“Shurtan Gas Chemical Complex” LLC
and its Subsidiaries

International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor’s Report

31 December 2019

Contents

Independent Auditor's Report

To the Sole Participant and Management of «Shurtan Gas Chemical Complex» Limited Liability Company:

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of «Shurtan Gas Chemical Complex» Limited Liability Company and its subsidiaries (together – the "Group") as at 31 December 2019, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

We were appointed as auditors of the Group for the first time on 27 July 2020 to carry out audit of the consolidated financial statements for the year ended 31 December 2019 and thus did not observe the counting of the physical inventories with carrying amount of UZS 297,555 million, UZS 230,738 million and UZS 162,115 million as at 31 December 2019, 2018 and 2017, respectively since these dates preceded the date of engaging us as the auditor of the Group. We were unable to satisfy ourselves by alternative means in respect of inventory quantities held as of these dates. Since carrying value of inventories as at 31 December 2019, 2018 and 2017 enter into the determination of the consolidated financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the years reported in the consolidated statement of profit or loss and other comprehensive income and the net cash flows from operating activities for the years ended 31 December 2019 and 31 December 2018.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

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Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Suhrab Azimov
General Director/Certified Auditor
Certificate of auditor No. 05338
dated 7 November 2015 issued by
the Ministry of Finance of Uzbekistan

Audit Organization "PricewaterhouseCoopers" LLC

Audit Organization "PricewaterhouseCoopers" LLC
20 September 2021
Tashkent, Uzbekistan

"Shurtan Gas Chemical Complex" LLC and its Subsidiaries
Consolidated Statement of Financial Position

In millions of Uzbek Soums	Notes	31 December 2019	31 December 2018	1 January 2018
ASSETS				
Non-current assets				
Property, plant and equipment	8	1,668,109	864,438	870,491
Prepayments	9	653,463	94,348	94,348
Trade and other receivables	11	45,564	23,851	17,325
Deferred income tax assets	23	19,007	103,177	52,054
Other non-current assets	13	53,516	55,395	54,550
Total non-current assets		**2,439,659**	**1,141,209**	**1,088,768**
Current assets				
Prepayments	9	155,879	48,263	329,927
Inventories	10	297,555	230,738	162,115
Trade and other receivables	11	205,430	100,961	50,941
Cash and cash equivalents	12	27,755	67,128	60,559
Other current assets	13	6,095	5,873	34,602
Total current assets		**692,714**	**452,963**	**638,144**
TOTAL ASSETS		**3,132,373**	**1,594,172**	**1,726,912**
EQUITY				
Charter capital	14	359,158	359,158	359,158
Retained earnings		542,763	(124,878)	168,051
TOTAL EQUITY		**901,921**	**234,280**	**527,209**
LIABILITIES				
Non-current liabilities				
Borrowings	15	26,266	34,112	64,182
Total non-current liabilities		**26,266**	**34,112**	**64,182**
Current liabilities				
Borrowings	15	1,414,497	48,540	308,553
Trade and other payables	16	334,092	503,767	121,684
Current income tax payable		19,811	858	1,852
Other taxes payable	17	38,972	129,517	65,536
Financial guarantees	18	396,814	643,098	637,896
Total current liabilities		**2,204,186**	**1,325,780**	**1,135,521**
TOTAL LIABILITIES		**2,230,452**	**1,359,892**	**1,199,703**
TOTAL LIABILITIES AND EQUITY		**3,132,373**	**1,594,172**	**1,726,912**

Approved for issue and signed on 20 September 2021.

Shuxrat Aslanov
General Director

Shuhrat Umarov
Chief Accountant

In millions of Uzbek Soums	**Notes**	**2019**	**2018**
Revenue from contracts with customers	19	**1,968,107**	**1,297,867**
Changes in inventories of finished goods and work in progress	10	12,935	814
Raw materials and consumables used	10	(670,696)	(291,115)
Services and utilities		(163,882)	(130,491)
Employee benefits expense	20	(293,211)	(231,738)
Depreciation of property, plant and equipment	8	(68,041)	(70,805)
Charity and donations		(48,130)	(194,403)
Taxes other than on income		(29,778)	(70,067)
Net impairment (losses) / gains on financial assets	11	(29,567)	746
Losses less gains on disposal of subsidiaries	21	(49,755)	-
Other gains / (losses), net		19,033	(10,173)
Operating profit		**647,015**	**300,635**
Amortisation of deferred income on financial guarantees	18	58,046	38,068
Reversal of / (Provision for) impairment of financial guarantees	18	188,238	(43,270)
Finance income		11,013	3,958
Finance costs	22	(10,266)	(24,578)
Profit before income tax		**894,046**	**274,813**
Income tax (expense) / credit	23	(216,264)	44,900
PROFIT FOR THE YEAR		**677,782**	**319,713**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**677,782**	**319,713**

In millions of Uzbek Soums	**Note**	**Share capital**	**Retained earnings**	**Total**
Balance at 1 January 2018		**359,158**	**168,051**	**527,209**
Profit for the year		-	319,713	319,713
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	319,713	319,713
Dividends declared	14	-	(16,020)	(16,020)
Cash distributions to "Uzbekneftegaz" JSC	14		(596,622)	(596,622)
Balance at 31 December 2018		**359,158**	**(124,878)**	**234,280**
Profit for the year		-	677,782	677,782
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	677,782	677,782
Dividends declared	14	-	(10,141)	(10,141)
Balance at 31 December 2019		**359,158**	**542,763**	**901,921**

In millions of Uzbek Soums	Notes	2019	2018
Cash flows from operating activities			
Profit before income tax		894,046	274,813
Adjustments for:			
Depreciation of property, plant and equipment	8	68,041	70,805
Net impairment (losses) / gains on financial assets	11	29,567	(746)
Losses less gains on disposal of subsidiaries	21	49,755	-
Amortisation of deferred income on financial guarantees	18	(58,046)	(38,068)
Reversal of / (Provision for) impairment of financial guarantees	18	(188,238)	43,270
Finance income		(11,013)	(3,958)
Finance costs	22	10,266	24,578
Operating cash flows before working capital changes		**794,378**	**370,694**
Increase in trade and other receivables		(133,995)	(55,801)
(Increase) / Decrease in prepayments		(115,365)	281,664
Increase in inventories		(95,747)	(68,622)
Increase in other assets		(1,990)	(845)
(Decrease) / Increase in trade and other payables		(146,283)	382,132
(Decrease) / Increase in other taxes payable		(83,564)	63,980
Changes in working capital		**(576,944)**	**602,508**
Income tax paid		(113,140)	(7,217)
Interest received		5,841	1,176
Interest paid		(34,224)	(24,077)
Net cash from operating activities		**75,911**	**943,084**
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,315,576)	(64,751)
Decrease in restricted cash	13	3,635	28,729
Dividends received		5,172	2,782
Disposal of subsidiaries	21	(1,090)	-
Net cash used in investing activities		**(1,307,859)**	**(33,240)**
Cash flows from financing activities			
Proceeds from borrowings	15	1,241,562	10,549
Repayment of borrowings	15	(41,417)	(301,957)
Dividends paid to the Company's shareholders	14	(10,141)	(16,069)
Cash distributions to "Uzbekneftegaz" JSC	14	-	(596,622)
Net cash from / (used in) financing activities		**1,190,004**	**(904,099)**
Effect of exchange rate changes on cash and cash equivalents		2,571	824
Cash and cash equivalents at the beginning of the year	12	**67,128**	**60,559**
Cash and cash equivalents at the end of the year	12	**27,755**	**67,128**

1 The Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2019 for "Shurtan Gas Chemical Complex" LLC (the "Company") and its subsidiaries (the "Group").

The Company was incorporated and is domiciled in the Republic of Uzbekistan. The Company is a limited liability company and was set up in accordance with Uzbekistan regulations.

As of 31 December 2019, the Company's immediate parent company was "Uzbekneftegaz" JSC. As of 31 December 2018, and 1 January 2018 the Company's immediate parent company was "Uzneftegazdobycha" JSC. The Company's ultimate controlling party is the Government of Uzbekistan.

Principal activity. The Group's principal business activity is production of polyethylene and wide range of other gas processing products. The Group's manufacturing facilities ("SGCC") are primarily based in Kashkadarya region of Uzbekistan.

Registered address and place of business. The Company's registered address and principal place of business is Shurtan settlement, Guzar district, Kashkadarya region, Uzbekistan.

Presentation currency. These consolidated financial statements are presented in Uzbek Soums ("UZS"), unless otherwise stated.

2 Operating Environment of the Group

Republic of Uzbekistan. The Republic of Uzbekistan displays certain characteristics of an emerging market. Economic stability in Uzbekistan is largely dependent upon the effectiveness of economic measures undertaken by the Government of Uzbekistan, together with other legal, regulatory and political developments, all of which are beyond the Group's control.

The Group's financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations, which significantly impacts local economy. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict, and management's current expectations and estimates could differ from actual results.

Uzbekistan experienced following key economic indicators in 2019:

- Inflation: 15.2% (2018: 14.3%);
- GDP growth: 5.5% (2018: 5.1%);
- Central Bank of Uzbekistan ("CBU") refinancing rate: 16% (2018: 16%).

