designed to disclose information that is expected to affect the assessments that investors make about Company's future cash flows.

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

#### **4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in Note 3, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

##### **Estimates and assumptions**

The key assumptions about the future and other key sources of estimation of uncertainty at the reporting date, which may cause significant adjustments of the carrying value of assets and liabilities during the next financial year, are discussed below. Assumptions and estimates are based on the Company's source data, which it had at the time of preparation of the financial statements.

However, current circumstances and assumptions regarding the future are subject to change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions as they occur.

##### **Useful economic lives of property, plant, equipment and intangible assets**

The Company estimates the useful lives of fixed assets at each reporting date. The estimation of the useful lives of fixed assets depends on factors such as economical use, repair and customer service programs, technological progress and other business conditions. Management's assessment of the useful lives of fixed assets reflects the relevant information available to management as of the date of the financial statements.

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

Impairment occurs when the carrying amount of an asset or the cash-generating unit, exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is based on available information on commercial deals of sales of similar assets or observable market prices less incremental costs incurred in connection with the disposal of an asset. The calculation of value in use is based on a discounted cash flow model. Cash flows are taken from the budget for the next three years and do not include restructuring activity, in conducting of which the Company does not have obligations or significant investment in future, which will improve the asset tested for impairment of cash generating unit.

The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model and also to the expected cash inflows and the growth rate used for extrapolation. As at December 31, 2023 and 2022 the Company has tested for impairment of property, plant and equipment and as a result of the test, no impairment has been identified.

#### **Allowance for expected credit losses on accounts receivable**

For estimation of allowance for expected credit losses on trade receivables the Company uses a matrix to calculate expected credit losses (ECL). Estimated allowance rates are based on the number of days of payment delay for groups of different customers with similar loss characteristics.

Initially the matrix of estimated allowance is based on the observed data on the occurrence of defaults in previous periods. The Company adjust matrix of past experience credit losses based for forward-looking information. At each reporting date observable data on the level of default in previous periods are updated and changes in forecast estimates are analyzed.

Assessment the relationship between historical observed default levels, forecasted economic conditions and the ECL is a significant estimate. The value of the ECL is sensitive to changes in circumstances and projected economic conditions. The Company's past experience of credit losses and forecast of economic conditions may also not be accurate for the actual default of the buyer in the future.

#### **Allowance for advances paid, other assets and obsolete inventories**

Determining the direction of allowance for advances paid, other assets and obsolete inventories requires management to make assumptions based on the best estimates of the Company's ability to realize these assets. As a result of the general changes in the economy or other similar circumstances after the reporting date, management may draw conclusions that may differ from the finding made in the preparation of these financial statements.

#### **The fair value of financial instruments**

In cases when the fair value of financial instruments and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques, including discounted cash flow model. As a source data for these models is used information from observable markets, but in those cases where this is not feasible, a certain proportion of judgment is required to determine fair value. The judgments include considerations of such data as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments recognized in financial statements.

#### **Market rate of borrowings received**

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of non-current borrowings. Borrowings in US dollars are discounted at a rate of 4.81%-8.04% (depending on terms), in euros - 1.71-8.65%, in swiss francs - 4.85-7.82%, in kuwaiti dinars - 6.38-8.09%, in XDR - 6.38-7.82% and in Kyrgyz soms – 9.4-14.98% per annum as at December 31, 2023 which the Management of the Company has defined as the market rates on non-current borrowings.

#### **Taxes**

There is uncertainty about the interpretation of complex tax laws as well as the amounts and timing of future taxable profits. The long-term nature and complexity of the existing contractual relationship, the difference between actual results and the assumptions made, or future changes to such assumptions, may result in future adjustments to the amounts of income tax expense or economy already recorded.

The amount of possible tax liabilities may depend on the results of previous audits and different interpretations of tax legislation by the Company and the relevant tax authority. Such differences in interpretation may arise for large number of several issues.

In assessing tax risks management considers possible areas of non-compliance with tax laws that the Company cannot challenge or does not believe that it will be able to successfully appeal if additional taxes are accrued by the tax authorities. This definition requires significant judgments and may change as a result of changes in tax laws and regulations, the determination of expected results in pending tax proceedings and the results of compliance audits conducted by the tax authorities.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the tax loss can be offset. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the likely timing and amount of future taxable profit, as well as the tax planning strategy.

#### Employee defined benefit obligations

The cost of the employee defined benefit obligation and the present value of the defined benefit obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, the Management of the Company considers the interest rates of risk-free government bonds and extrapolated maturity corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future increase in salaries.

### 5. RESTATEMENT AND RECLASSIFICATION OF FINANCIAL STATEMENTS

In 2023, the Company identified omissions in the financial statements for the year ended December 31, 2022 and earlier periods. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, all adjustments were made on a retrospective basis. Comparative amounts have been presented and prior period adjustments have been made. The current year presentation provides better view of the financial position of the Company.

The impact of the change on the financial statements of the Company for the year ended December 31, 2022 is presented below:

	Initially recognized in financial statements as at December 31, 2022	Amount of adjustment	Amount of reclassification	December 31, 2022 (restated)
<b>Statement of financial position</b>				
Accumulated deficit	(2,377,560)	(1,435,622)	-	(3,813,182)
Deferred tax liabilities	693,794	1,435,622	-	2,129,416
<b>Statement of profit or loss and other comprehensive income</b>				
Income tax	-	(4,102)	-	(4,102)

In 2023, the Company decided to bring the accounting for deferred tax liabilities into full compliance with IAS 12 Income Tax and to revise previously recognized amounts in the financial statements as at December 31, 2022 and earlier periods. As at December 31, 2022, the Company had significant tax losses that can be carried forward and used against future taxable income in the amount of 25,697,351 thousand soms. The Management expects that the Company's operations will not generate taxable income in the foreseeable future against which these losses can be offset. Accordingly, the allowance for impairment has been accrued for the amount of deferred tax assets as at December 31, 2022.

## 6. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, equipment and intangible assets as at December 31, 2023 and 2022 are presented as follows:

	Construction in progress	Equipment for installation	Buildings and constructions	Equipment	Office equipment	Furniture and fixtures	Vehicles	Intangible assets	Other	Total
<b>Cost</b>										
at December 31, 2021 (restated)	5,813,061	73,801	2,151,098	73,737,953	88,832	29,461	1,104,228	125,352	251,928	83,375,714
Additions	3,703,806	108,341	448	158,829	1,364	204	114,745	-	13,744	4,101,481
Borrowing costs capitalised	133,303	-	-	-	-	-	-	-	-	133,303
Transferred from/(to) inventory	5,222,066	47,912	357	7,775	40	-	(1,061)	-	1,132	5,278,221
Internal movement	(1,310,638)	(110,787)	40,042	1,350,204	3,379	432	19,079	116	8,173	-
Disposal	(40,639)	(395)	(20,650)	(1,120,919)	(1,931)	(159)	(21,746)	(3,774)	(16,291)	(1,226,504)
at December 31, 2022 (restated)	13,520,959	118,872	2,171,295	74,133,842	91,684	29,938	1,215,245	121,694	258,686	91,662,215
Additions	1,925,673	1,036,703	28,770	187,438	13,084	1,350	613	7,392	-	3,201,023
Borrowing costs capitalised	184,991	-	-	-	-	-	-	-	-	184,991
Transferred from inventory	2,430,932	651,981	367	1,247	238	1,048	31,881	-	-	3,117,694
Internal movement	(2,968,834)	371,948	122,122	2,181,850	174,101	96,626	234,722	15,576	(228,111)	-
Disposal	(9,311)	(2,633)	(3,784)	(386,061)	(3,933)	(752)	(1,655)	(15,575)	(4)	(423,708)
at December 31, 2023	15,084,410	2,176,871	2,318,770	76,118,316	275,174	128,210	1,480,806	129,087	30,571	97,742,215

## 5. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

Property, plant, equipment and intangible assets as at December 31, 2023 and 2022 are presented as follows:

