LLC Shurtan Gas Chemical Complex

Consolidated financial statements

For the year ended 31 December 2021
with the independent auditor's report

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FE Audit company
Ernst & Young LLC
Inconel Business Center, 3rd floor
Mustaqillik Prospect, 75
Tashkent, 100000
Republic of Uzbekistan
Tel: +998 (78) 140 6482
Fax: +998 (78) 140 6483
www.ey.com.uz

MChJ "Ernst & Young" XK
Auditorlik Tashkiloti
O'zbekiston Respublikasi,
100000, Toshkent shahar,
Mustaqillik shox ko'chasi, 75
Inkonel Biznes Markazi, 3-qavat
Tel: +998 (78) 140 6482
Faks: +998 (78) 140 6483

ИП ООО «Ernst & Young»
Аудиторская Организация
Республика Узбекистан
100000, Ташкент
Пр-т Мустакиллик, 75
Бизнес-центр «Инконель», 3 этаж
Тел.: +998 (78) 140 6482
Факс: +998 (78) 140 6483

Independent auditor's report

To the sole shareholder and Management of
"Shurtan Gas Chemical Complex" Limited Liability Company

Opinion

We have audited the consolidated financial statements of "Shurtan Gas Chemical Complex" Limited Liability Company and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

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

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

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

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

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

Our 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 skepticism 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.

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- 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

9 February 2023
Tashkent, Uzbekistan

FE Audit company Ernst & Young LLC

FE Audit Company "Ernst & Young" LLC
Registered under №66 in the register of audit organizations of Ministry of Finance of the Republic of Uzbekistan

A. Azamov

Anvarkhon Azamov
Auditor's qualification certificate authorizing audit practice No. 04880 dated 9 October 2020 issued by the Ministry of Finance of the Republic of Uzbekistan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

In millions of Uzbek sums	Note	2021	2020
Assets			
Non-current assets			
Property, plant and equipment	13	3,107,176	2,781,064
Trade receivables	9	23,996	40,753
Advances for non-current assets	14	2,185,068	2,205,051
Deferred tax assets	26	6,550	43,157
Long-term restricted cash	8	17,236	18,519
Other non-current financial assets		46,712	57,916
Total non-current assets		**5,386,738**	**5,146,460**
Current assets			
Cash and cash equivalents	7	24,370	24,447
Restricted cash	8	342	6,523
Trade receivables	9	852,002	250,059
Advances paid	11	148,772	81,765
Inventory	10	443,823	359,804
Income tax prepayment		–	9,194
Other current assets	12	63,511	95,608
Total current assets		**1,532,820**	**827,400**
Total assets		**6,919,558**	**5,973,860**
Liabilities and equity			
Equity			
Charter capital	18	207,343	359,158
Retained earnings	18	2,328,565	829,295
Total equity		**2,535,908**	**1,188,453**
Non-current liabilities			
Borrowings	16	–	820,390
Defined employee benefit obligations	17	90,040	72,427
Total non-current liabilities		**90,040**	**892,817**
Current liabilities			
Trade and other payables	15	2,388,787	105,794
Borrowings	16	1,676,371	3,374,991
Income tax payable		121,050	–
Defined employee benefit liabilities	17	10,701	8,003
Financial guarantees	28	78,923	384,595
Other current liabilities		17,778	19,207
Total current liabilities		**4,293,610**	**3,892,590**
Total liabilities		**4,383,650**	**4,785,407**
Total liabilities and equity		**6,919,558**	**5,973,860**

Approved and signed on 9 February 2023

General Director _Sh.Ch. Aslanov_

Chief Accountant _Sh.B. Umarov_

O'ZBEKNEFTGAZ AKSIYADORLIK JAMIYATI SHURTAN GAZ KIMYO MAJMUASI MAS'ULIYATI CHEKLANGAN JAMIYATI SHURTAN GKM

The accounting policies and explanatory notes on pages 5-37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