3 Significant Accounting Policies

Basis of preparation. These consolidated financial statements are the Group's first annual consolidated financial statements that comply with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the use of fair value of property, plant and equipment as its deemed cost at IFRS transition date (refer to Note 5). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3 Significant Accounting Policies (Continued)

Consolidated financial statements. Subsidiaries are those investees, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

3 Significant Accounting Policies (Continued)

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of the Republic of Uzbekistan, Uzbek Soums ("UZS"). The consolidated financial statements are presented in Uzbek Soums ("UZS"), which is the Group's presentation currency.

Transactions and balances. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of Uzbekistan ("CBU") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within finance income or costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within other gains or losses. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Property, plant and equipment. At the date of transition to IFRS (1 January 2018), the Group has elected to measure all items of property, plant and equipment at its fair value and use that fair value as its deemed cost at that date, which is foreseen by IFRS 1. Fair value was determined in accordance with IFRS 13, *Fair Value Measurement*. Following the transition to IFRS, property, plant and equipment are stated at cost, less accumulated depreciation and impairment, where required. Property, plant and equipment includes assets under construction for future use as property, plant and equipment.

3 Significant Accounting Policies (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other gains or losses.

Depreciation. Assets under construction are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	12-33
Machinery and equipment	5-25
Other	3-12

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Impairment of non-financial assets. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

3 Significant Accounting Policies (Continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 27.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

3 Significant Accounting Policies (Continued)

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC, trade and other receivables are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

The Group applies simplified approach for impairment of trade receivables. For other financial assets the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 25 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 25. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 25 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

3 Significant Accounting Policies (Continued)

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include (i) court decision, (ii) liquidation of debtor, (iii) overdue period of not less than 3 years. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL and (ii) financial guarantee contracts.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

3 Significant Accounting Policies (Continued)

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at AC using the effective interest method.

Capitalisation of borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Financial guarantees. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the consolidated statement of financial position as an asset.

3 Significant Accounting Policies (Continued)

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge or credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains/(losses), net, respectively.

Value added tax. Output value added tax related to sales is payable to tax authorities on delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

3 Significant Accounting Policies (Continued)

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Charter capital. The Company participants' ownership interest is classified as equity since the Company has an unconditional right to refuse redemption of the members' interest, based on its charter and local legislation. Assets contributed to charter capital are recognised at fair value at the time of contribution.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Uzbekistan legislation identifies the basis of distribution as the current year net profit.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense within finance costs.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Revenue recognition. Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of value added taxes, export duties, excise tax, other similar mandatory payments.

Sales of processed gas. The Group sells processed gas to the single customer – "Uztransgaz" JSC. Revenue is recognized at the time when gas is transmitted to the customer at the delivery point which is a connection point of the Group's plant to the transmission pipelines operated by the single customer. Revenue is recognized based on actual volume of gas transmitted which is measured by meters installed at the connection points of plant to the transmission pipelines operated by the single customer and is supported by monthly acts of reconciliation. Receivable is recognized when gas is delivered at the connection point as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Invoices are issued on a monthly basis.

Sales of polyethylene and other gas processing products. Sales are recognised when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3 Significant Accounting Policies (Continued)

Sales of construction services. The Group provides construction services under fixed-price contracts. As the Group transfers control of a service over time and therefore satisfies a performance obligation over time, revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognized based on cost plus margin model. Both cost and margin under this model are determined in accordance with specific construction regulations of Uzbekistan with cost being dependant on actual amount of services provided. Revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Financing components. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Interest income. Interest income is recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Employee benefits. Wages, salaries, contributions to Uzbekistan state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme ("Unified Social Payment" or "USP").

Amendment of the consolidated financial statements after issue. Any changes to these consolidated financial statements after issue require approval of the Group's management who authorised these consolidated financial statements for issue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Going concern. As of 31 December 2019 the Group's total current liabilities (UZS 2,204,186 million) significantly exceeded total current assets (UZS 692,714 million). This resulted mainly from the following events:

Breach of covenants. The Group was in breach of covenants related to loan from Gazprombank at 31 December 2019 (refer to Note 15). This gives Gazprombank right to accelerate repayment of loan and leads to reclassification of the whole amount of borrowing (UZS 1,401,325 million) as current liability.

Financial guarantees. The Group has guaranteed obligations of several companies under loan agreements with banks. Carrying values of these guarantees (UZS 396,814 million) are presented within current liabilities.

When assessing the Group's ability to continue its operations in accordance with the going concern principle, management considered the following factors:

- As of date of issue of these consolidated financial statements Gazprombank has not exercised its right to accelerate repayment of loan.
- On 12 August 2021 the Group received a letter from Gazprombank waiving the lender's right to accelerate repayment of loan.
- As of date of issue of these consolidated financial statements there were no requests from banks to fulfil the Group's obligations under guarantee agreements.
- On 9 August 2021 the Group received a letter from its immediate parent, "Uzbekneftegaz" JSC, confirming that it has intention and ability to provide the Group with financial support to maintain its business activities for twelve months from the date of the letter.

As a result, management considers that despite net liability position of the Group use of going concern basis of preparation in these consolidated financial statements is appropriate and that there are no events or conditions that may cast significant doubt on the Group's ability to continue as going concern.

Valuation of property, plant and equipment. In accordance with IFRS 1 the Group has elected to measure all items of property, plant and equipment at fair value at 1 January 2018 and use that fair value as its deemed cost at that date (refer to Note 5). Fair value of property, plant and equipment was determined by independent valuation company "KPMG Tax and Advisory" LLP (the "Appraiser").

Fair value of operational non-specialized assets was determined using market approach. Fair value of operational specialized assets was determined using cost approach or depreciated replacement cost method ("DRC") supported by income approach or discounted cash flows analysis ("DCF").

The following key assumptions were used in DCF analysis:

Forecasted sales prices. Forecast of polyethylene prices was based on historical data assuming equalization of local and export prices by the end of 2022. Forecast of gas prices was based on historical data assuming equalization of local and export prices by the end of 2025.

Forecasted sales volumes. Forecast of sales volumes was based on historical data assuming operation of SGCC at full production capacity.

Forecasted capital expenditures. Capital expenditures were forecasted as 80% from DRC value of property, plant and equipment.

Discount rate. Discount rate was determined using weighted average cost of capital ("WACC") formula. WACC was estimated at 19.9%.

Terminal growth rate. Terminal value was determined using Gordon growth model. Terminal growth rate was estimated at 5%

Duration of the forecast period for DCF analysis was determined as 20 years (from 1 January 2016 till 31 December 2035).

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Deferred income tax asset recognition. The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Tax legislation. Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 24.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 7.

ECL measurement. Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 25. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs o the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Group used supportable forward looking information for measurement of ECL (refer to Note 26).

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2019 would be to increase it by UZS 6,804 million or decrease it by UZS 6,804 million (2018: increase by UZS 7,801 million or decrease by UZS 7,801 million).

5 First-time Adoption of IFRS

These consolidated financial statements are the Group's first annual consolidated financial statements that comply with IFRS. The Group's IFRS transition date is 1 January 2018. Subject to certain exceptions, IFRS 1 requires retrospective application of the version of standards and interpretations effective as of 31 December 2019 in preparing the opening IFRS consolidated statement of financial position at 1 January 2018 and throughout all periods presented in its first IFRS consolidated financial statements. In preparing these consolidated financial statements, the Group has applied the mandatory exceptions to the retrospective application of other IFRSs and has elected to apply the following optional exemptions:

(a) ***Fair value as deemed cost exemption.*** The Group has elected to measure property, plant and equipment at fair value at 1 January 2018 and use that fair value as its deemed cost at that date. The effect of the exemption was to increase the NAS carrying amount of property, plant and equipment by UZS 150,639 million to UZS 870,491 million under IFRS on the date of transition, 1 January 2018.

5 First-time Adoption of IFRS (Continued)

(b) ***Borrowing costs.*** The Group has elected to apply the guidance in IAS 23 which requires capitalisation of borrowing costs from the date of transition to IFRS.

Exceptions to the retrospective application, which are mandatory under IFRS 1 are:

a) ***Estimates exception.*** Estimates under IFRS at 1 January 2018 and 31 December 2018 should be consistent with estimates made for the same dates under the previous GAAP, unless there is evidence that those estimates were an error.

b) ***Derecognition of financial assets and liabilities exception.*** Financial assets and liabilities derecognised before the transition to IFRS are not re-recognised under IFRS. Management did not choose to apply the IFRS 9 derecognition criteria from an earlier date.

c) ***Hedge accounting exception.*** The Group does not apply hedge accounting.

d) ***Non-controlling interests exception.*** Certain requirements of IFRS 10 in relation to accounting for equity in a subsidiary not attributable, directly or indirectly, to a parent are applied prospectively from the date of transition to IFRS. Management did not elect to apply IFRS 3 retrospectively to past business combinations.

e) ***Classification and measurement of financial instruments.*** The Group assesses whether its financial assets meet the conditions for measurement at AC or at FVOCI on the basis of the facts and circumstances that exist at the date of transition to IFRSs. In cases when retrospective application of the effective interest method is impracticable for the Group, the fair value of the financial assets or (and) the financial liabilities at the date of transition to IFRSs is the new gross carrying amount of those financial assets or the new amortised cost of those financial liabilities at the date of transition to IFRSs.

f) ***Impairment of financial assets.*** The impairment requirements of IFRS 9 are applied retrospectively. In cases when determination of a significant increase in credit risk since the initial recognition of a financial instrument requires undue cost or effort, the management decided to recognise a lifetime expected credit losses allowance at each reporting date until the financial instrument is derecognised (unless that financial instrument is low credit risk at a reporting date).

g) ***Embedded derivatives.*** The Group does not have embedded derivatives.

h) ***Government loans.*** The Group does not have government loans.