	Construction in progress	Equipment for installation	Buildings and constructions	Equipment	Office equipment	Furniture and fixtures	Vehicles	Intangible assets	Other	Total
<b>Accumulated depreciation and amortization</b>										
at December 31, 2021 (restated)	-	-	651,857	25,438,550	47,935	16,814	642,363	67,540	185,631	27,050,690
Charge	-	-	64,101	2,586,012	5,593	2,099	84,664	12,906	21,870	2,777,245
Internal movement	-	-	(295)	224	-	15	78	-	(22)	-
Disposal	-	-	(19,837)	(1,063,354)	(1,862)	(155)	(15,862)	(3,762)	(14,552)	(1,119,384)
at December 31, 2022 (restated)	-	-	695,826	26,961,432	51,666	18,773	711,243	76,684	192,927	28,708,551
Charge	-	-	61,858	2,640,660	20,809	7,669	90,691	11,095	2,712	2,835,494
Internal movement	-	-	-	-	92,502	88,215	11,858	-	(192,575)	-
Disposal	-	-	(1,850)	(243,111)	(1,001)	(750)	(1,651)	(89)	(4)	(248,456)
at December 31, 2023	-	-	755,834	29,358,981	163,976	113,907	812,141	87,690	3,060	31,295,589
<b>Net book value</b>										
at December 31, 2022 (restated)	13,520,959	118,872	1,475,469	47,172,410	40,018	11,165	504,002	45,010	65,759	62,953,664
at December 31, 2023	15,084,410	2,176,871	1,562,936	46,759,335	111,198	14,303	668,665	41,397	27,511	66,446,626

As at December 31, 2023 and 2022 construction in progress consisted of equipment, materials and capitalized interest under the CASA-1000 electricity transmission project from Central Asia to South Asia in the amount of 14,359,289 thousand soms and 9,197,417 thousand soms, respectively.

The CASA-1000 project is the largest energy project, which involves the construction of a 500 kV overhead line 450 km long from the 500 kV Datka substation to the Kyrgyz-Tajik border. The project will connect the energy systems of Kyrgyzstan and Tajikistan with Afghanistan and Pakistan to further organize a unified electricity market.

As at December 31, 2023 and 2022 amount of fully depreciated property, plant, equipment and intangible assets amounted to 6,082,992 thousand soms and 5,241,133 thousand soms, respectively.

#### *Severelectro OJSC*

In accordance with the pledge agreement dated December 12, 2006 and March 28, 2007 under the loan agreement No.16-2-5/4 dated August 9, 2016, the Company pledged equipment in the amount of 8,113 units, the estimated value of which is 815,437 thousand soms.

In accordance with the pledge agreement dated September 29, 2011, under the loan agreement No.19-05/28 and the supplementary agreement No.19-05/26 dated April 30, 2015, the Company pledged equipment in the amount of 720 units, the estimated value of which is 38,312 thousand soms.

In accordance with the pledge agreement dated March 30, 2017, under the loan agreement No.16-2/67 dated October 31, 2011, the Company pledged equipment in the amount of 11,541 units, the estimated value of which is 3,867,915 thousand soms.

#### *Jalalabadelectro OJSC*

In accordance with the pledge agreement dated December 30, 2011 under loan agreement No. 19-05/25 dated March 5, 2011 concluded in accordance with Government Decree No. 54-p dated March 4, 2011, the Company provided 3,657 units of equipment as collateral with an estimated value of 355,683 thousand soms at the date of the loan agreement. In accordance with the pledge agreement dated July 12, 2016 under additional loan agreement No. 19-05/25 dated May 22, 2015, the Company provided 814 units of equipment as collateral with an estimated value of 137,485 thousand soms at the date of the loan agreement.

## 7. **ADVANCES PAID**

Long-term of advances paid as at December 31, 2023 and 2022 is presented as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022 (restated)</b>
<b>Advances paid, long-term part</b>		
Advances paid for capital construction	43,999	-
	<u>43,999</u>	<u>-</u>

As at December 31, 2023 and 2022, a significant part of the advances was paid to Mitas Energy and Metal Construction INC, which are the main contractors for the construction of the CASA-1000 project.

	December 31, 2023	December 31, 2022 (restated)
<b>Advances paid, short-term part</b>		
Advances paid for goods and services	65,902	199,459
Advances paid for inventories	48,258	12,281
Advances paid for electricity	1,917	2,663
Other	14	460
	<hr/>	<hr/>
Less: allowance for impairment	(60,647)	(60,647)
	<hr/>	<hr/>
	55,444	154,216
	<hr/>	<hr/>

Most significant counterparties for advances paid of the Company consisted of the following organizations:

	December 31, 2023	December 31, 2022 (restated)
Hexing Electrical Co.Ltd	20,061	-
Gazprom Neft Azia LLC	16,731	5,930
Electrosila LLC	5,600	-
Specenergostroy LLC	2,050	-
Production service LLC	1,950	-

Movement in allowance for impairment on advances paid for the years ended December 31, 2023 and 2022 is presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
At January 1	60,647	72,028
Recovery	-	(11,381)
At December 31	<hr/>	<hr/>
	60,647	60,647
	<hr/>	<hr/>

## 8. INVENTORIES

Inventories as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
Materials	1,392,233	1,522,784
Spare parts	170,533	146,308
Low valuable items	167,430	104,394
Construction materials	44,543	43,178
Fuel	14,378	14,088
Supplies and others	9,149	8,870
	<hr/>	<hr/>
Less: allowance for obsolete inventories	(128,617)	(128,920)
	<hr/>	<hr/>
	1,669,649	1,710,702
	<hr/>	<hr/>

Movement in allowance for obsolete inventories for the years ended December 31, 2023 and 2022 is presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
As at January 1	128,920	137,707
Write-off	(257)	(169)
Recovery	(46)	(8,618)
As at December 31	<u>128,617</u>	<u>128,920</u>

## 9. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
Accounts receivable for electricity	2,144,418	2,522,504
Accounts receivable for rent	29,954	29,062
Accounts receivable for goods and services	26,034	19,537
Other receivables	3,423	4,741
Less: allowance for expected credit losses	(944,133)	(1,022,701)
	<u>1,259,696</u>	<u>1,553,143</u>

Movement in allowance for the years ended December 31, 2023 and 2022 is presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
At January 1	1,022,701	581,509
Accrual	359,884	530,083
Recovery	(438,452)	(88,891)
At December 31	<u>944,133</u>	<u>1,022,701</u>

Most significant debtors of the Company consisted of the following organizations:

	December 31, 2023	December 31, 2022 (restated)
Kumtor Operating Company CJSC	160,151	842,893
DSHL.KZ LLP	17,401	16,736
KEGOC OJSC	15,178	-
Electrosila LLC	12,471	11,942
ETV Production Unit of Kara-Balta, Kyrgyzteploenergo State Enterprise	7,975	1,043

## 10. TAXES PAID IN ADVANCE

Taxes paid in advance as at December 31, 2023 and 2022 were presented as follows:

	December 31, 2023	December 31, 2022 (restated)
Income tax	97,240	94,869
VAT receivable	8,195	29,091
Personal income tax	6,383	12,886
Property tax	251	690
Other	1,699	1,179
	<u>113,768</u>	<u>138,715</u>

## 11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
Cash in bank account	643,943	174,461
Cash in transit	331,710	215,023
Cash on hand	20,400	43,039
Deposits	-	85,680
	<u>996,053</u>	<u>518,203</u>

Restricted cash as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
Restricted cash	<u>9,047</u>	<u>8,777</u>
	<u>9,047</u>	<u>8,777</u>

As at December 31, 2023 and 2022, restricted cash represents tranches received under the loan agreement between the Government of the Kyrgyz Republic and the European Investment Bank for the CASA-1000 project. These funds are used to pay for supplies from Mitas Energy and Metal Construction Company. The cash is expected to be used within 12 months after the reporting date.

## 12. SHARE CAPITAL

In 2023, the General Meeting of Shareholders made a decision to increase the share capital of the Company in the amount of 5,395,299 thousand soms through issuing 3,260,184,690 shares of the nominal value of one share is 1.6549 soms, by using funds of the Ministry of Finance of the Kyrgyz Republic.

As at December 31, 2023, the registered share capital of the National Electrical Grid of Kyrgyzstan OJSC was 7,982,717 thousand soms and consists of 4,823,668,005 ordinary shares with par value of 1.6549 soms each. As at December 31, 2022, the registered share capital of the National Electrical Grid of Kyrgyzstan OJSC was 2,587,418 thousand soms and consisted of 1,563,483,315 ordinary shares with par value of 1.6549 soms each.