In millions of Uzbek sums	Note	2021	2020
Gas, gas processing products and petrochemicals sales5	19	3,207,634	2,420,368
Other operating income	24	53,119	30,415
Total revenues and other income		**3,260,753**	**2,450,783**
Changes in cost of finished goods inventories		1,192	16,551
Supplies and raw materials used	20	(1,052,071)	(1,147,200)
Services and utilities	21	(240,508)	(173,705)
Employee benefit expenses	22	(305,407)	(249,017)
Depreciation of property, plant and equipment	13	(39,241)	(64,489)
Charity and donations		(82,080)	(47,137)
Taxes other than income tax	23	(52,515)	(37,239)
Net loss from impairment of financial assets	9	(42,258)	(26,942)
Loss on disposal of subsidiaries		–	(4,793)
Other operating expenses	24	(64,249)	(61,390)
Total costs and expenses		**(1,877,137)**	**(1,795,361)**
Operating profit		1,383,616	655,422
Other income - financial guarantees	28	14,669	21,182
Reversal/(accrual) of provision for impairment of financial guarantees	28	291,003	(8,963)
Finance income		9,283	88,181
Other non-operating income		782	3,820
Foreign exchange gain/(loss), net		105,262	(186,660)
Finance costs	25	(12,123)	(76,047)
Profit before income tax		**1,792,492**	**496,935**
Income tax expense	26	(461,883)	(153,831)
Net profit for the year		**1,330,609**	**343,104**
Other comprehensive income:			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of taxes):			
Actuarial losses on employee benefit	17	(5,569)	(17,194)
Gains less losses from investments in equity securities measured at fair value through other comprehensive income		(4,325)	–
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax)		**(9,894)**	**(17,194)**
Total comprehensive income for the year, net of taxes		**1,320,715**	**325,910**

Approved and signed on 9 February 2023

General Director *Sh.Ch. Aslanov*

Chief Accountant *Sh.B. Umarov*

The accounting policies and explanatory notes on pages 5-37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In millions of Uzbek sums	Note	2021	2020
Operating activities			
Profit before income tax		1,792,492	496,935
Adjustments for:			
Depreciation, depletion and amortization	13	39,241	64,489
Impairment of accounts receivable	9	42,258	26,942
Changes in defined benefit obligations		2,869	2,673
Amortization of fair value of financial guarantees		(14,669)	(21,182)
Reversal/(accrual) of provision for impairment of financial guarantees		(291,003)	8,963
Finance income		(9,283)	(88,181)
Finance costs	25	12,123	76,047
Foreign exchange difference, net		(105,262)	186,660
Losses less gains on disposal of subsidiaries		–	4,793
Cash flows from operating activities before changes in working capital		**1,468,766**	**758,139**
Change in trade and other receivables		(628,161)	(73,593)
Change in inventories		(84,108)	(62,250)
Change in advances paid		(63,380)	5,190
Change in trade and other accounts payable		2,242,562	(248,886)
Change in non-current assets		41,839	–
Change in other assets		28,473	(50,998)
Change in other liabilities		326	–
Cash flows from operating activities		**3,006,317**	**327,602**
Income tax paid		(292,162)	(192,843)
Net cash flow from operating activities		**2,714,155**	**134,759**
Investing activities			
Purchase of property, plant and equipment	13	(159,125)	(2,537,063)
Change in cash restricted in use	8	6,228	(22,804)
Net cash used in investing activities		**(152,897)**	**(2,559,867)**
Financing activities			
Proceeds from borrowings	16	–	2,521,073
Repayment of borrowings	16	(2,425,511)	(20,759)
Interest paid	16	(132,867)	(80,786)
Net cash from financing activities		**(2,558,378)**	**2,419,528**
Effect of exchange rate change on cash and cash equivalents		(2,957)	2,272
Net change in cash and cash equivalents		**(77)**	**(3,308)**
Cash and cash equivalents, beginning	7	24,447	27,755
Cash and cash equivalents, ending	7	**24,370**	**24,447**

Approved and signed on 9 February 2023

General Director — *Sh.Ch. Aslanov*

Chief Accountant — *Sh.B. Umarov*

AKSIYADORLIK JAMIYATI "O'ZBEKNEFTGAZ" KIMYO MAJMUASI" MAS'ULIYATI CHEKLANGAN JAMIYATI SHURTAN
UNG
Shurtan GKM

The accounting policies and explanatory notes on pages 5-37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Charter capital	Retained earnings	Total
Balance as at 1 January 2020		**359,158**	**503,385**	**862,543**
Net profit for the year		–	343,104	343,104
Other comprehensive loss		–	(17,194)	(17,194)
Total comprehensive income for the year		**–**	**325,910**	**325,910**
Balance as at 31 December 2020		**359,158**	**829,295**	**1,188,453**
Net profit for the year		–	1,330,609	1,330,609
Other comprehensive loss		–	(9,894)	(9,894)
Total comprehensive income for the year		**–**	**1,320,715**	**1,320,715**
Decrease in charter capital	18	(151,815)	102,469	(49,346)
Contribution to the charter capital	18	–	76,086	76,086
Balance as at 31 December 2021		**207,343**	**2,328,565**	**2,535,908**

Approved and signed on 9 February 2023

General Director _Sh.Ch. Aslanov_

Chief Accountant _Sh.B. Umarov_

The accounting policies and explanatory notes on pages 5-37 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Limited Liability Company Shurtan Gas Chemical Complex ("LLC Shurtan Gas Chemical Complex" or the "Company") is a state oil and gas enterprise of the Republic of Uzbekistan.