5 First-time Adoption of IFRS (Continued)

The following reconciliations provide a quantification of the effect of the transition from National Accounting Standards of Uzbekistan ("NAS") to IFRS at 1 January 2018, 31 December 2018, 31 December 2019:

In millions of Uzbek Soums	**31 December 2019**	**31 December 2018**	**1 January 2018**
EQUITY UNDER NAS	**1,241,237**	**895,355**	**1,045,493**
(i) Consolidation of subsidiaries	11,308	53,517	39,874
Effects of changes in accounting policies:			
(ii) Property, plant and equipment: fair value as deemed cost	160,257	(33,661)	150,639
(iii) Prepayments: reversal of foreign exchange revaluation	(133,108)	-	-
(iv) Inventories: write-down of obsolete inventories	(40,155)	(47,699)	(44,871)
(v) Trade and other receivables: initial recognition at fair value	(33,697)	-	-
(vi) Net impairment losses on financial assets	(41,750)	(12,183)	(12,929)
(vii) Borrowings: capitalization of borrowing costs	139,345	-	-
(viii) Financial guarantees: recognition and measurement under IFRS 9	(396,814)	(643,098)	(637,896)
(ix) Elimination of excess profit tax	-	-	-
(x) Deferred tax: recognition under the balance sheet liability method	19,007	103,177	52,054
(xi) Other adjustments	(24,952)	(17,346)	(12,983)
Correction of errors			
(xii) Correction of deferred foreign exchange losses	(10,913)	(54,564)	(54,564)
(xiii) Correction of investments in disposed subsidiaries	(37,197)	-	-
(xiv) Correction of receivables for disposed subsidiary	42,465	-	-
(xv) Correction of other errors	6,888	(9,218)	2,392
EQUITY UNDER IFRS	**901,921**	**234,280**	**527,209**

5 First-time Adoption of IFRS (Continued)

The following reconciliations provide a quantification of the effect of the transition from NAS to IFRS for the years ended 31 December 2018 and 31 December 2019:

In millions of Uzbek Soums	2019	2018
PROFIT / (LOSS) UNDER NAS	**314,865**	**(104,570)**
(i) Consolidation of subsidiaries	(42,209)	13,643
Effects of changes in accounting policies:		
(ii) Depreciation and losses on disposal of property, plant and equipment: fair value as deemed cost	228,821	(123,268)
(iii) Prepayments: reversal of foreign exchange revaluation	(133,108)	-
(iv) Inventories: write-down of obsolete inventories	7,544	(2,828)
(v) Trade and other receivables: initial recognition at fair value	(33,697)	-
(vi) Net impairment losses on financial assets	(29,567)	746
(vii) Borrowings: capitalization of borrowing costs	139,345	-
(viii) Financial guarantees: recognition and measurement under IFRS 9	246,283	(5,202)
(ix) Elimination of excess profit tax	-	501,765
(x) Deferred tax: recognition under the balance sheet liability method	(84,170)	51,123
(xi) Other adjustments	(7,328)	(2,539)
Correction of errors		
(xii) Correction of deferred foreign exchange losses	43,651	-
(xiii) Correction of investments in disposed subsidiaries	(37,197)	-
(xiv) Correction of receivables for disposed subsidiary	42,465	-
(xv) Correction of other errors	22,084	(9,157)
TOTAL COMPREHENSIVE INCOME UNDER IFRS	**677,782**	**319,713**

The key adjustments for the differences between NAS and IFRS were attributable to the following:

(i) ***Consolidation of subsidiaries.*** Since the Company is the subsidiary of another legal entity it is allowed not to prepare consolidated financial statements under NAS subject to consent of parent company. The Company's NAS financial statements include only assets, liabilities, equity and income and expense items of the Company. IFRS 10 requires consolidation of all subsidiaries.

(ii) ***Property, plant and equipment: fair value as deemed cost.*** The Group has elected to measure property, plant and equipment at fair value of UZS 870,491 million at 1 January 2018. This fair value represents the assets' deemed cost and is the basis for future depreciation.

(iii) ***Prepayments: reversal of foreign exchange revaluation.*** Prepayments under NAS are considered monetary assets. Prepayments denominated in foreign currency are subject to foreign exchange revaluation and are translated into functional currency using period end exchange rates. In accordance with IAS 21 prepayments are considered non-monetary assets which are recorded at historical cost. Prepayments denominated in foreign currency are translated into functional currency using exchange rates payment date exchange rates.

(iv) ***Inventories: write-down of obsolete inventories.*** Obsolete inventories were written down in accordance with requirements of IAS 2.

(v) ***Trade and other receivables: initial recognition at fair value.*** Under NAS all receivables are initially recognized at the amount of consideration receivable despite of existence of significant financing component. In accordance with IFRS 9 financial assets are initially recognized at fair value which differs from total amount of consideration receivable in case of long-term interest-free receivables.

(vi) ***Net impairment losses on financial assets:*** The adjustment was required to recognize expected credit losses on financial assets in accordance with requirements of IFRS 9.

5 First-time Adoption of IFRS (Continued)

(vii) ***Borrowings: capitalization of borrowing costs.*** Under NAS foreign exchange gains or losses on borrowings are not capitalized. IAS 23 requires capitalization of foreign exchange gains or losses on borrowings to the extent they are regarded as an adjustment to interest costs relating to respective borrowing.

(viii) ***Financial guarantees: recognition under IFRS 9.*** Under NAS financial guarantees issued are not recorded. IFRS 9 requires to recognize financial guarantees at fair value at initial recognition and subsequently measure them at the higher of the amount of the loss allowance for the guaranteed exposure determined based on the expected credit loss model and the remaining unamortised balance of the amount at initial recognition.

(ix) ***Elimination of excess profit tax expense.*** During 2018 the Company was subject to excess profit tax. Tax base for excess profit tax is determined as the net margin on sales of polyethylene above fixed prices set by government authorities. 50% of this amount is paid to the tax authorities while remaining 50% are retained by the entity for further reinvestment. Usage of retained funds should be approved by government authorities. Under NAS amount retained by the Company was also recorded as expense. Under IFRS this transaction does not meet expense recognition criteria.

(x) ***Deferred tax: recognition under the balance sheet liability method.*** The adjustment was required to recognise deferred taxes under the balance sheet liability method for temporary differences detailed in Note 23. There is a deferred tax concept under NAS but it is never applied in practice by entities in Uzbekistan.

(xi) ***Other adjustments***. Other adjustments include provision for unused vacations, writing down assets that do not meet asset recognition criteria under IFRS and others.

(xii) ***Correction of deferred foreign exchange losses.*** Under NAS all foreign exchange gains and losses are recorded in profit or loss. However, in NAS financial statements the Company recoded foreign exchange losses originating before 2018 as an asset which was subsequently written off to expense in 2019.

(xiii) ***Correction of investments in disposed subsidiaries.*** The Group disposed several subsidiaries in 2019 (Note 21Note 21). However, it did not appropriately derecognize respective investments in NAS financial statements.

(xiv) ***Correction of receivables for disposed subsidiary.*** The Company sold a subsidiary in 2019 (Note 21Note 21). However, it did not recognize respective income and receivable in NAS financial statements.

(xv) ***Correction of other errors.*** Other errors include borrowings denominated in inappropriate foreign currency, revaluation of inventory and others.

The Group's operating, investing and financing cash flows reported under NAS did not significantly differ from IFRS.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Group has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

6 New Accounting Pronouncements (Continued)

Interest rate benchmark reform – phase 1 amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Group is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group is currently assessing the impact of the amendments on its financial statements.

6 New Accounting Pronouncements (Continued)

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Group is currently assessing the impact of the amendments on its financial statements.

6 New Accounting Pronouncements (Continued)

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- *Effective date:* The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.

- *Expected recovery of insurance acquisition cash flows:* An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

- *Contractual service margin attributable to investment services*: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

- *Reinsurance contracts held – recovery of losses:* When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

- *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

- **6 New Accounting Pronouncements (Continued)**

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). *The amendment to IAS 1 on classification of liabilities as current or non-current* was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Group is currently assessing the impact of the amendments on its financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- *Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:* For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

- *End date for Phase 1 relief for non contractually specified risk components in hedging relationships:* The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

- *Additional temporary exceptions from applying specific hedge accounting requirements:* The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- *Additional IFRS 7 disclosures related to IBOR reform:* The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group is currently assessing the impact of the amendments on its financial statements.

6 New Accounting Pronouncements (Continued)

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group is currently assessing the impact of the amendments on its financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

7 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Government of Uzbekistan has control over the Group. The Group decided to apply the exemption from disclosure of individually insignificant transactions and balances with the government and parties that are related to the entity because the Government of Uzbekistan has control, joint control or significant influence over such party.

The Group purchases from and sells goods and services to a large number of government related entities. Such purchases and sales are individually insignificant and are generally entered into on an arm's length basis. Transactions with the state also include taxes which are detailed in Notes 17 and 22.