As at December 31, 2023 and 2022 the structure of shareholders is presented as follows:

	December 31, 2023		December 31, 2022 (restated)	
	Amount, thousand soms	Share	Amount, thousand soms	Share
Ministry of Energy of the Kyrgyz Republic	4,817,148	60.34%	-	-
Ministry of Finance of the Kyrgyz Republic	2,660,640	33.33%	-	-
Other legal entities	386,967	4.85%	56,998	2.20%
Individuals	117,962	1.48%	107,386	4.15%
National Energy Holding Company OJSC	-	-	2,082,489	80.49%
Social Fund of the Kyrgyz Republic	-	-	340,545	13.16%
	<u>7,982,717</u>	<u>100%</u>	<u>2,587,418</u>	<u>100%</u>

### Dividends

Dividends payable are limited by the maximum amount of retained earnings determined in accordance with the requirements of the legislation of the Kyrgyz Republic.

In 2022 the Company declared dividends of 62,103 thousand soms based on results of 2021.

In 2023 and 2022 the Company paid dividends in the amount of 31,873 thousand soms and 26,399 thousand soms, respectively.

### 13. BORROWINGS

Borrowings as at December 31, 2023 and 2022 are presented as follows:

	Nominal % rate	Effective % rate	December 31, 2023	December 31, 2022 (restated)
Borrowings denominated in US dollars	0%-2.5%	4.81%-9.52%	67,422,074	69,026,714
Borrowings denominated in Euro	1%-5%	1.25%-8.83%	8,436,375	6,076,250
Borrowings denominated in Special drawing right	0%-6%	6.00%-8.83%	1,382,622	1,439,003
Borrowings denominated in Swiss franc	0%	4.85%-7.82%	718,202	668,661
Borrowings denominated in Kuwaiti dinar	0%	6.38%-8.09%	79,283	76,579
Borrowings denominated in Kyrgyz soms	0%-21%	6.38%-6.38%	14,733	14,733
Unamortized portion of discount on borrowings			<u>(16,601,701)</u>	<u>(17,586,223)</u>
			<u>61,481,588</u>	<u>59,715,717</u>

As at December 31, 2023 and 2022 movement of borrowings is presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
at January 1	77,301,940	75,326,582
Additions	3,105,561	2,853,615
Interest accrued	1,507,774	1,359,120
Penalties accrued	48,383	-
Principal repayments	(5,675,681)	(1,836,335)
Interest repayments	(1,516,605)	(848,612)
Penalties repayment	(17,197)	(89)
Adjustment of penalties	(13,044)	(25,994)
Foreign exchange difference	3,342,158	473,653
at December 31	<u>78,083,289</u>	<u>77,301,940</u>

As at December 31, 2023 and 2022 short-term part of borrowings is presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
at January 1	17,586,223	18,321,152
Recognition of discount	497,267	847,175
Discount amortization	(2,227,661)	(1,729,623)
Foreign exchange difference	745,872	147,519
at December 31	<u>16,601,701</u>	<u>17,586,223</u>

The total balance of loans received by NEG Kyrgyzstan OJSC was provided by the Government of the Kyrgyz Republic represented by the Ministry of Finance of the Kyrgyz Republic for the construction, reconstruction and modernization of power grids and related components. The Government of the Kyrgyz Republic received funds provided to the Company from international financial donors such as the Asian Development Bank, European Investment Bank, Export-Import Bank of China, Islamic Development Bank, Swiss Confederation, Kuwait Fund for Arab Development, Export-Import Bank of Turkey, International Development Association and Northern Development Fund.

Since loans has a below-market interest rate the amortized cost of the loans was determined by discounting future cash flows at the market interest rate determined as of the date of receiving the loans. Accordingly, for the year ended December 31, 2023 and 2022 interest expenses on borrowings amounted to 3,550,444 thousand som and 2,958,173 thousand som, respectively

As at December 31, 2023 and 2022 the nominal value of these loans amounted to 78,083,289 thousand som and 77,301,940 thousand som, respectively.

According to the loan agreement # 19-05/75 dated December 31, 2015, signed between the Ministry of Finance of the Kyrgyz Republic and the Company, the Company has to maintain liquidity ratio not less than one. As at December 31, 2023 the liquidity ratio was below the requirements of the established financial covenants. The Company received a waiver from the Ministry of Finance of the Kyrgyz Republic stating that there is no basis for early collection in 2024.

#### 14. DEFERRED INCOME

Deferred income as at December 31, 2023 and 2022 consisted of long-term and short-term portion, which are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
<b>Deferred income, long-term part</b> at January 1	1,242,107	970,006
Grants received during the year	226,317	349,570
Grants disposed	(48,685)	(15,982)
Transferred to short-term part	(64,576)	(61,487)
at December 31	<u>1,355,163</u>	<u>1,242,107</u>
	<b>December 31, 2023</b>	<b>December 31, 2022 (restated)</b>
<b>Deferred income, short-term part</b> at January 1	-	5,343
Transferred from long-term part	64,576	61,487
Amortized during the year	(64,576)	(66,830)
at December 31	<u>-</u>	<u>-</u>

During 2023 and 2022 the Company received property, plant and equipment from Ayil Okmotu, legal and private entities on a periodic basis. The largest counterparties are: ARIS, Hangzhou Sunrise Technology Co. Ltd, Central Asia Tin Company LLC, Global Energy LLC.

The initial cost of property, plant and equipment received on a granted basis for the years ended December 31, 2023 and 2022 was 226,317 thousand soms and 349,570 thousand soms, respectively.

#### 15. LIABILITIES UNDER CONTRACTS WITH SUPPLIERS

Liabilities under contracts with suppliers as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
Customer contract obligations	130,795	138,866
Warranties	81,279	81,279
	<u>212,074</u>	<u>220,145</u>

The main amounts of contractual obligations relate to the long-term provision of services in exchange for gratuitous fixed assets received from these suppliers. Guarantee obligations include a bank guarantee of the supplier in case of untimely supply or provision of services under the contract.

**16. EMPLOYEE DEFINED BENEFIT OBLIGATIONS**

Employee defined benefit obligations as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
At January 1	175,632	236,791
Current service cost	7,078	9,465
Revaluation of defined benefit obligation	(32,034)	(61,375)
Payments	(19,512)	(25,022)
Adjustments	19,240	(4,597)
Interest expenses	20,327	20,370
At December 31	170,731	175,632
	<b>December 31, 2023</b>	<b>December 31, 2022 (restated)</b>
Long-term portion	150,332	164,704
Current portion	20,399	10,928
	170,731	175,632

The main assumptions used in determining the Company's defined benefit obligations are summarized in the following table:

	December 31, 2023	December 31, 2022 (restated)
Discount rate	14.29%	13.02%
Average salary increase	7.62%	6.38%
Mortality rate	11.01%	9.03%
Employee turnover rate	7.07%	6.36%

**17. TRADE ACCOUNTS PAYABLE**

Trade accounts payable, long-term part as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
Accounts payable for electricity	-	321,919
Unamortized portion of discount on trade and other accounts payable	-	(156,091)
	-	165,828

Trade accounts payable, short-term part as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
Accounts payable for fixed assets and capital construction	1,929,767	1,517,850
Accounts payable for goods and services	523,551	414,237
Accounts payable for electricity	108,617	-
Accounts payable for transportation of electricity	7	215,252
Accounts payable for inventories	-	144,259
Other accounts payable	43,664	39,820
	<u>2,605,606</u>	<u>2,331,418</u>

Movement in allowance for the years ended December 31, 2023 and 2022 is presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
At January 1	<u>156,091</u>	<u>245,738</u>
Amortization	<u>(156,091)</u>	<u>(89,647)</u>
At December 31	<u>-</u>	<u>156,091</u>

Most significant creditors of the Company consisted of the following organizations:

	December 31, 2023	December 31, 2022 (restated)
Mitas Energy and Metal Construction Inc	1,436,505	1,192,168
ZTE representative office in the Kyrgyz Republic	247,683	247,683
Shenzhen Star Instrument Co Ltd	101,574	-
Electric Power Plants OJSC	61,213	167,639
Elkhan group LLC	35,480	-

#### 18. ADVANCES RECEIVED

Advances received as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
Advances received for electricity	337,237	234,700
Advances received for goods and services	48,472	16,903
Advances received for connections	3,903	165
Other advances received	943	4,426
	<u>390,555</u>	<u>256,194</u>

## 19. TAXES PAYABLE

Taxes payable as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
Social fund liabilities	410,822	541,166
VAT payable	84,467	93,434
Personal income tax payable	62,789	73,800
Fines and penalties	64	4,232
Other taxes	16,611	957
	<u>574,753</u>	<u>713,589</u>