The Company and its subsidiary (collectively, the "Group") are principally engaged in refining gas and gas condensate, as well as production and sale of polyethylene.

The decision to build the complex was made in accordance with Decree No.395 On Construction of Shurtan Gas Chemical Complex for Polyethylene Production of the Cabinet of Ministers of the Republic of Uzbekistan dated 11 November 1996. The Company was registered and operates in the Republic of Uzbekistan. The Company is a limited liability company and was established in accordance with the legislation of the Republic of Uzbekistan.

As of 31 December 2021, the Group's immediate parent company was JSC Uzbekneftegaz. The Group's main controlling party is the Government of the Republic of Uzbekistan.

The Company is registered and conducts its business in Shurtan settlement, Kashkadarya Region, Republic of Uzbekistan.

The main products of the Group comprised the following:

- Polyethylene;
- Liquefied gas;
- Light condensate;
- Granulated sulfur;
- Purified natural gas;
- Other polyethylene products.

The only subsidiary of the Company with 100% ownership is unitary enterprise "Kurilish montazh va tamirlash boshkarmasi", the core activity of which is construction. The registered office and place of business of unitary enterprise "Kurilish montazh va tamirlash boshkarmasi" is located at: Shurtan settlement, Kashkadarya Region, Republic of Uzbekistan.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including all International Financial Reporting Standards ("IFRS") and Interpretations issued by the International Accounting Standards Board ("IASB") and effective in the reporting period, and are fully compliant therewith.

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

The Group's consolidated financial statements are presented in million of Uzbek soums ("UZS"), unless otherwise indicated.

The consolidated financial statements of 2021 were approved and authorized for issue by the Management of the Group on 9 February 2023.

Going concern

These consolidated financial statements have been prepared on a going concern basis. When making a going concern assessment, management considered the Group's current financial position and analyzed relevant subsequent developments.

2. BASIS OF PREPARATION (continued)

Going concern (continued)

As of 31 December 2021, the Group's current liabilities exceeded its current assets by UZS 2,760,790 (as of 31 December 2020: UZS 3,065,190). It should be noted that the negative liquidity is due to the Gazprombank's loan received to finance the expansion of the Group's production capacities. The Group's parent is the second borrower who provided the bank with a financial guarantee to secure the obligation. The Group's management expects that financial liabilities will be settled upon maturity and will not affect the continuity of operations. It should also be noted that LLC Shurtan Gas Chemical Complex is a strategically important facility for the domestic oil industry.

The following factors and circumstances support the management's conclusion about the appropriateness of the use of the going concern assumption:

- The Group has been profitable with sufficient profit margins and consistently generates positive cash flows from operating activities including the current and subsequent reporting periods;
- According to its cash flow forecasts, the Group expects to generate sufficient cash from operations in 2022–2023 as well as to attract new and restructure existing loans to settle current liabilities when they become due;
- Also, management believes that the Group will be compliant with the financial and non-financial covenants stipulated by the loan agreement within 12 months from the date of authorization of these consolidated financial statements or will be able to renegotiate their terms in advance so that the lenders will not request an accelerated repayment of the existing debts;
- The Group's sole shareholder have neither the intention nor the need to liquidate or significantly reduce the range of the activities of the Group;
- The Group has strategic importance for the Government of Uzbekistan which can positively influence Group's cash flows by regulating prices for gas sales to related parties.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The consolidated financial statements are presented in Uzbek soums, which is the functional currency of the Company and its subsidiary.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Differences arising from repayment or restatement of monetary items are included in profit or loss.

Exchange rates

The exchange rates established by the Central Bank of Uzbekistan ("CBU") are used as official currency exchange rates in the Republic of Uzbekistan.