At 31 December 2019, the outstanding balances with related parties were as follows:

In millions of Uzbek Soums	**Immediate parent**	**Entities under common control**	**Government related entities**
Gross amount of trade and other receivables	28,950	-	104,683
Credit loss allowance	(773)	-	(2,795)
Prepayments	25,105	98	-
Trade and other payables	263,807	3,230	-
Financial guarantees	383,393	-	8,166

7 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the year ended 31 December 2019 were as follows:

In millions of Uzbek Soums	Immediate parent	Entities under common control	Government related entities
Revenue from contracts with customers	-	-	644,531
Purchases of raw materials and consumables	418,889	201,276	-
Charity and donations	-	-	(48,130)
Net impairment gains and losses on financial assets	(773)	1,036	(2,795)
Amortisation of fair value of financial guarantees	57,293	-	-
Reversal of impairment of financial guarantees	326,100	(637,823)	-

At 31 December 2019, other rights and obligations connected to related parties were as follows:

In millions of Uzbek Soums	Immediate parent	Entities under common control	Government related entities
Guarantees issued by the Group at the year end	2,705,295	-	699,756
Guarantees received by the Group at the year end	3,187,410	252,289	-

At 31 December 2018, the outstanding balances with related parties were as follows:

In millions of Uzbek Soums	Immediate parent	Entities under common control	Government related entities
Gross amount of trade and other receivables	-	38,820	-
Credit loss allowance	-	(1,036)	-
Prepayments	-	4,299	-
Trade and other payables	23,047	395,285	-
Financial guarantees	-	637,823	-

The income and expense items with related parties for the year ended 31 December 2018 were as follows:

In millions of Uzbek Soums	Immediate parent	Entities under common control	Government related entities
Revenue from contracts with customers	-	184,326	-
Purchases of raw materials and consumables	-	197,236	-
Charity and donations	-	-	(194,403)
Net impairment gains and losses on financial assets	-	(883)	-
Amortisation of fair value of financial guarantees	-	38,068	-
Provision for impairment of financial guarantees	-	(38,141)	-

7 Balances and Transactions with Related Parties (Continued)

At 31 December 2018, other rights and obligations connected to related parties were as follows:

In millions of Uzbek Soums	Immediate parent	Entities under common control	Government related entities
Guarantees issued by the Group at the year end	-	4,300,290	-
Guarantees received by the Group at the year end	-	311,713	-

At 1 January 2018, the outstanding balances with related parties were as follows:

In millions of Uzbek Soums	Immediate parent	Entities under common control	Government related entities
Gross amount of trade and other receivables	-	5,733	-
Credit loss allowance	-	(153)	-
Prepayments	158,786	55,113	-
Trade and other payables	-	33,856	-
Financial guarantees	-	637,896	-

At 1 January 2018, other rights and obligations connected to related parties were as follows:

In millions of Uzbek Soums	Immediate parent	Entities under common control	Government related entities
Guarantees issued by the Group at the year end	-	4,187,114	-
Guarantees received by the Group at the year end	-	402,747	-

Key management compensation. Key management includes General Director, Deputy General Directors and Chief Accountant.

Key management compensation is presented below:

	2019		2018	
In millions of Uzbek Soums	Expense	Accrued liability	Expense	Accrued liability
Short-term benefits:				
- Salaries	364	-	354	-
- Short-term bonuses	1,194	-	962	-
- Benefits in-kind	20	-	18	-
- Unified Social Payment contributions	395	-	334	-
Total key management compensation	**1,973**	-	**1,668**	-

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

8 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In millions of Uzbek Soums	Buildings	Machinery and equipment	Other	Construction in progress	Total
Deemed cost at 1 January 2018	348,453	364,151	95,572	263,025	1,071,201
Accumulated depreciation	(31,955)	(138,337)	(30,418)	-	(200,710)
Carrying amount at 1 January 2018	**316,498**	**225,814**	**65,154**	**263,025**	**870,491**
Additions	-	12,320	47,923	5,011	65,254
Transfers	43,218	-	-	(43,218)	-
Disposals	(423)	(72)	(7)	-	(502)
Depreciation charge	(16,376)	(43,539)	(10,890)	-	(70,805)
Carrying amount at 31 December 2018	**342,917**	**194,523**	**102,180**	**224,818**	**864,438**
Cost at 31 December 2018	391,156	376,072	143,374	224,818	1,135,420
Accumulated depreciation	(48,239)	(181,549)	(41,194)	-	(270,982)
Carrying amount at 31 December 2018	**342,917**	**194,523**	**102,180**	**224,818**	**864,438**
Additions	-	15,818	16,209	725,204	757,231
Capitalised borrowing costs	-	-	-	184,702	184,702
Transfers	11,410	-	-	(11,410)	-
Disposals	(323)	(425)	(23)	-	(771)
Disposal of subsidiaries	-	-	(69,450)	-	(69,450)
Depreciation charge	(17,334)	(44,360)	(6,347)	-	(68,041)
Carrying amount at 31 December 2019	**336,670**	**165,556**	**42,569**	**1,123,314**	**1,668,109**
Cost at 31 December 2019	402,201	391,326	79,992	1,123,314	1,996,833
Accumulated depreciation	(65,531)	(225,770)	(37,423)	-	(328,724)
Carrying amount at 31 December 2019	**336,670**	**165,556**	**42,569**	**1,123,314**	**1,668,109**

Construction in progress consists mainly of capital expenditures in respect of expansion of production capacity of SGCC in accordance with Presidential Decrees #PP-2551 dated 20 June 2016 and #PP-2965 dated 11 May 2017.

At 1 January 2018 property, plant and equipment carried at UZS 269,382 million have been pledged to Kapitalbank and Mikrokreditbank as collateral for borrowings. Refer to Note 15.

9 Prepayments

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Prepayments for property, plant and equipment	559,115	-	-
Prepayments for intangible assets	94,348	94,348	94,348
Total prepayments - non-current	**653,463**	**94,348**	**94,348**
Prepayments for goods and services	155,879	48,263	329,927
Total prepayments - current	**155,879**	**48,263**	**329,927**
Total prepayments	**809,342**	**142,611**	**424,275**

Prepayments for property, plant and equipment mainly consist of prepayments for construction services in respect of expansion of production capacity of SGCC in accordance with Presidential Decrees #PP-2551 dated 20 June 2016 and #PP-2965 dated 11 May 2017.

10 Inventories

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Raw materials	105,999	112,126	82,421
Inventories under construction	152,401	96,579	58,259
Finished products - at cost	30,852	17,916	17,103
Other	8,303	4,117	4,332
Total inventories	**297,555**	**230,738**	**162,115**

Inventories under construction consist mainly of assets constructed by the Group for further sale to "Uzbekistan GTL" LLC and houses constructed by the Group for further sale to their employees.

At 1 January 2018 inventories of UZS 46,005 million have been pledged to Kapitalbank as collateral for borrowings. Refer to Note 15.

At 31 December 2019 inventories of UZS 37,581 million (31 December 2018: UZS 37,581 million; 1 January 2018: UZS 37,581 million) are valued at net realisable value.

11 Trade and Other Receivables

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Other financial receivables	54,670	25,441	18,479
Less credit loss allowance	(9,106)	(1,590)	(1,154)
Total financial receivables - non-current	***45,564***	***23,851***	***17,325***
Total trade and other receivables - non-current	**45,564**	**23,851**	**17,325**
Trade receivables	192,950	85,820	45,316
Other financial receivables	15,783	10,508	5,241
Less credit loss allowance	(32,644)	(10,593)	(11,775)
Total financial receivables - current	***176,089***	***85,735***	***38,782***
Tax receivables	20,219	9,347	6,513
Other receivables	9,122	5,879	5,646
Total trade and other receivables - current	**205,430**	**100,961**	**50,941**
Total trade and other receivables	**250,994**	**124,812**	**68,266**

Trade and other financial receivables are denominated in currencies as follows:

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Trade and other financial receivables denominated in:			
- Uzbek Soums	196,118	85,808	50,474
- US Dollars	25,535	23,778	5,633
Total trade and other financial receivables	**221,653**	**109,586**	**56,107**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The credit loss allowance for trade receivables at 31 December 2019 was as follows:

In millions of Uzbek Soums	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade receivables				
- Trade receivables from "Uztransgaz" JSC	2.67%	104,683	(2,795)	101,888
- Trade receivables from entities under common control	2.67%	28,950	(773)	28,177
- Default trade receivables	100%	26,627	(26,627)	-
- Other trade receivables	0%	32,690	-	32,690
Total		**192,950**	**(30,195)**	**162,755**

11 Trade and Other Receivables (Continued)

The credit loss allowance on trade receivables at 31 December 2018 was as follows:

In millions of Uzbek Soums	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade receivables				
- Trade receivables from entities under common control	2.67%	38,820	(1,036)	37,784
- Default trade receivables	100%	9,048	(9,048)	-
- Other trade receivables	0%	37,952	-	37,952
Total		**85,820**	**(10,084)**	**75,736**

The credit loss allowance on trade receivables at 1 January 2018 was as follows:

In millions of Uzbek Soums	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade receivables				
- Trade receivables from entities under common control	2.67%	5,733	(153)	5,580
- Default trade receivables	100%	11,444	(11,444)	-
- Other trade receivables	0%	28,139	-	28,139
Total		**45,316**	**(11,597)**	**33,719**