## 20. OTHER LIABILITIES

Other liabilities as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
<b>Other financial liabilities</b>		
Guaranteeing tender procurement	118,942	74,698
Guarantee from the agents	55,984	61,422
Dividends payable	22,875	54,747
Union dues	10,054	6,288
Fines and fees	99	408
Other liabilities	6,494	8,845
	<u>214,448</u>	<u>206,408</u>
<b>Other non-financial liabilities</b>		
Liabilities to the budget	-	46,073
	-	46,073
	<u>214,448</u>	<u>252,481</u>

## 21. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations as at December 31, 2023 and 2022 are presented as follows:

	December 31, 2023	December 31, 2022 (restated)
Employee benefits including:		
Provision for unused vacation and bonuses	510,951	416,823
Accrued salary	432,954	448,840
Defined benefit obligations, short-term part	20,399	10,928
	<u>964,304</u>	<u>876,591</u>

Movement in provision for unused vacation and bonuses for the years ended December 31, 2023 and 2022 is presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
As at January 1	416,823	371,023
Accrual	541,566	297,801
Paid from vacation provision	(447,438)	(252,001)
As at December 31	<u>510,951</u>	<u>416,823</u>

## 22. REVENUE

Revenue for the years ended December 31, 2023 and 2022 is presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Revenue from sale of electricity	22,513,442	19,686,719
Revenue from the transmission of export electricity	36,124	133,968
Other	19,006	5,686
	<u>22,568,572</u>	<u>19,826,373</u>

## 23. COST OF SALES

Cost of sales for the years ended December 31, 2023 and 2022 are presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Cost of purchased electricity	9,372,795	7,742,138
Payroll and related taxes	3,399,103	3,270,549
Depreciation of fixed assets and amortization of intangible assets	2,522,210	2,551,756
Materials	1,103,317	664,147
Non-recoverable VAT related to the purchase of electricity	425,635	503,944
Provision for unused vacation and bonuses	312,287	210,786
Normative losses	184,782	131,613
Fuel and lubricants	175,229	111,586
Services expenses	145,678	32,863
Business trips	61,245	70,893
Coordination services	38,323	33,311
Expenses on actuarial provision	25,510	5,097
Unplanned electricity flow expenses	22,723	5,081
Frequency control services	21,405	2,796
Transit of electricity	8,371	16,477
Other	38,215	106,097
	<u>17,856,828</u>	<u>15,459,134</u>

## 24. SELLING EXPENSES

Selling expenses for the years ended December 31, 2023 and 2022 are presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Payroll and related taxes	1,795,325	1,732,028
Depreciation of fixed assets and amortization of intangible assets	279,908	195,049
Provision for unused vacation and bonuses	154,436	62,999
Services expenses	39,147	66,152
Materials	36,482	34,345
Fuel and lubricants	24,542	30,067
Business trips	10,290	7,572
Electricity costs for production needs	2,358	5,940
Income on actuarial provision	-	(248)
Other	-	1,895
	<u>2,372,488</u>	<u>2,135,799</u>

## 25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, 2023 and 2022 are presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Payroll and related taxes	678,634	559,155
Provision for unused vacation and bonuses	74,445	23,589
Services expenses	49,280	31,800
Trip expenses	41,292	10,713
Financial aid	38,066	38,426
Management fee	31,090	26,693
Fines, penalty to the State Budget	26,524	63,185
Depreciation of fixed assets and amortization of intangible assets	25,882	27,774
Business trip	18,222	20,932
Union dues	15,472	2,907
Fixed assets maintenance	15,414	1,641
Bank services	14,786	10,103
Materials	14,629	11,009
Taxes other than income tax	14,524	109,383
Fuel and lubricants	12,582	8,581
Utilities	6,532	5,764
Representative expenses	4,607	4,961
Communication expenses	3,261	3,920
Stationery	2,081	2,317
Expenses on actuarial provision	705	(682)
Electricity costs for production needs	502	458
Trainings	497	1,047
Other	23,349	44,662
	<u>1,117,376</u>	<u>1,008,338</u>

## 26. NET LOSS ON FOREIGN EXCHANGE OPERATIONS

Net loss on foreign exchange operations for the years ended December 31, 2023 and 2022 consisted of the following:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Foreign exchange differences, net	2,631,462	238,232
Dealing operations, net	20,458	196
	<u>2,651,920</u>	<u>238,428</u>

## 27. FINANCE GAIN

Finance gain for the years ended December 31, 2023 and 2022 are presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Interest income	42,605	42,282
Dividends	12,865	493
	<u>55,470</u>	<u>42,775</u>

Interest income consists of interest accrued on balances of cash on settlement accounts in the following banks: Keremet Bank OJSC, Bakai Bank OJSC, Aiyl Bank OJSC, Optima Bank OJSC, RSK Bank OJSC.

## 28. FINANCE COSTS

Finance costs for the years ended December 31, 2023 and 2022 are presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Unwinding of discount and modification effect on borrowings	2,227,661	1,729,623
Interest expenses	1,322,783	1,228,550
Unwinding of discount on trade accounts payable	156,091	89,647
Interest expenses on actuarial provision	20,327	20,370
Adjustment of fines	35,339	(25,994)
	<u>3,762,201</u>	<u>3,042,196</u>

**29. OTHER OPERATING INCOME / (EXPENSES), NET**

Other operating income and expenses for the years ended December 31, 2023 and 2022 is presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Other operating income:		
Fines and penalties	538,076	78,368
Rent and hotel services	200,916	147,510
Services provided	138,288	142,710
Issuance of technical documents	8,380	16,302
Connection and disconnection of customers	5,611	8,432
Revenue from sale of inventories	4,090	18,393
Revenue from sale of electricity meters	-	7,284
Other	6,510	30,375
	<u>981,871</u>	<u>449,374</u>
	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Other operating expenses:		
Payroll and related taxes	12,266	14,020
Cost of inventory	11,709	26,235
Cost of social services	4,244	19,019
Metrology expenses	1,521	-
Provision for unused vacation and bonuses	398	427
Other	3,205	6,310
	<u>33,343</u>	<u>66,011</u>
	<u>948,528</u>	<u>383,363</u>

**30. OTHER NON-OPERATING EXPENSES, NET**

Other non-operating expenses, net for the years ended December 31, 2023 and 2022 is presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Other non-operating income:		
Grants received	267,259	379,351
Revenue from dismantlement activities	253,791	83,556
Amortization of deferred income	64,576	66,830
Income from sale of inventories	21,571	6,332
Revenues from exchange transactions and contracts with customers	8,071	8,124
Gain from write-off of trade accounts payable	2,187	2,973
Fines and penalties	245	5,483
Other	10,768	10,393
	<u>628,468</u>	<u>563,042</u>

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Other non-operating expenses:		
Accrual of allowance for expected credit losses on trade and other accounts receivable	359,884	530,083
Expenses on grants received	106,324	67,457
Loss on disposal of fixed assets	163,308	66,086
Fines and penalties	99,341	10,342
Gain from write - off of advances paid	12,243	-
Depreciation of property, plant and equipment	7,494	2,666
Accrual of allowance for expected credit losses for other assets	4,796	-
Loss from write - off of inventory	1,836	3,248
Expenses on actuarial provision	103	(1,009)
Legal fees	4	11,544
Accrual of allowance for obsolete inventories	(46)	(8,618)
Excessive losses	-	41,487
Recovery of allowance for expected credit losses for cash	-	(9,011)
Other	28,863	38,377
	<u>784,150</u>	<u>752,652</u>
	<u>(155,682)</u>	<u>(189,610)</u>

### 31. INCOME TAX

The Company measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Kyrgyz Republic, which may differ from IFRS. For the years ended December 31, 2023 and 2022 income tax rate for legal entities on the territory of the Kyrgyz Republic was equal to 10%.

The Company is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2023 and 2022 relate mostly to different methods of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets and liabilities.