The currency exchange rate of CBU as of 31 December 2021 was 10,838 UZS to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in United States dollars ("US dollar", or "USD") as of 31 December 2021 (31 December 2020: 10,476 UZS to 1 US dollar).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as of 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The Group has a possibility to use its powers over an investee for the purpose of having an impact on a variable return on investment.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all significant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other arrangements;
- Voting rights or potential voting rights belonging to the Group.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. Profit or loss and each component of other comprehensive income are attributable to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies in line with the Group's accounting policies.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets, liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss, or, as in certain cases of under common control transactions, directly in equity. Any investment retained is recognised at fair value.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold and consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Expected to be realised within 12 (twelve) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled within normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current.

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model for the purpose of holding financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost comprise trade and other receivables, loans from related parties and bank deposits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Despite the criteria for classifying debt instruments at amortized cost or fair value through other comprehensive income, as described above, debt instruments may be designated as at fair value through profit or loss on initial recognition if such designation eliminates or significantly reduces inconsistency in accounting. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit and loss.

Derecognition

A financial asset is derecognised (i.e. eliminated from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises corresponding liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in three stages. First stage relates to credit exposures for which there has not been a significant increase in credit risk since initial recognition and which are required to recognize ECL within the next 12-months (a 12-month ECL). The second stage relates to credit exposures for which there has been significant increase in credit risk since initial recognition. For those credit exposures, ECL should be recognized over the remaining life of the exposure (a lifetime ECL). Third stage represent losses for financial instruments that are already credit impaired (defaulted). For financial assets in stage three, entities will continue to recognize lifetime ECL.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The financial asset is written off if there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables and derivative instruments.

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

The Group's financial liabilities include trade and other accounts payable, loans and borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Gains and losses on liabilities held for trading are recognised in profit and loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the EIR.

Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance losses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 (twelve) months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee obligations issued by the Group are contracts that provide for payment in order to compensate the owner for the loss incurred in cases where the borrower cannot pay on time under the terms of the debt instrument. Financial guarantee contracts are recognised initially as liabilities at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the expected credit losses allowance calculated under IFRS 9 and the amount of the initially recognized liability less cumulative amortization, if any.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective present value is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company intends to either settle on a net basis, to realise the asset and settle the liability simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded at an active market, the fair value is determined by using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Cash and cash equivalents

Cash represents cash on hand, in the Group's bank accounts, in transit and interest-bearing deposits which can be withdrawn by the Group at any time without prior notice or any penalties reducing the principal amount of the deposit. Cash equivalents are highly liquid, short-term investments that are readily convertible to known amounts of cash and have original maturities of three months or less from their date of purchase. Restricted cash is presented separately in the consolidated statement of financial position if its amount is significant.

Inventories

Inventories consisting primarily of natural gas, crude oil, gas products, petrochemicals and materials are measured at the lower of cost and net realizable value. Cost of inventory is determined based on weighted average cost method. Materials and spare parts are carried at first-in, first-out (FIFO) method. Cost comprises direct purchase costs, cost of production, transportation and manufacturing expenses (based on normal operating capacity).

Property, plant and equipment

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of decommissioning obligation, if any, and, for qualifying assets, borrowing costs. Non-recoverable value-added tax related to the acquisition of property, plant and equipment is capitalized by the Group. Non-recoverable value-added tax related with operational activities is charged to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

At each reporting date 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 or cash generating unit's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss, if any, is recognized in the consolidated statement of profit or loss. An impairment loss recognized for an asset or cash generating unit in prior years is reversed if there are indicators that impairment loss may no longer exist or may have decreased.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. Gains and losses are recognized in profit or loss.

The cost of maintenance, repairs, and the replacement of minor items of property is charged to operating expenses. Renewals and betterments of assets are capitalized. Cost of replacing major parts or components of property, plant and equipment items are capitalized and the replaced part is written-off.

Depreciation, depletion and amortization

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives from the time they are ready for use.

Items of property, plant and equipment and their respective estimated useful lives are as follows:

Property, plant and equipment	Useful life
Buildings and constructions	12-33 years
Machinery and equipment	5-25 years
Other property, plant and equipment	3-12 years

The expected useful lives of property and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life unless scrap value is significant. The assets' residual values are reviewed, and adjusted if appropriate, at each reporting date.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalized interest

Borrowing costs of capital construction and the acquisition of property, plant and equipment are capitalized to the extent that these costs could have been avoided had the Group not made capital investments. Borrowing costs are capitalized only during the actual construction period until an item of property, plant and equipment is put into operation.