The following table explains the changes in the credit loss allowance for trade receivables under simplified ECL model between the beginning and the end of the annual period

In millions of Uzbek Soums	2019	2018
Allowance for credit losses on trade receivables at 1 January	**10,084**	**11,597**
New originated or purchased	30,195	10,084
Financial assets derecognized during the period	(10,084)	(11,597)
Changes in estimates and assumptions	-	-
Total credit loss allowance charge in profit or loss for the period	20,111	(1,513)
Allowance for credit losses on trade receivables at 31 December	**30,195**	**10,084**

11 Trade and Other Receivables (Continued)

The tables below contain an analysis of the credit risk exposure of other financial receivables. The carrying amount of other financial receivables at 31 December 2019 below also represents the Group's maximum exposure to credit risk on these assets:

In millions of Uzbek Soums	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Other financial receivables			
- Receivables from employees	-	31,653	31,653
- Receivables for disposed non-core assets	-	9,233	9,233
- Receivables for disposed subsidiaries	-	29,074	29,074
- Other receivables	493	-	493
Gross carrying amount	**493**	**69,960**	**70,453**
Credit loss allowance	-	(11,555)	(11,555)
Carrying amount	**493**	**58,405**	**58,898**

The carrying amount of other receivable at 31 December 2018 below also represents the Group's maximum exposure to credit risk on these assets:

In millions of Uzbek Soums	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Other financial receivables			
- Receivables from employees	-	33,568	33,568.00
- Other receivables	2,381	-	2,381
Gross carrying amount	**2,381**	**33,568**	**35,949**
Credit loss allowance	-	(2,099)	(2,099)
Carrying amount	**2,381**	**31,469**	**33,850**

The carrying amount of other receivable at 1 January 2018 below also represents the Group's maximum exposure to credit risk on these assets:

In millions of Uzbek Soums	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Other financial receivables			
- Receivables from employees	-	21,313	21,313
- Other receivables	2,407	-	2,407
Gross carrying amount	**2,407**	**21,313**	**23,720**
Credit loss allowance	-	(1,332)	(1,332)
Carrying amount	**2,407**	**19,981**	**22,388**

11 Trade and Other Receivables (Continued)

Movements in the credit loss allowance and in the gross amortised cost amount of other financial receivables were as follows in 2019.

In millions of Uzbek Soums	Credit loss allowance Stage 1 (12-months ECL)	Credit loss allowance Stage 2 (lifetime ECL for SICR)	Credit loss allowance Total	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Stage 2 (lifetime ECL for SICR)	Gross carrying amount Total
Other financial receivables						
At 31 December 2018	**-**	**2,099**	**2,099**	**2,381**	**33,568**	**35,949**
Movements with impact on credit loss allowance charge for the period:						
Transfers - to lifetime (from Stage 1 to Stage 2)	(2,024)	9,574	7,550	(41,819)	41,819	-
New originated or purchased	2,024	-	2,024	41,819	-	41,819
Derecognised during the period	-	(118)	(118)	(1,888)	(5,427)	(7,315)
Total movements with impact on credit loss allowance charge for the period	**-**	**9,456**	**9,456**	**-**	**-**	**-**
At 31 December 2019	**-**	**11,555**	**11,555**	**493**	**69,960**	**70,453**

Movements in the credit loss allowance and in the gross amortised cost amount of other financial receivables were as follows in 2018.

In millions of Uzbek Soums	Credit loss allowance Stage 1 (12-months ECL)	Credit loss allowance Stage 2 (lifetime ECL for SICR)	Credit loss allowance Total	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Stage 2 (lifetime ECL for SICR)	Gross carrying amount Total
Other financial receivables						
At 1 January 2018	**-**	**1,332**	**1,332**	**2,407**	**21,313**	**23,720**
Movements with impact on credit loss allowance charge for the period:						
Transfers - to lifetime (from Stage 1 to Stage 2)	(343)	839	496	(13,403)	13,403	-
New originated or purchased	343	-	343	13,403	-	13,403
Derecognised during the period	-	(72)	(72)	(26)	(1,148)	(1,174)
Total movements with impact on credit loss allowance charge for the period	**-**	**767**	**767**	**-**	**-**	**-**
At 31 December 2018	**-**	**2,099**	**2,099**	**2,381**	**33,568**	**35,949**

12 Cash and Cash Equivalents

Cash and cash equivalents are mainly represented by bank balances payable on demand. Bank balances payable on demand are held with Fitch and Standard&Poor's BB- to B rated / Moody's Ba3 to B2 rated local banks.

The cash and cash equivalents disclosed above and in the statement of cash flows include UZS 25,419 million (31 December 2018: UZS 47,902 million; 1 January 2018: UZS 29,370 million) which are held by the Company. These deposits can be withdrawn by National Bank of Uzbekistan without management's consent in case the Group defaults on repayment of borrowings from National Bank of Uzbekistan. There were no such cases during 2019 and 2018. Refer to Note 15.

Cash and cash equivalents are denominated in currencies as follows:

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Cash and cash equivalents denominated in:			
- Uzbek Soums	3,680	22,063	41,083
- US Dollars	23,136	42,635	17,698
- Euros	271	1,851	437
- Other	668	579	1,341
Total cash and cash equivalents	**27,755**	**67,128**	**60,559**

13 Other Assets

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Corporate shares	17,119	17,119	17,119
Total financial assets at FVTPL - non-current	***17,119***	***17,119***	***17,119***
Deferred employee benefit costs	33,206	34,263	33,175
Other assets	3,191	4,013	4,256
Total other assets - non-current	**53,516**	**55,395**	**54,550**
Restricted cash	2,238	5,873	34,602
Total financial assets at AC - current	***2,238***	***5,873***	***34,602***
Deferred transaction costs	3,857	-	-
Total other assets - current	**6,095**	**5,873**	**34,602**
Total other assets	**59,611**	**61,268**	**89,152**

13 Other Assets (Continued)

Restricted cash is held with Fitch and Standard&Poor's BB- to B rated / Moody's Ba3 to B2 rated local banks. Restricted cash is denominated in currencies as follows:

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Restricted cash denominated in:			
- Uzbek Soums	-	67	5,949
- US Dollars	1,797	926	18,505
- Euros	441	-	1,442
- Other	-	4,880	8,706
Total rectricted cash	**2,238**	**5,873**	**34,602**

14 Charter Capital

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
"Uzbekneftegaz" JSC	359,158	-	-
"Uzneftegazdobycha" JSC	-	359,158	359,158
Total charter capital	**359,158**	**359,158**	**359,158**

In accordance with Presidential Decree #PP-4388 dated 9 July 2019 "Uzneftegazdobycha" JSC was liquidated with ownership of the Company being transferred to "Uzbekneftegaz" JSC, former immediate parent of "Uzneftegazdobycha" JSC.

Dividends declared and paid during the year were as follows:

In millions of Uzbek Soums	2019	2018
Dividends payable at 1 January	**66**	**115**
Dividends declared during the year	10,141	16,020
Dividends paid during the year	(10,143)	(16,069)
Dividends payable at 31 December	**64**	**66**

All dividends are declared and paid in Uzbek Soums. In accordance with Uzbekistan legislation, the Company distributes profits as dividends on the basis of financial statements prepared in accordance with NAS. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Uzbekistan legislation identifies the basis of distribution as the net profit. For 2019, the current year net statutory profit for the Company as reported in the published annual statutory reporting forms was UZS 314,865 million (2018: net loss of UZS 104,570 million) and the closing balance of the accumulated profit including the current year net statutory profit totalled UZS 228,411 million (2018: accumulated deficit of UZS 76,313 million). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose an amount for distributable reserves in these consolidated financial statements.

During 2018 the Company transferred UZS 596,622 million to "Uzbekneftegaz" JSC (next senior party) for investing purposes. Amounts transferred represent excess profit from sales of polyethylene (net margin on sales of polyethylene above fixed prices set by government authorities less excess profit tax paid) retained by the Company up to 31 December 2018.

15 Borrowings

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Borrowings from local banks	26,266	34,112	64,182
Total borrowings - non-current	**26,266**	**34,112**	**64,182**
Borrowings from foreign banks	1,401,325	-	-
Borrowings from local banks	13,172	48,540	308,553
Total borrowings - current	**1,414,497**	**48,540**	**308,553**
Total borrowings	**1,440,763**	**82,652**	**372,735**

Borrowings from foreign banks are represented by loan from Gazprombank (Russia) for total amount of EUR 300 million for the purposes of expansion of production capacity of SGCC in accordance with Presidential Decrees #PP-2551 dated 20 June 2016 and #PP-2965 dated 11 May 2017. Loan was issued at annual interest rate of 6-month EURIBOR +4.95%. Loan matures until 2022. Loan is secured by the financial guarantee of "Uzbekneftegaz" JSC.

Borrowings from local banks are mainly represented by a number of loans from National Bank of Uzbekistan, Hamkorbank, Kapitalbank Mikrokreditbank, Sanoatqurilishbank for general purposes. Interest rates vary from 8.5% to 12% for loans denominated in USD and from 9% to 16% for loans denominated in UZS. All loans mature until 2022.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period are disclosed in Note 26.