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Deferred income tax (benefit) / loss	<u>(401,238)</u>	<u>4,102</u>
Deferred income tax (benefit) / loss	<u>(401,238)</u>	<u>4,102</u>

The relation between tax expenses and accounting profit for the years ended December 31, 2023 and 2022 was as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (restated)
Loss before income tax	(4,341,201)	(1,820,994)
Tax at the statutory tax rate of 10%	(434,120)	(182,099)
Tax effect of permanent differences	32,882	186,201
Income tax (benefit) / loss	(401,238)	4,102

Temporary differences as at December 31, 2023 and 2022 comprise:

	December 31, 2023	December 31, 2022 (restated)
<b>Deferred income tax assets:</b>		
Tax loss carry forward	30,300,343	25,697,351
Allowance for expected credit losses on trade and other accounts receivable	944,133	1,022,701
Employee defined benefit obligations	170,731	175,632
Provision of unused vacation and bonuses	510,951	416,823
Allowance for obsolete inventories	128,617	128,920
Allowance for impairment losses on other assets	16,690	11,744
Allowance for impairment losses on advances paid	30,647	60,647
Accrued interest	534,466	548,916
Liabilities under contracts with suppliers	212,074	220,145
Total deferred income tax assets	32,878,652	28,282,879
<b>Deferred income tax liabilities:</b>		
Depreciation of property, plant, equipment and amortization of intangible assets	17,231,778	21,294,154
Total deferred income tax liabilities	17,231,778	21,294,154
Net deferred income tax assets	15,596,874	6,988,725
Deferred income tax assets at statutory tax rate (10%)	1,559,687	698,873
Less: allowance on deferred income tax assets	(3,287,865)	(2,828,289)
Net deferred income tax liabilities	(1,728,178)	(2,129,416)

As at December 31, 2023 and 2022, the Company had significant tax losses that can be carried forward and used against future taxable income in the amount of 30,300,343 thousand soms and 25,697,351 thousand soms, respectively. The Company expects that the Company's operations will not generate taxable income in the foreseeable future against which these losses can be offset. Accordingly, as at December 31, 2023 and 2022, a provision for impairment has been accrued for the amount of 3,287,865 thousand soms and 2,828,289 thousand soms, respectively.

Temporary differences between tax accounting and current financial statement as well as tax losses lead to deferred tax liabilities as at December 31, 2023 and 2022 as a result of the following:

	December 31, 2022 (restated)	Recognized in the statement of profit and loss	Recognized in capital	December 31, 2023
<b>Temporary differences</b>				
Tax loss carry forward	2,569,735	460,299	-	3,030,034
Allowance for expected credit losses on trade and other accounts receivable	102,270	(7,857)	-	94,413
Employee defined benefit obligations	17,563	(490)	-	17,073
Provision of unused vacation and bonuses	41,682	9,413	-	51,095
Allowance for obsolete inventories	12,892	(30)	-	12,862
Allowance for impairment losses on other assets	1,174	495	-	1,669
Allowance for impairment losses on advances paid	6,065	-	-	6,065
Accrued interest	54,892	(1,445)	-	53,447
Liabilities under contracts with suppliers	22,015	(808)	-	21,207
Depreciation of property, plant, equipment and amortization of intangible assets	<u>(2,129,415)</u>	<u>401,237</u>	<u>-</u>	<u>(1,728,178)</u>
Allowance on deferred income tax assets	<u>(2,828,289)</u>	<u>(459,576)</u>	<u>-</u>	<u>(3,287,865)</u>
	<u>(2,129,416)</u>	<u>401,238</u>	<u>-</u>	<u>(1,728,178)</u>
	<b>December 31, 2021</b>	<b>Recognized in the statement of profit and loss</b>	<b>Recognized in capital</b>	<b>December 31, 2022 (restated)</b>
<b>Temporary differences</b>				
Tax loss carry forward	2,240,856	328,879	-	2,569,735
Allowance for expected credit losses on trade and other accounts receivable	58,151	44,119	-	102,270
Employee defined benefit obligations	23,044	(5,481)	-	17,563
Provision of unused vacation and bonuses	39,282	2,400	-	41,682
Allowance for obsolete inventories	6,524	6,368	-	12,892
Allowance for impairment losses on other assets	1,174	-	-	1,174
Allowance for impairment losses on advances paid	6,065	-	-	6,065
Accrued interest	901	53,991	-	54,892
Liabilities under contracts with suppliers	22,678	(663)	-	22,015
Depreciation of property, plant, equipment and amortization of intangible assets	<u>(2,125,313)</u>	<u>(4,102)</u>	<u>-</u>	<u>(2,129,415)</u>
Allowance on deferred income tax assets	<u>(2,398,676)</u>	<u>(429,613)</u>	<u>-</u>	<u>(2,828,289)</u>
	<u>(2,125,314)</u>	<u>(4,102)</u>	<u>-</u>	<u>(2,129,416)</u>

## 32. CONTINGENT LIABILITIES

### Capital expenditure commitments

As at December 31, 2023 and 2022 the Company had no capital expenditure commitments.

### Taxation

The Kyrgyz Republic currently has a number of laws related to various taxes imposed by both republican and local governmental authorities. Legislation related to taxes has not been in force for significant period of time, in contrast to more developed market economies and therefore implementing regulations are often vague. Accordingly, few precedents with regard to issues have been established and there are various opinions regarding legal interpretation. The tax authorities are enabled by law to impose significant penalties and interest charges for late and incorrect filling of tax declarations and/or tax payments. These factors result in more significant tax risks in Kyrgyz Republic compared to other countries with more developed tax system.

Management believes that it has adequately accrued provisions for tax liabilities in the accompanying financial statements. However, the risk remains that relevant authorities could take another position with regard to tax issues and the effect could be significant as described above.

### Operating environment

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

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

The new Tax Code of the Kyrgyz Republic was adopted on January 18, 2022 and became effective on January 1, 2022. The following changes in tax legislation could affect the definition of the Bank's income tax liability:

- interest expenses are deductible to the extent actually paid;
- net losses from revaluation of foreign currency are not deductible;
- the procedure for calculating tax-deductible depreciation has changed;
- bad debts are not deductible from total annual income.

In addition, the obligations of the tax agent with respect to the payment of works and services of foreign organizations that do not have a permanent establishment in the Kyrgyz Republic have been expanded. If the territory of the Kyrgyz Republic is recognized as the place of delivery of such works/services, the Bank has an obligation to withhold/pay VAT on the tax agent at the rate of 12 percent.

### Insurance

The insurance market in the Kyrgyz Republic is in a developing state and many forms of insurance protection common in other countries are not yet generally available in the Kyrgyz Republic. Nevertheless, the Company has insurance coverage for current operations, insurance of employees against occupational accidents, industrial injuries and industrial diseases, as well as civil liability to third parties at the level of generally accepted principles in the energy industry. Management believes that as at December 31, 2023 and 2022, the Company's insurance program is in compliance with the major provisions of the Company's business rules.

These financial statements do not include any adjustments that would be necessary to resolve this uncertainty in the future. Possible adjustments may be made to the consolidated financial statements in the period when the need to reflect them becomes apparent and it becomes possible to estimate their numerical values.

## Litigation and claims

The Company continues to be involved in litigation from time to time, none of which has a material effect on the Company's operations, individually or in aggregate. Management believes that liabilities arising from legal proceedings do not have a significant effect on the financial position or the results of financial activities in the future of the Company.

## Tariffs

Tariffs are usually based on the cost of services without taking into account the established rate of return. At the same time, the level of tariffs is significantly affected by social and political factors.

Tariffs for electricity for consumers are set by the Department for Regulation of the Fuel and Energy Complex under the Ministry of Energy of the Kyrgyz Republic.

According to the Medium-Term Electricity Tariff Policy of the Kyrgyz Republic for 2021-2025, approved by the Cabinet of Ministers of the Kyrgyz Republic on September 30, 2021 No. 192 (and amended by Cabinet of Ministers Resolution No. 199 dated April 6, 2023) from May 1, 2023 new tariffs was taken effect.