Capitalized borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Provisions for liabilities and contributions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Taxes collected from customers and remitted to governmental authorities

Refundable taxes (excise and value-added tax ("VAT")) are deducted from revenues. Other taxes and duties are not deducted from revenues and are recognized as expenses in Taxes other than income tax in the consolidated statement of profit and loss.

Pensions and other benefits under defined benefit plans

The Group offers to its employees long-term benefits prior to and after retirement in accordance with collective agreement between the Group and its employees. The collective agreement and other documents provide for certain one-off retirement payments, early retirement benefits, financial aid for employees' disability, anniversary and death and other benefits. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments upon the end of employment. Net interest expense relating to pensions and other post-retirement benefits, which is recognized in the consolidated statement of profit or loss, represents the net change in present value of plan obligations and the value of plan assets resulting from the passage of time, and is determined by applying the discount rate to the present value of the benefit obligation at the start of the year, and to the fair value of plan assets at the start of the year, taking into account expected changes in the obligation or plan assets during the year. Remeasurements of the defined benefit liability and asset, comprising actuarial gains and losses are recognized within other comprehensive income in the period in which they occur. Other changes are recognised in the current period, including the current service costs, the past service costs and the impact of any layoff or settlements. Past service costs, resulting from amendment to a plan are recognized immediately when the Group becomes committed to a change.

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, sales of gas and gas products and petrochemical products and other sales are usually recognized at the point in time when title passes. The Group recognizes revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale of processed gas

The Group sells processed gas to the sole customer JSC Uztransgaz. Revenue is recognized when gas is delivered to the customer at the destination which is the point of the Group's connection to the main pipeline maintained by the sole customer. Revenue is recognized based on the actual volume of delivered gas measured using meters installed in the points of connection to the pipelines maintained by the sole customer and supported by monthly reconciliation reports. Receivables are recognized upon gas delivery, since at that point the Group's right to consideration is unconditional because only the passage of time is required before payment of that consideration is due. Invoices are issued on a monthly basis.

Sale of polyethylene and other gas products

Sales are recognized upon transfer of control of goods i.e. when goods are delivered to customers, the customer can freely dispose the goods and there are no outstanding obligations which could affect acceptance of goods by customers. The goods are deemed delivered when they have been delivered to the specific destination, risks of depreciation or loss have been transferred to the customer and the customer has accepted the goods in accordance with the contract, the acceptance period has expired or the Group has objective evidence that all acceptance criteria have been met. Receivables are recognized upon gas delivery, since at that point the Group's right to consideration is unconditional because only the passage of time is required before payment of that consideration is due.

Sale of construction services

The Group provides construction services under contracts with fixed consideration. If the Group transfers control over the services during the period and, respectively, satisfies the performance obligation withing the period, sales revenue is recognized within the period, when the services are rendered. Revenue is recognized based on the "expected costs plus margin" model. Both costs and margin are determined in accordance with the specific construction standards of the Republic of Uzbekistan, with the costs being dependent on the actual scope of provided services. Revenue is recognized in the amount which the Group has the right to invoice. Invoices are issued monthly and consideration is payable upon such issue.

Interest income and costs

For all financial instruments measured at amortized cost and interest cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income and interest expense is included in finance costs in the consolidated statement of profit or loss.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Expense recognition

Expenses are recognized as incurred and reported in the consolidated statement of profit and loss in the period to which they relate on the accrual basis.

Gas processing plants maintenance costs

The Group recognizes the costs of overhauls and preventive maintenance performed with respect to gas processing assets as expenses when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Corporate income taxes have been provided for in the consolidated financial statements in accordance with the applicable legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognized on the profit or loss unless it relates to transactions that are recognized, in the same or a different period, in other comprehensive income or directly in equity. Deferred income tax assets and liabilities are recognized in the accompanying consolidated financial statements in the amount determined by the Group in accordance with IAS 12 *Income Taxes*.

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

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which:
  - Is not a business combination;
  - Affects neither accounting profit, nor taxable profit.
- Investments in subsidiaries when the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A prior period tax loss planned to be used to reduce the current or future amount of income tax is recognized as a deferred tax asset.

A deferred tax asset is recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- Is not a business combination;
- At the time of the transaction affects neither the accounting profit nor taxable profit (tax loss).