The Group was in breach of covenants related to loan from Gazprombank at 31 December 2019. As a result, at the end of the reporting period, Gazprombank had the option to call this loan. The loan is classified as current at the end of the reporting period because Gazprombank waived its right to request immediate redemption only after the reporting period. Waiver letter from Gazprombank was received on 12 August 2021. According to letter Gazprombank waives its right to accelerate repayment of borrowing due to breaches identified in 2019 and confirms that no other breaches were identified.

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

The fair value of borrowings approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing date and are within level 2 of the fair value hierarchy.

The Group's borrowings are denominated in currencies as follows:

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Borrowings denominated in:			
- Uzbek Soums	19,085	25,561	178,628
- US Dollars	20,353	57,091	194,107
- Euros	1,401,325	-	-
Total borrowings	**1,440,763**	**82,652**	**372,735**

15 Borrowings (Continued)

Movements in the Group's borrowings were as follows.

In millions of Uzbek Soums	2019	2018
Borrowings at 1 January	**82,652**	**372,735**
Cash flows other than interest paid	1,200,145	(291,408)
Interest accrual	51,547	24,077
Interest payments	(34,224)	(24,077)
Foreign exchange differences	145,992	1,325
Disposal of subsidiaries	(5,349)	-
Borrowings at 31 December	**1,440,763**	**82,652**

16 Trade and Other Payables

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Trade payables	309,228	485,392	96,941
Dividends payable	64	66	115
Total financial payables at AC	***309,292***	***485,458***	***97,056***
Accrued employee benefit costs	11,840	9,898	10,722
Advances from customers	6,480	4,073	11,304
Other payables	6,480	4,338	2,602
Total trade and other payables	**334,092**	**503,767**	**121,684**

Trade and other financial payables are denominated in currencies as follows:

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Trade and other financial payables denominated in:			
- Uzbek Soums	299,839	473,077	72,246
- US Dollars	9,453	12,379	24,410
- Euros	-	2	400
Total trade and other financial payables	**309,292**	**485,458**	**97,056**

17 Other Taxes Payable

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Excise tax	21,395	495	1,480
Value added tax	10,276	21,213	11,286
Excess profit tax	-	74,952	30,005
Turnover taxes	-	9,921	4,640
Other taxes	7,301	22,936	18,125
Total other taxes payable	**38,972**	**129,517**	**65,536**

18 Financial Guarantees

The liability for financial guarantees issued represents the higher of the unamortised balance of fair value at initial recognition (Note 24) and the amount required to settle losses incurred on guarantees at the end of the reporting period.

Movements in the provision for financial guarantees in 2019 were as follows.

In millions of Uzbek Soums	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total provision	Gross guaranteed amount
Provision for financial guarantees at 31 December 2018	-	**643,098**	**643,098**	**4,319,340**
Movements with impact on provision for credit related commitments charge for the period				
Amortisation of deferred income to income	-	(58,046)	(58,046)	-
Derecognized during the period	-	(194,000)	(194,000)	(1,495,493)
Changes to model assumptions	-	5,762	5,762	-
Total charge to profit or loss for the year	-	**(246,284)**	**(246,284)**	-
Movements without impact on provision for credit related commitments charge for the period:				
Foreign exchange impact	-	-	-	600,254
Provision for financial guarantees at 31 December 2019	-	**396,814**	**396,814**	**3,424,101**

Movements in the provision for financial guarantees in 2018 were as follows.

In millions of Uzbek Soums	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total provision	Gross guaranteed amount
Provision for financial guarantees at 1 January 2018	-	**637,896**	**637,896**	**4,187,114**
Movements with impact on provision for credit related commitments charge for the period:				
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(5,275)	5,275	-	-
Issued guarantees (fair value)	5,275	-	5,275	19,050
Amortisation of deferred income to income	-	(38,068)	(38,068)	-
Changes to model assumptions	-	37,995	37,995	
Total charge to profit or loss for the year	-	**5,202**	**5,202**	-
Movements without impact on provision for credit related commitments charge for the period:				
Foreign exchange impact	-	-	-	113,176
Provision for financial guarantees at 31 December 2018	-	**643,098**	**643,098**	**4,319,340**

18 Financial Guarantees (Continued)

Financial guarantees issued by the Group are denominated in currencies as follows:

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Financial guarantees denominated in:			
- Uzbek Soums	5,256	5,275	-
- US Dollars	391,558	637,823	637,896
Total financial guarantees	**396,814**	**643,098**	**637,896**

19 Revenue from Contracts with Customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

In millions of Uzbek Soums	2019	2018
Sales of processed gas	644,531	184,326
Sales of construction services	42,705	77,044
Total revenue - over time	***687,236***	***261,370***
Sales of polyethylene	1,084,434	1,353,631
Sales of polymer products	94,945	107,219
Sales of liquified gas	67,526	28,281
Sales of gas condensate	25,245	17,527
Sales of textile products	-	32,940
Other sales - at a point of time	8,721	9,873
Total revenue - at a point of time	***1,280,871***	***1,549,471***
Less excess profit tax	-	(512,974)
Total revenue from contracts with customers	**1,968,107**	**1,297,867**

20 Employee Benefits Expense

Included in employee benefits expense are Unified Social Payment contributions of UZS 55,353 million (2018: UZS 44,525 million).

21 Losses less Gains on Disposal of Subsidiaries

During 2019 the Group disposed all retained interest in charter capital of 4 subsidiaries. The details of the disposed assets and liabilities and disposal consideration are as follows:

In millions of Uzbek Soums	"Yakkabog' Voha Teks" LLC	"Mebellar Uyi" LLC	"Ko'prik Yo'l Qurilish Boshqarmasi" LLC	"Qorabayir Otchilik Majmuasi" LLC	Total
Property, plant and equipment	26,140	3,621	1,931	37,758	69,450
Inventories	9,518	6,291	11,602	1,519	28,930
Prepayments	2,132	-	5,599	18	7,749
Trade and other receivables	166	325	5,873	955	7,319
Cash and cash equivalents	750	165	49	126	1,090
Other assets	-	-	-	13	13
Borrowings	-	-	(5,349)	-	(5,349)
Trade and other payables	(2,531)	(6,294)	(11,562)	(3,005)	(23,392)
Other taxes payable	-	-	(6,971)	(10)	(6,981)
Carrying amount of disposed net assets	**36,175**	**4,108**	**1,172**	**37,374**	**78,829**

Cash flows on disposal were as follows:

In millions of Uzbek Soums	"Yakkabog' Voha Teks" LLC	"Mebellar Uyi" LLC	"Ko'prik Yo'l Qurilish Boshqarmasi" LLC	"Qorabayir Otchilik Majmuasi" LLC	Total
Consideration for disposal of subsidiary	29,074	-	-	-	29,074
Less fair value of receivable arising on disposal	(29,074)	-	-	-	(29,074)
Less cash and cash equivalents in disposed subsidiary	(750)	(165)	(49)	(126)	(1,090)
Cash outflow on disposal	**(750)**	**(165)**	**(49)**	**(126)**	**(1,090)**

The Group has recorded losses from disposal of subsidiaries as follows.

In millions of Uzbek Soums	"Yakkabog' Voha Teks" LLC	"Mebellar Uyi" LLC	"Ko'prik Yo'l Qurilish Boshqarmasi" LLC	"Qorabayir Otchilik Majmuasi" LLC	Total
Consideration for disposal of subsidiary	29,074	-	-	-	29,074
Less carrying amount of disposed net assets	(36,175)	(4,108)	(1,172)	(37,374)	(78,829)
Loss on disposal of subsidiary	**(7,101)**	**(4,108)**	**(1,172)**	**(37,374)**	**(49,755)**

22 Finance Costs

In millions of Uzbek Soums	2019	2018
Foreign exchange losses less gains	143,421	501
Interest expense on borrowings	51,547	24,077
Total finance costs	194,968	24,578
Less capitalised finance costs	(184,702)	-
Total finance costs recognised in profit or loss	**10,266**	**24,578**

The Group capitalised borrowing costs arising on financing directly attributable to expansion of production capacity of SGCC (Note 8).

23 Income Taxes

(a) *Components of income tax expense / (credit)*

Income tax expense or credit recorded in profit or loss comprises the following:

In millions of Uzbek Soums	2019	2018
Current tax	132,094	6,223
Deferred tax	84,170	(51,123)
Income tax expense / (credit) for the year	**216,264**	**(44,900)**

(b) *Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate*

The income tax rate applicable to the majority of the Group's 2019 income is 20% (2018: 14%). Enacted income tax rate for future periods after 31 December 2018 used for deferred tax estimation is 20% (1 January 2018: 14%). A reconciliation between the expected and the actual taxation charge is provided below.