	Measurement unit	Tariffs in soms
<b>Population, including:</b>		
consumption of up to 700 kWh/month (except for highland and remote hard-to-reach areas)	som/kW per hour	1.00
consumption of over 700 kWh/month (except for highland and remote hard-to-reach areas)	som/kW per hour	2.16
consumption of highland and remote hard-to-reach areas	som/kW per hour	1.00
Low-income families receiving a monthly allowance for needy citizens (families) with children under 16 years old - "uy bulege kemek", if the consumption of up to 700 kWh/month	som/kW per hour	0.50
Low-income families receiving a monthly allowance for needy citizens (families) with children under 16 years old - "uy bulege kemek", if the consumption of over to 700 kWh/month	som/kW per hour	2.16
Population using electricity without restrictions on consumption and capacity (with a raising factor 1.3)	som/kW per hour	3.276
Pump stations	som/kW per hour	1.247
Electric transport	som/kW per hour	1.914
Public and private electric vehicle charging stations with capacity of up to 23 kW	som/kW per hour	2.87
Public and private electric vehicle charging stations that use electricity without restrictions on consumption or capacity (with a raising factor 1.3)	som/kW per hour	4.42
Children's institutions of residential type, social in-patient clinic for the disabled and/or elderly citizens	som/kW per hour	1.914
Religious organizations	som/kW per hour	1.914
Budget consumers	som/kW per hour	3.40
Agricultural	som/kW per hour	2.87
Industrial	som/kW per hour	2.87
Other consumers	som/kW per hour	2.87
Mining subjects (crypto currency) (with a raising factor 2.0)	som/kW per hour	5.04
Gold mining enterprises (gold mining plants) (with a raising factor 2.0)	som/kW per hour	5.04
Casthouse and steel melting shop (with a raising factor 2.0)	som/kW per hour	5.04
Enterprises for the production of alcoholic beverages (with a raising factor 2.0)	som/kW per hour	5.04
Cement plants (with a raising factor 1.3)	som/kW per hour	3.28
<b>For consumer groups "Population" and "Pumping stations" of Toktogul district of Jalal-Abad oblast and Zhazy-Kechuu village of Kara-Kul and Kara-Kul city</b>		
Consumption of up to 150 kWh/month	som/kW per hour	0.192
Pump stations	som/kW per hour	0,192

### 33. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

In the statement of financial position as of December 31, 2023 and 2022 the following amounts were represented which arose due to transactions with related parties:

	December 31, 2023		December 31, 2022 (restated)	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Trade and other accounts receivable	6,112	1,259,696	1,752	1,553,143
Trade accounts payable	(104,866)	(2,605,606)	(402,022)	(2,497,246)
Advances paid	32	55,444	5,398	154,216
Other liabilities, short term part	(443)	(214,448)	(31,755)	(206,408)

In the statement of profit or loss and other comprehensive income for the years ended December 31, 2023 and 2022 the following amounts were represented which arose due to transactions with related parties:

	For the year ended December 31, 2023		For the year ended December 31, 2022 (restated)	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Revenue	10,514	22,568,572	49,873	19,826,373
Selling expenses	-	(2,372,488)	(1,258)	(2,135,799)
Cost of sales	(9,462,371)	(17,856,828)	(8,749,040)	(15,459,134)
Other operating income	9,196	981,871	2,681	449,374
Other non-operating expenses, net	-	(155,682)	(9,653)	(189,610)
General and administrative expenses				
compensations to Management	(22,041)	(1,117,376)	(11,977)	(1,008,338)
other	(43,551)	(1,117,376)	(36,346)	(1,008,338)

Nature of related parties is presented as follows:

ASSETS:	Counterparty	Nature of related parties
Trade and other accounts receivable	Electric Power Plants OJSC	Under control of Parent company
<b>LIABILITIES:</b>		
Trade accounts payable	Electric Power Plants OJSC NEHC OJSC Chakan HPP OJSC KESC OJSC	Under control of Parent company Parent company until September 2023 Under control of Parent company Under control of Parent company
Other liabilities	NEHC OJSC	Parent company until September 2023
<b>PROFIT AND LOSS:</b>		
Revenue	Electric Power Plants OJSC	Under control of Parent company
Cost of sales	Electric Power Plants OJSC Chakan HPP OJSC KESC OJSC	Under control of Parent company Under control of Parent company Under control of Parent company
Selling expenses	Electric Power Plants OJSC	Under control of Parent company
Other operating income	KESC OJSC Electric Power Plants OJSC NEHC OJSC	Under control of Parent company Under control of Parent company Parent company until September 2023
General and administrative expenses		
Compensations to Management	Management of the Company	Management of the Company
Other	NEHC OJSC	Parent company until September 2023

## 34. RISK MANAGEMENT

Capital risk management - The Company manages its capital to ensure that the Company will be able to continue as a going concern.

	December 31, 2023	December 31, 2022 (restated)
<b>Financial assets</b>		
Cash and cash equivalents	996,053	518,203
Restricted cash	9,047	8,777
Trade and other accounts receivable	1,259,696	1,553,143
Investments	31,940	19,075
Other assets	39,149	19,305
<b>Total financial assets</b>	<u>2,335,885</u>	<u>2,118,503</u>
<b>Financial liabilities</b>		
Borrowings	61,481,588	59,715,717
Trade accounts payable	2,605,606	2,497,246
Employee defined benefit obligations, long-term part	150,332	164,704
Employee benefit obligations	934,304	876,591
Other liabilities	214,448	206,408
<b>Total financial liabilities</b>	<u>65,416,278</u>	<u>63,460,666</u>

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

- Credit risk;
- Operational risk;
- Geographical concentration
- Liquidity risk;
- Currency risk.

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

### **Credit risk**

Credit risk arises primarily from cash and cash equivalents and from customers, including receivables outstanding and confirmed transactions. The company provides its services to only a few large buyers with a stable financial position and an appropriate credit history. The carrying amount of cash and cash equivalents and trade receivables, less allowances for expected credit losses, represents the maximum exposure to credit risk. The Company does not have a policy of assigning internal ratings and setting credit limits for counterparties.

### **Operational risk**

The Company is exposed to operational risk, which is a risk of loss arising from any system failures or interruptions of internal processes, systems, human error or the influence of external negative factors.

The Company's risk management policy is designed to identify and analyze risks and set appropriate risk limits and controls.

### **Geographical concentration**

Risk management department exercise control over the risk associated with changes in the norms of the legislation and assesses its impact on the Company. This approach allows the Company to minimize potential losses from the investment climate in the Kyrgyz Republic.

The geographical concentration of assets and liabilities is set out below:

	Kyrgyz Republic	OECD countries	Other	December 31, 2023
<b>Financial assets:</b>				
Cash and cash equivalents	996,053	-	-	996,053
Restricted cash	9,047	-	-	9,047
Trade and other accounts receivable	1,241,572	-	18,124	1,259,696
Investments	26,406	-	5,534	31,940
Other assets	39,149	-	-	39,149
<b>Total financial assets</b>	<b>2,312,227</b>	<b>-</b>	<b>23,658</b>	<b>2,335,885</b>
<b>Financial liabilities</b>				
Borrowings	61,481,588	-	-	61,481,588
Trade accounts payable	685,358	1,880,291	39,957	2,605,606
Employee defined benefit obligations	150,332	-	-	150,332
Employee benefit obligations	964,304	-	-	964,304
Other liabilities	192,795	1,117	20,536	214,448
<b>Total financial liabilities</b>	<b>63,474,377</b>	<b>1,881,408</b>	<b>60,493</b>	<b>65,416,278</b>
<b>Net position</b>	<b>(61,162,150)</b>	<b>(1,881,408)</b>	<b>(36,835)</b>	<b>(63,080,393)</b>
	<b>Kyrgyz Republic</b>	<b>OECD countries</b>	<b>Other</b>	<b>December 31, 2022 (restated)</b>
<b>Financial assets:</b>				
Cash and cash equivalents	518,203	-	-	518,203
Restricted cash	8,777	-	-	8,777
Trade and other accounts receivable	1,538,157	331	4,655	1,553,143
Investments	13,541	-	5,534	19,075
Other assets	19,305	-	-	19,305
<b>Total financial assets</b>	<b>2,097,983</b>	<b>331</b>	<b>20,189</b>	<b>2,118,503</b>
<b>Financial liabilities</b>				
Borrowings	59,715,717	-	-	59,715,717
Trade accounts payable	1,153,906	974,677	368,663	2,497,246
Employee defined benefit obligations	164,704	-	-	164,704
Employee benefit obligations	876,591	-	-	876,591
Other liabilities	200,371	1,113	4,924	206,408
<b>Total financial liabilities</b>	<b>62,111,289</b>	<b>975,790</b>	<b>373,587</b>	<b>63,460,666</b>
<b>Net position</b>	<b>(60,013,306)</b>	<b>(975,459)</b>	<b>(353,398)</b>	<b>(61,342,163)</b>

### Liquidity risk

Liquidity risk - the risk of difficulties in obtaining funds for the payment of obligations upon the occurrence of the actual date of payment and to meet cash requirements in the process of lending to clients.

Management controls this risk by maturity analysis, determining the Company's strategy for the next fiscal period. Current liquidity is managed by the Company in order to support the current level of liquidity sufficient to minimize liquidity risk.