The Group recognizes deferred tax assets for all deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures, to the extent that the following two conditions are met:

- The temporary difference will reverse in the foreseeable future; and
- Taxable profit will be available against which the temporary difference can be utilized.

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

The carrying amount of a deferred tax asset is reviewed at each balance sheet date.

The Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are not discounted.

Accounting for contingencies

Certain conditions may exist as of the date of these consolidated financial statements which may further result in a loss to the Group, but which will only be resolved when one or more future events occur or fail to occur.

The Group's management makes an assessment of such contingent liabilities which is based on assumptions and is a matter of opinion. In assessing loss contingencies relating to legal or tax proceedings that involve the Group or unasserted claims that may result in such proceedings, the Group, after consultation with legal or tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for contingencies (continued)

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Group's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Equity

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised.

Other distributions to the Founder

Expenditures incurred by the Group based on the respective resolution of the Government or decision and instructions of Cabinet of Ministers or the President are accounted for as distributions through equity. Such expenditures include costs associated with non-core activity of the Group (construction of social assets), acquisitions and transfer of investments.

Related parties

Related parties are defined in IAS 24 *Related Party Disclosures*.

Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

The Government imposed an obligation on the Group to provide an uninterrupted supply of oil and gas to customers in Uzbekistan at government-controlled prices. Transactions with the state include taxes, which are detailed in *Note 6*.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

It is the nature of transactions with related parties that they cannot be presumed to be carried out on an arms' length basis.

Subsequent events

The results of post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Employee benefits

Employee-benefit obligations include post-employment benefits and other long-term benefits.

Other long-term benefits include financial aid for employees' disability, anniversaries, funeral and other benefits. The cost of defined long-term employee benefits before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to these assumptions. All assumptions are reviewed at each reporting date.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Measurement of liabilities under guarantees issued

As of 31 December 2021, the Group issued a number of guarantees to its related parties (see *Note 28, Financial guarantee liabilities*). As of 31 December 2021, the Group recognized the financial liabilities in respect of the issued guarantees amounting to UZS 78,923 million (at 31 December 2020: UZS 384,595 million) as part of other current liabilities. ECL rate in the range of 2.61% was used to measure the book value of the financial guarantee liabilities as of 31 December 2021. The Group is using general approach in calculation of expected credit losses for government companies. Country rating with appropriate downgrade based on overdue bucket is assigned and was used to estimate probability of default. Loss given default estimates are based on the external statistics using weighted average of recovery rates specific to the country.

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgement and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsoil agreement, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. Uncertainties related to taxation are detailed in *Note 26*.

Taxable income is computed in accordance with the tax legislation enacted as of 1 January 2021. Deferred income tax is calculated on temporary differences for assets and liabilities at the expected rates that were enacted by tax authorities as of 31 December 2021.

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies *(Note 26)*.

Value of net assets transferred and received from one organization to another, including during their reorganization and liquidation, in accordance with Government Decrees commonly is not subject to taxation for all types of taxes.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. When applying such a method, input parameters are taken at observable market, where it is possible, however where it is not, a certain degree of judgement is required to determine the fair value. Judgement includes valuation of input parameters such as liquidity risk, credit risk and exposure to fluctuations. Changes in assumptions about these factors could affect the fair value reported in the consolidated financial statements.

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS AND NEW ACCOUNTING PRONOUNCEMENTS

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise specified). The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2

The amendments provide temporary reliefs that are applied to address financial reporting implications in cases Interbank Offered Rates (IBORs) are replaced with alternative nearly risk-free rates.

The amendments provide for:

- A practical expedient to allow contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- It is allowed to make changes required by the IBOR reform to the definition of hedging relationships and hedging documentation without discontinuing the hedging relationship;
- Temporary relief is provided to entities from having to meet the separately identifiable requirement, when an RFR instrument is designated as a hedge of a risk component.

The amendments had no impact on the consolidated financial statements of the Group. The Group intends to apply the practical expedients in future periods, if necessary.

Amendments to IFRS 16 — COVID-19-Related Rent Concessions effective after 30 June 2021

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions* - amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

This amendment was intended to apply until 30 June 2021, but due to the continued impact of the COVID-19 pandemic, on 31 March 2021 the IASB decided to extend the application of the practical expedients until 30 June 2022.

The new amendment is effective for annual periods beginning on or after 01 April 2021.