In millions of Uzbek Soums	2019	2018
Profit before tax	**894,046**	**274,813**
Theoretical tax charge at statutory rate of 20% (2018: 14%)	178,809	38,474
Tax effect of items which are not deductible or assessable for taxation purposes		
- Excess profit subject to reinvestment which is exempt from taxation	-	(71,816)
- Non-deductible expenses	31,033	21,268
Effects of change in enacted tax rates	-	(30,953)
Other	6,422	(1,873)
Income tax expense / (credit) for the year	**216,264**	**(44,900)**

23 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In millions of Uzbek Soums	1 January 2019	Charged / (credited) to profit or loss	31 December 2019
Tax effect of deductible / (taxable) temporary differences			
Difference between tax and accounting value of property, plant and equipment	40,888	46,331	87,219
Net impairment losses on financial assets	(2,437)	(5,913)	(8,350)
Write-down of inventories	(7,516)	-	(7,516)
Borrowing costs capitalised	-	27,806	27,806
Financial guarantees	(128,620)	49,257	(79,363)
Prepayments	-	(26,622)	(26,622)
Initial recognition of financial assets	-	(6,739)	(6,739)
Other	(5,492)	50	(5,442)
Net deferred tax asset	**(103,177)**	**84,170**	**(19,007)**
Recognized deferred tax asset	(103,177)	84,170	(19,007)
Recognized deferred tax liability	-	-	-
Net deferred tax asset	**(103,177)**	**84,170**	**(19,007)**

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

The tax effect of the movements in the temporary differences for the year ended 31 December 2018 are:

In millions of Uzbek Soums	1 January 2018	Charged / (credited) to profit or loss	31 December 2018
Tax effect of deductible / (taxable) temporary differences			
Difference between tax and accounting value of property, plant and equipment	47,161	(6,273)	40,888
Net impairment losses on financial assets	(1,810)	(627)	(2,437)
Write-down of inventories	(5,261)	(2,255)	(7,516)
Borrowing costs capitalised	-	-	-
Financial guarantees	(89,305)	(39,315)	(128,620)
Prepayments	-	-	-
Initial recognition of financial assets	-	-	-
Other	(2,839)	(2,653)	(5,492)
Net deferred tax asset	**(52,054)**	**(51,123)**	**(103,177)**
Recognized deferred tax asset	(52,054)	(51,123)	(103,177)
Recognized deferred tax liability	-	-	-
Net deferred tax asset	**(52,054)**	**(51,123)**	**(103,177)**

24 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims.

Tax contingencies. Uzbekistan tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Uzbekistan tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Group's management believes its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained. Accordingly, no provision for potential tax liabilities had been recorded. In addition, the Group estimates that it has no material obligations from exposure to other than remote tax risks.

Capital expenditure commitments. The Group's contractual capital expenditure commitments comprise the following:

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
Obligations to purchase property, plant and equipment	12,206,448	11,250,709	10,562
Obligations to purchase intangible assets	276,385	242,431	236,050
Total capital expenditure commitments	**12,482,833**	**11,493,140**	**246,612**

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

Guarantees. Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. The Group has guaranteed obligations of the following entities:

In millions of Uzbek Soums	31 December 2019	31 December 2018	1 January 2018
"Uzbekneftegaz" JSC	2,705,295	3,566,146	3,472,292
"Shurtanneftegaz" LLC	-	83,396	81,201
"Mubarekneftegaz" LLC	-	36,957	35,984
"Uztransgaz" JSC	699,756	613,791	597,637
"Mo'ynoq Mineral Tuzi" LLC	19,050	19,050	-
Less provision for credit losses	(396,814)	(643,098)	(637,896)
Total guarantees	**3,027,287**	**3,676,242**	**3,549,218**

The fair value of guarantees was UZS 50,136 million at 31 December 2019 (31 December 2018: UZS 108,182 million; 1 January 2018: UZS 140,975 million). The carrying value of guarantees represents unamortised balance of fair value at initial recognition. As guarantees were issued free of charge their fair value at initial recognition was determined using discounted cash flow analysis. Fair value at initial recognition is amortised on a straight-line basis over the life of guarantees.

24 Contingencies and Commitments (Continued)

Environmental matters. The enforcement of environmental regulation in the Republic of Uzbekistan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including declaration of default. The Group was in breach of covenants related to borrowing from Gazprombank at 31 December 2019. Refer to Note 15. The Group was in compliance with covenants at 31 December 2018 and 1 January 2018.

25 Principal Subsidiaries and Associates

Name	Nature of business	Country of registration	Percentage of ownership and voting rights 31 December 2019	31 December 2018	1 January 2018
Subsidiaries					
"Qurilish-Montaj va Ta'mirlash Boshqarmasi" UE	Construction services	Uzbekistan	100%	100%	100%
"Mebellar Uyi" LLC	Sales of furniture	Uzbekistan	0%	98%	98%
"Polietilen Quvurlar" LLC	Production of plolymer products	Uzbekistan	93%	93%	93%
"Polipropilen Quvurlar" LLC	Production of plolymer products	Uzbekistan	100%	100%	100%
"Ko'prik-Yo'l Qurilish Boshqarmasi" LLC	Construction services	Uzbekistan	0%	98%	98%
"Yakkabog' Voha Teks" LLC	Textile production	Uzbekistan	0%	95%	95%
"Qorabayir Otchilik Majmuasi" LLC	Horse breeding	Uzbekistan	0%	100%	100%
Associates					
"Yangiariq Plast" LLC	Production of plastic products	Uzbekistan	0%	22%	22%

26 Financial Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

26 Financial Risk Management (Continued)

The Group is exposed to concentrations of credit risk. At 31 December 2019 the Group had single counterparty (Note 24), with total amount of guaranteed exposure of 79% (31 December 2018: 83%; 1 January 2018: 83%) of the total amount of financial guarantee commitments.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committen amounts to an on-balance sheet exposure within a defined period. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period*. The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which the Group has a present contractual obligation to extend credit.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL*, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information*, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings for placements with banks.

ECL assessment on an individual basis is based on the Group's assessment of the collectability of trade receivables due from single major customer (refer to Note 11). ECL for individual basis assessment is defined as the present value of the difference between: (i) the contractual cash flows that are due to an entity under the contract; and; (ii) the cash flows the entity expects to receive. Cash flows the Group expects to receive are based on historical collection rates adjusted for forward looking information, such as forecasted production and consumption volumes in Uzbekistan for the next year approved by government authorities.

When assessment is performed on a portfolio basis, the Group measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks.

26 Financial Risk Management (Continued)

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Group uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event.

ECL measurement for financial guarantees. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("$ExOff$"). CCF for financial guarantees is defined based on statistical analysis of past exposures at default.

Principles of assessment based on external ratings. Certain exposures have external credit risk ratings, and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to placements with banks and balances with state-owned companies.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

26 Financial Risk Management (Continued)

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2019:

	At 31 December 2019		
In millions of Uzbek Soums	Monetary financial assets	Monetary financial liabilities	Net position
Uzbek Soums	199,798	324,180	(124,382)
US Dollars	50,468	421,364	(370,896)
Euros	712	1,401,325	(1,400,613)
Other	668	-	668
Total	**251,646**	**2,146,869**	**(1,895,223)**

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2018:

	At 31 December 2018		
In millions of Uzbek Soums	Monetary financial assets	Monetary financial liabilities	Net position
Uzbek Soums	107,938	503,913	(395,975)
US Dollars	67,339	707,293	(639,954)
Euros	1,851	2	1,849
Other	5,459	-	5,459
Total	**182,587**	**1,211,208**	**(1,028,621)**

The table below summarises the Group's exposure to foreign currency exchange rate risk at 1 January 2018:

	At 1 January 2018		
In millions of Uzbek Soums	Monetary financial assets	Monetary financial liabilities	Net position
Uzbek Soums	97,506	250,874	(153,368)
US Dollars	41,836	856,413	(814,577)
Euros	1,879	400	1,479
Other	10,047	-	10,047
Total	**151,268**	**1,107,687**	**(956,419)**

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

26 Financial Risk Management (Continued)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at 31 December 2019 relative to the functional currency of the respective Group entities, with all other variables held constant:

In millions of Uzbek Soums	At 31 December 2019 Impact on profit or loss	At 31 December 2019 Impact on equity
US Dollar strengthening by 20%	(59,343)	(59,343)
US Dollar weakening by 20%	59,343	59,343
Euro strengthening by 20%	(224,098)	(224,098)
Euro weakening by 20%	224,098	224,098
Other strengthening by 20%	107	107
Other weakening by 20%	(107)	(107)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at 31 December 2018 relative to the functional currency of the respective Group entities, with all other variables held constant:

In millions of Uzbek Soums	At 31 December 2018 Impact on profit or loss	At 31 December 2018 Impact on equity
US Dollar strengthening by 20%	(102,393)	(102,393)
US Dollar weakening by 20%	102,393	102,393
Euro strengthening by 20%	296	296
Euro weakening by 20%	(296)	(296)
Other strengthening by 20%	874	874
Other weakening by 20%	(874)	(874)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at 1 January 2018 relative to the functional currency of the respective Group entities, with all other variables held constant:

In millions of Uzbek Soums	At 1 January 2018 Impact on profit or loss	At 1 January 2018 Impact on equity
US Dollar strengthening by 20%	(26,380)	(26,380)
US Dollar weakening by 20%	26,380	26,380
Euro strengthening by 20%	(140,107)	(140,107)
Euro weakening by 20%	140,107	140,107
Other strengthening by 20%	255	255
Other weakening by 20%	(255)	(255)

26 Financial Risk Management (Continued)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In millions of Uzbek Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
31 December 2019						
Total financial assets	194,312	5,351	6,419	45,564	17,119	268,765
Total financial liabilities	2,110,197	5,905	4,501	26,266	-	2,146,869
Net interest sensitvity gap at 31 December 2019	**(1,915,885)**	**(554)**	**1,918**	**19,298**	**17,119**	**(1,878,104)**
31 December 2018						
Total financial assets	151,753	3,174	3,809	23,851	17,119	199,706
Total financial liabilities	1,130,489	11,550	35,057	34,112	-	1,211,208
Net interest sensitvity gap at 31 December 2018	**(978,736)**	**(8,376)**	**(31,248)**	**(10,261)**	**17,119**	**(1,011,502)**
1 January 2018						
Total financial assets	131,508	1,107	1,328	17,325	17,119	168,387
Total financial liabilities	737,688	234,506	71,311	64,182	-	1,107,687
Net interest sensitvity gap at 1 January 2018	**(606,180)**	**(233,399)**	**(69,983)**	**(46,857)**	**17,119**	**(939,300)**

All of the Group's debt instruments reprice within 5 years.