The following table presents an analysis of balance sheet interest rate risk and liquidity risk:

	Weigh. aver. rate	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than five years	Timeless	December 31, 2023
<b>Financial assets</b>								
Cash and cash equivalents	0.73%	996,053	-	-	-	-	-	996,053
Restricted cash		-	-	9,047	-	-	-	9,047
Trade and other accounts receivable		1,210,351	30,302	19,043	-	-	-	1,259,696
Investments		-	-	-	-	-	31,940	31,940
Other assets		19,170	-	17,522	2,457	-	-	39,149
<b>Total financial assets</b>		<u>2,225,574</u>	<u>30,302</u>	<u>45,612</u>	<u>2,457</u>	-	<u>31,940</u>	<u>2,335,885</u>
<b>Financial liabilities</b>								
Borrowings	1.56%	517,819	835,772	4,800,147	23,354,369	48,575,182	-	78,083,289
Trade accounts payable		206,049	425,940	933,411	1,040,206	-	-	2,605,606
Employee defined benefit obligations	14.29%	-	-	-	150,332	-	-	150,332
Employee benefit obligations		432,954	-	531,350	-	-	-	964,304
Other liabilities, short term part		16,354	6,272	191,822	-	-	-	214,448
<b>Total financial liabilities</b>		<u>1,173,176</u>	<u>1,267,984</u>	<u>6,456,730</u>	<u>24,544,907</u>	<u>48,575,182</u>	<u>-</u>	<u>82,017,979</u>
<b>Net position</b>		<u>1,052,398</u>	<u>(1,237,682)</u>	<u>(6,411,118)</u>	<u>(24,542,450)</u>	<u>(48,575,182)</u>	<u>31,940</u>	<u>(79,682,094)</u>

Periods of maturity of assets and liabilities and the ability to replace interest liabilities in acceptable costs (at the time of redemption) are the most important conditions in determining the liquidity of the Company and its sensitivity to fluctuations in interest rates and exchange rates.

	Weigh. aver. rate	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than five years	Undefined	December 31, 2022 (restated)
<b>Financial assets</b>								
Cash and cash equivalents	0.73%	518,203	-	-	-	-	-	518,203
Restricted cash		-	-	8,777	-	-	-	8,777
Trade and other accounts receivable		463,312	912,089	177,742	-	-	-	1,553,143
Investments		-	-	-	-	-	19,075	19,075
Other assets		3,952	-	12,185	3,168	-	-	19,305
		<u>985,467</u>	<u>912,089</u>	<u>198,704</u>	<u>3,168</u>	-	<u>19,075</u>	<u>2,118,503</u>
<b>Financial liabilities</b>								
Borrowings	1.48%	483,062	818,577	4,381,128	22,161,672	49,457,501	-	77,301,940
Trade accounts payable	0.79%	241,929	394,385	1,695,104	-	165,828	-	2,497,246
Employee defined benefit obligations	13.02%	-	-	-	164,704	-	-	164,704
Employee benefit obligations		448,840	-	427,751	-	-	-	876,591
Other liabilities		13,658	4,841	187,909	-	-	-	206,408
		<u>1,187,489</u>	<u>1,217,803</u>	<u>6,691,892</u>	<u>22,326,376</u>	<u>49,623,329</u>	<u>-</u>	<u>81,046,889</u>
<b>Net position</b>		<u>(202,022)</u>	<u>(305,714)</u>	<u>(6,493,188)</u>	<u>(22,323,208)</u>	<u>(49,623,329)</u>	<u>19,075</u>	<u>(78,928,386)</u>

## Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Company. The Company does not use any derivatives to manage interest rate risk exposure.

## Undiscounted liabilities analysis

The table below presents distribution of Group's liabilities as at December 31, 2023 and 2022 for contractual undiscounted cash outflows:

	Weigh. aver. rate	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than five years	December 31, 2023
Borrowings	1.56%	141,873	1,117,209	5,884,467	27,973,465	52,666,663	87,783,677
Trade accounts payable		206,049	425,940	933,411	1,040,206	-	2,605,606
Employee defined benefit obligations	14.29%	-	-	-	293,152	-	293,152
Employee benefit obligations		432,954	-	531,350	-	-	964,304
Other liabilities		16,354	6,272	191,822	-	-	214,448
		<u>797,230</u>	<u>1,549,421</u>	<u>7,541,050</u>	<u>29,306,823</u>	<u>52,666,663</u>	<u>91,861,187</u>
	Weigh. aver. rate	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than five years	December 31, 2022 (restated)
Borrowings	1.48%	134,288	981,036	5,339,908	26,125,657	52,650,328	85,231,217
Trade accounts payable	0.79%	241,929	394,385	1,695,104	-	321,921	2,653,339
Employee defined benefit obligations	13.02%	-	-	-	303,725	-	303,725
Employee benefit obligations		448,840	-	427,751	-	-	876,591
Other liabilities		13,658	4,841	187,909	-	-	206,408
		<u>838,715</u>	<u>1,380,262</u>	<u>7,650,672</u>	<u>26,429,382</u>	<u>52,972,249</u>	<u>89,271,280</u>

## Currency risk

Currency risk is the risk that the financial results of the Company will be adversely impacted by changes in exchange rates to which the Company is exposed. The Company does not use any derivatives to manage foreign currency risk exposure, at the same time the management of the Company is trying to mitigate such risk by managing monetary assets and liabilities in foreign currency at the same (more or less stable) level.

Information about the level of foreign currency exchange rate risk of the Company is presented as follows:

	KGS	USD	EUR	Others	December 31, 2023
<b>Financial assets</b>					
Cash and cash equivalents	914,444	80,836	-	773	996,053
Restricted cash	-	9,047	-	-	9,047
Trade and other accounts receivable	1,241,572	3,791	-	14,333	1,259,696
Investments	31,940	-	-	-	31,940
Other assets	39,149	-	-	-	39,149
<b>Total financial assets</b>	<b>2,227,105</b>	<b>93,674</b>	<b>-</b>	<b>15,106</b>	<b>2,335,885</b>
<b>Financial liabilities</b>					
Borrowings	216,497	49,998,816	8,221,211	3,045,064	61,481,588
Trade accounts payable	732,736	1,839,841	-	33,029	2,605,606
Employee defined benefit obligations	150,332	-	-	-	150,332
Employee benefit obligations	964,304	-	-	-	964,304
Other liabilities	180,392	22,551	3,554	7,951	214,448
<b>Total financial liabilities</b>	<b>2,244,261</b>	<b>51,861,208</b>	<b>8,224,765</b>	<b>3,086,044</b>	<b>65,416,278</b>
<b>Net position</b>	<b>(17,156)</b>	<b>(51,767,534)</b>	<b>(8,224,765)</b>	<b>(3,070,938)</b>	<b>(63,080,393)</b>
	KGS	USD	EUR	Others	December 31, 2022 (restated)
<b>Financial assets</b>					
Cash and cash equivalents	427,396	90,684	-	123	518,203
Restricted cash	-	8,777	-	-	8,777
Trade and other accounts receivable	1,538,157	4,944	-	10,042	1,553,143
Investments	19,075	-	-	-	19,075
Other assets	19,305	-	-	-	19,305
<b>Total financial assets</b>	<b>2,003,933</b>	<b>104,405</b>	<b>-</b>	<b>10,165</b>	<b>2,118,503</b>
<b>Financial liabilities</b>					
Borrowings	3,351	52,493,990	5,815,631	1,402,745	59,715,717
Trade accounts payable	1,272,885	1,205,211	18,839	311	2,497,246
Employee defined benefit obligations	164,704	-	-	-	164,704
Employee benefit obligations	876,591	-	-	-	876,591
Other liabilities	206,408	-	-	-	206,408
<b>Total financial liabilities:</b>	<b>2,523,939</b>	<b>53,699,201</b>	<b>5,834,470</b>	<b>1,403,056</b>	<b>63,460,666</b>
<b>Net position</b>	<b>(520,006)</b>	<b>(53,594,796)</b>	<b>(5,834,470)</b>	<b>(1,392,891)</b>	<b>(61,342,163)</b>

## Currency risk sensitivity

The following table presents a sensitivity analysis of the Company to 1% and 5% increase and decrease of US dollar to Kyrgyz som in 2023 and 2022. Based on the current economic environment in the Kyrgyz Republic, the management of the Company believes that 1% and 5% increase or reduction of Kyrgyz som to US dollar is a realistic change. 1% and 5% are a levels of sensitivity, which are used by the Company when reporting foreign currency risk internally to key management personnel of the Company and are an estimate by the management of possible changes in exchange rates. Sensitivity analysis applies only to outstanding foreign currency balances available at the end of the period for conversion of which actual end-of-the-period exchange rate changed by 1% and 5% is used.

Impact on net income based on the nominal value of the asset as at December 31, 2023 and 2022 is represented below:

	December 31, 2023		December 31, 2022 (restated)	
	Official exchange rate, + 1%	Official exchange rate, -1%	Official exchange rate, + 1%	Official exchange rate, -1%
Effect on profit and loss	(517,675)	517,675	(535,948)	535,948

	December 31, 2023		December 31, 2022 (restated)	
	Official exchange rate, + 5%	Official exchange rate, -5%	Official exchange rate, + 5%	Official exchange rate, -5%
Effect on profit and loss	(2,588,377)	2,588,377	(2,679,740)	2,679,740

## Limitations of sensitivity analysis

The above tables demonstrate the effect of changes based on the main clause while other assumptions remain unchanged. In fact, there is a connection between the assumptions and other factors. It should also be noted that the sensitivity has nonlinear character so should not be interpolated or extrapolated from these results.

## Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities as at December 31, 2023:

	Valued at amortized cost	Valued at fair value through profit and loss	Valued at fair value through OCI	Total carrying amount	Fair value
Cash and cash equivalents	996,053	-	-	996,053	996,053
Restricted cash	9,047	-	-	9,047	9,047
Trade and other accounts receivable	1,259,696	-	-	1,259,696	1,259,696
Investments	-	-	31,940	31,940	31,940
Other assets	39,149	-	-	39,149	39,149
	<u>2,303,945</u>	<u>-</u>	<u>31,940</u>	<u>2,335,885</u>	<u>2,335,885</u>
Borrowings	61,481,588	-	-	61,481,588	61,481,588
Trade accounts payable	2,605,606	-	-	2,605,606	2,605,606
Employee defined benefit obligations	150,332	-	-	150,332	150,332
Employee benefit obligations	964,304	-	-	964,304	964,304
Other liabilities	214,448	-	-	214,448	214,448
	<u>65,416,278</u>	<u>-</u>	<u>-</u>	<u>65,416,278</u>	<u>65,416,278</u>

The following table shows the carrying amounts and fair values of financial assets and liabilities as at December 31, 2022:

	Valued at amortized cost	Valued at fair value through profit and loss	Valued at fair value through OCI	Total carrying amount	Fair value
Cash and cash equivalents	518,203	-	-	518,203	518,203
Restricted cash	8,777	-	-	8,777	8,777
Trade and other accounts receivable	1,553,143	-	-	1,553,143	1,553,143
Investments	-	-	19,075	19,075	19,075
Other assets	19,305	-	-	19,305	19,305
	<u>2,099,428</u>	<u>-</u>	<u>19,075</u>	<u>2,118,503</u>	<u>2,118,503</u>
Borrowings	59,715,717	-	-	59,715,717	59,715,717
Trade accounts payable	2,497,246	-	-	2,497,246	2,497,246
Employee defined benefit obligations	164,704	-	-	164,704	164,704
Employee benefit obligations	876,591	-	-	876,591	876,591
Other liabilities	206,408	-	-	206,408	206,408
	<u>63,460,666</u>	<u>-</u>	<u>-</u>	<u>63,460,666</u>	<u>63,460,666</u>

#### Levels in the fair value hierarchy for financial instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable, willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument.

The carrying amount of cash is approximately equal to its fair value due to the short-term maturity of such financial instruments.

IFRS 13 defines fair value as the amount that would be received in a sale of an asset or paid to transfer a liability in the ordinary course of business in the principal (or most advantageous) market at the date of the valuation in the current market conditions. As no markets exist for most of the Company's financial instruments, judgment is necessary in arriving at fair value, given the current economic environment and the specific risks attributable to the instrument.

As at December 31, 2023 and 2022, the following methods and assumptions have been used by the Company in estimating the fair value of financial instruments for which it has been practicable to determine this value:

Cash and cash equivalents - the present value of cash and cash equivalents corresponds to the fair value.

Trade and other accounts receivable - the present value approximates the fair value of these financial instruments as the allowance for doubtful debts is a reasonable estimate of the discount required to reflect the credit risk.

Trade and other accounts payable and other payables and accrued expenses - the present value approximates the fair value of these financial instruments due to the short-term nature of the instrument.

Long-term liabilities - the present value approximates fair value because the rate of return on long-term liabilities approximates the market rate, with reference to finance leases with similar credit risk and maturity at the reporting date.

Fair value is primarily determined using quoted market prices or standard pricing models based on available market inputs, where appropriate, and represents expected gross future cash inflows/outflows. The Company classifies fair value of financial instruments into a three-level hierarchy based on the degree of source and observability of inputs that are used to measure the fair value of a financial asset or liability as follows:

- Level 1                      Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company could access at the valuation date.
- Level 2                      Level 2 inputs are inputs that are not quoted prices included in Level 1 and that are observable for the asset or liability, either directly or indirectly.
- Level 3                      Level 3 inputs are non-observable inputs for an asset or liability.

Level 1 initial data primarily include financial assets and financial liabilities traded at the exchange, while Level 2 classification primarily includes financial assets and financial liabilities whose fair value is determined primarily by reference to currency quotations and readily observable quotes. Level 3 classification primarily includes financial assets and financial liabilities whose fair value arises primarily from models that use appropriate market assessments, quality and credit differentials. In environments where the Company is unable to confirm fair value using observable market inputs (Level 3 fair value), it is possible that another valuation model may result in significantly different fair value estimates.

It is the Company's policy that transactions related to trading in financial instruments are formalised as part of general netting agreements or other fixed-term agreements to offset balances due to or from counterparties in the event of insolvency or bankruptcy.

The following tables show the fair values of financial assets and financial liabilities as of December 31, 2023 and 2022. Other assets and liabilities that are measured at fair value on a regular basis are cash and cash equivalents. No fair value estimates have been made on a regular basis.

	Level 1	Level 2	Level 3	December 31, 2023
Cash and cash equivalents	996,053	-	-	996,053
Restricted cash	9,047	-	-	9,047
Trade and other accounts receivable	-	-	1,259,696	1,259,696
Investments	26,405	-	5,535	31,940
Other assets	-	-	39,149	39,149
	<u>1,031,505</u>	<u>-</u>	<u>1,304,380</u>	<u>2,335,885</u>
Borrowings	-	61,481,588	-	61,481,588
Trade accounts payable	-	-	2,605,606	2,605,606
Employee defined benefit obligations	-	-	150,332	150,332
Employee benefit obligations	-	-	964,304	964,304
Other liabilities	-	-	214,448	214,448
	<u>-</u>	<u>61,481,588</u>	<u>3,934,690</u>	<u>65,416,278</u>

	Level 1	Level 2	Level 3	December 31, 2022 (restated)
Cash and cash equivalents	518,203	-	-	518,203
Restricted cash	8,777	-	-	8,777
Trade and other accounts receivable	-	-	1,553,143	1,553,143
Investments	13,540	-	5,535	19,075
Other assets	-	-	19,305	19,305
	<u>540,520</u>	<u>-</u>	<u>1,577,983</u>	<u>2,118,503</u>
Borrowings	-	59,715,717	-	59,715,717
Trade accounts payable	-	-	2,497,246	2,497,246
Employee defined benefit obligations	-	-	164,704	164,704
Employee benefit obligations	-	-	876,591	876,591
Other liabilities	-	-	206,408	206,408
	<u>-</u>	<u>59,715,717</u>	<u>3,744,949</u>	<u>63,460,666</u>

### 35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management of the Company and authorized for issue on March 26, 2024.

### 36. EVENTS AFTER REPORTING DATE

The Company has paid for the period from January 12 to March 19, 2024 the principal amount of loans from international financial donors such as Asian Development Bank, Islamic Development Bank, Swiss Confederation Grant, Export-Import Bank of Turkey and International Development Association in the amount of 9,892,319 thousand soms, which is equivalent to 101,076 thousand US dollars, 6,387 thousand euro, 1,801 thousand SDR and 71 thousand CHF.

In 2024, the General Meeting of Shareholders decided to increase the share capital of the Company in the amount of 10,000,000 thousand soms by issuing 6,042,639,173 shares with nominal value of one share equal to 1.6549 soms, by using funds of the Ministry of Finance of the Kyrgyz Republic.

As at the date of issue of these financial statements no other significant events or transactions occurred, which should be disclosed in accordance with IAS 10 "Events after the reporting period".