At 31 December 2019, if interest rates at that date had been 200 basis points lower (2018: 200 basis points lower) with all other variables held constant, profit for the year would have been UZS 15,234 million (2018: UZS 4,554 million) higher, mainly as a result of lower interest expense on variable interest liabilities

If interest rates had been 200 basis points higher with all other variables held constant, profit would have been UZS 15,234 million lower, mainly as a result of higher interest expense on variable interest liabilities.

26 Financial Risk Management (Continued)

The Group monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel at 31 December 2019:

	31 December 2019			
In % p.a.	UZS	USD	EUR	Other
Assets				
Cash and cash equivalents	0%	0%	0%	0%
Trade and other receivables	14%-16%	0%	-	-
Other assets	-	0%	0%	-
Liabilities				
Borrowings	9%	8.5%-10%	Euribor+4.95%	-
Trade and other payables	0%	0%	-	-
Financial guarantees	0%	0%	-	-

The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel at 31 December 2018:

	31 December 2018			
In % p.a.	UZS	USD	EUR	Other
Assets				
Cash and cash equivalents	0%	0%	0%	0%
Trade and other receivables	14%-16%	0%	-	-
Other assets	0%	0%	-	0%
Liabilities				
Borrowings	9%-16%	8.5%-10%	-	-
Trade and other payables	0%	0%	0%	-
Financial guarantees	0%	0%	-	-

The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel at 1 January 2018:

	1 January 2018			
In % p.a.	UZS	USD	EUR	Other
Assets				
Cash and cash equivalents	0%	0%	0%	0%
Trade and other receivables	14%-16%	0%	-	-
Other assets	0%	0%	0%	0%
Liabilities				
Borrowings	9%-16%	8.5%-12%	-	-
Trade and other payables	0%	0%	0%	-
Financial guarantees	0%	-	-	-

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

Other price risk. The Group has limited exposure to equity price risk.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by management of the Group. Management monitors monthly rolling forecasts of the Group's cash flows.

26 Financial Risk Management (Continued)

The Group seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payables. Management believes that the Group's cash reserves are sufficient to meet unforeseen liquidity requirements.

The table below shows liabilities at 31 December 2019 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2019 is as follows:

In millions of Uzbek Soums	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Borrowings	1,407,479	1,748	12,798	25,459	-	1,447,484
Trade and other payables	309,292	-	-	-	-	309,292
Financial guarantees	3,424,101	-	-	-	-	3,424,101
Total future payments including future principal and interest payments	**5,140,872**	**1,748**	**12,798**	**25,459**	-	**5,180,877**

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

In millions of Uzbek Soums	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Borrowings	1,941	3,787	46,015	39,943	-	91,686
Trade and other payables	485,458	-	-	-	-	485,458
Financial guarantees	4,319,340	-	-	-	-	4,319,340
Total future payments including future principal and interest payments	**4,806,739**	**3,787**	**46,015**	**39,943**	-	**4,896,484**

26 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 1 January 2018 is as follows:

In millions of Uzbek Soums	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Borrowings	1,263	40,218	280,138	84,439	-	406,058
Trade and other payables	97,056	-	-	-	-	97,056
Financial guarantees	4,187,114	-	-	-	-	4,187,114
Total future payments including future principal and interest payments	**4,285,433**	**40,218**	**280,138**	**84,439**	**-**	**4,690,228**

27 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Group managed as of 31 December 2019 was UZS 901,921 million (31 December 2018: UZS 234,280 million; 1 January 2018: UZS 527,209 million).

28 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

28 Fair Value Disclosures (Continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value at 31 December 2019 are as follows:

In millions of Uzbek Soums	31 December 2019 Level 1	Level 2	Level 3	Carrying value
ASSETS				
Cash and cash equivalents	-	27,755	-	27,755
Trade and other receivables	-	162,755	58,898	221,653
Other assets	-	19,357	-	19,357
TOTAL ASSETS	**-**	**209,867**	**58,898**	**268,765**
LIABILITIES				
Trade and other payables	-	309,292	-	309,292
Borrowings	-	-	1,440,763	1,440,763
Financial guarantees	-	-	396,814	396,814
TOTAL LIABILITIES	**-**	**309,292**	**1,837,577**	**2,146,869**

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value at 31 December 2018 are as follows:

In millions of Uzbek Soums	31 December 2018 Level 1	Level 2	Level 3	Carrying value
ASSETS				
Cash and cash equivalents	-	67,128	-	67,128
Trade and other receivables	-	75,736	33,850	109,586
Other financial assets	-	22,992	-	22,992
TOTAL ASSETS	**-**	**165,856**	**33,850**	**199,706**
LIABILITIES				
Trade and other payables	-	485,458	-	485,458
Borrowings	-	-	82,652	82,652
Financial guarantees	-	-	643,098	643,098
TOTAL LIABILITIES	**-**	**485,458**	**725,750**	**1,211,208**

28 Fair Value Disclosures (Continued)

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value at 1 January 2018 are as follows:

	1 January 2018			
In millions of Uzbek Soums	Level 1	Level 2	Level 3	Carrying value
ASSETS				
Cash and cash equivalents	-	60,559	-	60,559
Trade and other receivables	-	33,719	22,388	56,107
Other financial assets	-	51,721	-	51,721
TOTAL ASSETS	**-**	**145,999**	**22,388**	**168,387**
LIABILITIES				
Trade and other payables	-	97,056	-	97,056
Borrowings	-	-	372,735	372,735
Financial guarantees	-	-	637,896	637,896
TOTAL LIABILITIES	**-**	**97,056**	**1,010,631**	**1,107,687**

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

29 Events after the Reporting Period

COVID-19. Late in 2019 news first emerged from China about the COVID-19 (coronavirus). The situation at the year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020 the virus had spread globally and its negative impact has gained momentum. First infection case in Uzbekistan was registered on 15 March 2020. The Government of Uzbekistan has taken measures to prevent the spread of the virus and minimize its impact on the country's economy. While this is still an evolving situation at the time of issuing these financial statements, to date there has been no discernible impact on the Group's sales or supply chain, The plant continued its operations without interruptions at normal production capacity during quarantine period in 2020, as a result there was no reduction in production levels. Management has provided its employees with all necessary safeguard measures. In 2021 the Group continues to operate at normal capacity There was no adverse effect on sales demand and sales prices. However, the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

Disposal of subsidiaries. On 6 February 2020 the Group disposed its shares in "Polietilen Quvurlar" LLC (99.85%) and "Polipropilen Quvurlar" LLC (92.8%) to the State Assets Management Agency on a free of charge basis in accordance with decision of the sole participant of the Group and Presidential Decree #PP-4388 dated 9 July 2019. Net loss on disposal of subsidiaries is UZS 10,969 million.

29 Events after the Reporting Period (Continued)

Anti-dumping investigation. On 27 July 2020 the Company received notification on the opening of an anti-dumping investigation by the Eurasian Economic Commission ("EEC") in relation to primary high-density polyethylene originating from the Republic of Uzbekistan and imported into the customs territory of the Eurasian Economic Union ("EEU") at prices lower than the cost in the domestic market, determined based on quotes from the Uzbekistan commodity exchange. The Company is currently registered as a participant in a public hearing regarding an anti-dumping investigation and is cooperating with the EEC investigation. The worst-case scenario prescribed by the EEC regulations is the introduction of sanctions in the form of increase in duties in the EEU countries or the setting of a minimum price for high-density polyethylene for Uzbekistan. As of the date of issue of the report, the issue is under investigation and no final decision on this investigation has been made. The management of the Company does not expect a significant impact on its operations.

Borrowings. On 4 December 2020, in addition to the loan agreement #60/19-B dated 9 April 2019 with Gazprombank, the parties signed an agreement on the cumulative transfer of debt, according to which "Uzbekneftegaz" JSC ceases to be a guarantor under the loan agreement and becomes a co-borrower of this loan. Meanwhile "Uztransgaz" JSC acts as the guarantor for the loan. The counterparties also signed an additional agreement dated 4 December 2020, according to which financial covenants under the loan agreement apply only to co-borrower and the guarantor, "Uzbekneftegaz" JSC and "Uztransgaz" JSC, respectively.

Financial guarantees. On 9 March 2021, "Uzbekneftegaz" JSC and Gazprombank entered into a loan agreement for financing the program to increase hydrocarbon production for 2017-2021 with total amount of EUR 300 million, for which the Company acts as a guarantor. Amount of guaranteed exposure is EUR 300 million.