The Group does not have any granted rent concessions related to the COVID-19, but plans to apply practical expedients, if necessary, within a reasonable period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS AND NEW ACCOUNTING PRONOUNCEMENTS (continued)

Standards issued but not yet effective

New and revised standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these new and revised standards and interpretations if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 replaces IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. There are several scope exceptions. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for insurance contracts with direct participation terms (the variable fee approach);
- A simplified approach (the premium allocation approach) is mainly for short-duration contracts.

IFRS 17 is effective for annual periods beginning on or after 01 January 2023, with early application permitted. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable for the Group.

Amendments to IAS 1 — Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the possible impact the amendments will have on current liabilities and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to *the Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to *the Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference *to the Framework for the Preparation and Presentation of Financial Statements.*

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS AND NEW ACCOUNTING PRONOUNCEMENTS (continued)

Standards issued but not yet effective (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;

In May 2020, the IASB issued *Property, Plant and Equipment — Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

These amendments are not expected to have an impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – a subsidiary adopting International Financial Reporting Standards for the first time

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

This amendment is effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment becomes effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted. The Group will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Group first applies the amendment.

The amendment is not expected to have a material impact on the Group.

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS AND NEW ACCOUNTING PRONOUNCEMENTS (continued)

Standards issued but not yet effective (continued)

Amendment to IAS 41 Agriculture - Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Early adoption is permitted.

The amendment is not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. It also explains how organizations use measurement methods and inputs to develop accounting estimates.

The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted subject to disclosure.

These amendments are not expected to have an impact on the Group.

Amendments to IAS 1 and IFRS Practice Statement No. 2 - Accounting Policies Disclosures

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments should help entities disclose more useful information about accounting policies by replacing the requirement for entities to disclose "significant accounting policies" with a requirement to disclose "material accounting policy information", and by adding guidance on how entities should apply materiality judgements to disclosure of accounting policies.

Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact these amendments may have on disclosures of the Group's accounting policies.

6. RELATED PARTY TRANSACTIONS

For the purpose of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In 2021, the Group entered into transactions with the Founder and companies controlled by the Founder (including enterprises directly or indirectly controlled by the Uzbek Government), key management personnel.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms as transactions between unrelated parties.

The disclosure of related party transactions is presented on an aggregate basis for the Founder and companies controlled by the Founder. In addition, there may be additional disclosures of certain significant transactions (balances and turnovers) with certain related parties.

6. RELATED PARTY TRANSACTIONS (continued)

As part of its day-to-day activities, the Group enters into transactions with other companies controlled by the Government of Uzbekistan. Bank loans are provided at market interest rates. Taxes are accrued and payable in accordance with applicable tax legislation. The Group sells gas products to related parties in the ordinary course of business at prices close to average market prices. As for gas sales to related parties, the sale prices are set by the government (UZS 250-340 thousand per 1,000 cubic meters in 2021, UZS 340 thousand per 1,000 cubic meters in 2020).

At 31 December 2021 balances of transactions with related parties are presented below:

In millions of Uzbek sums	Direct parent	Entities under control of Parent company	Government and entities under government control
Trade receivables (current)	29,612	211,456	623,316
Provision for expected credit losses on receivables	(839)	(10,803)	(30,054)
Cash and cash equivalents	-	-	17,214
Advances paid (including for non-current assets)	-	600	26,082
Borrowings	905,241	-	90
Trade and other payables	2,293,444	4,432	-
Financial guarantees	51,081	-	-

At 31 December 2020 balances of transactions with related parties are presented below:

In millions of Uzbek sums	Direct parent	Entities under control of Parent company	Government and entities under government control
Trade receivables (current)	122,003	225	114,769
Provision for expected credit losses on receivables	(3,824)	(225)	(4,551)
Cash and cash equivalents	-	-	16,814
Restricted cash	-	-	4,926
Borrowings	942,923	-	-
Financial guarantees	355,833	-	-

As at 31 December 2021 transactions with related parties are presented below:

In millions of Uzbek sums	Direct parent	Entities under control of Parent company	Government and entities under government control*
Sales of gas and gas products	60,464	235,940	1,001,486
Purchase of raw materials and consumables	929,147	2,262	5,710
Charity and donations	4,994	784	45,706
Amortization of fair value of financial guarantees	14,669	-	-
Accrual / reversal of provision for impairment of financial guarantees	291,003	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. RELATED PARTY TRANSACTIONS (continued)

As at 31 December 2020 transactions with related parties are presented below:

In millions of Uzbek sums	Direct parent	Entities under control of Parent company	Government and entities under government control*
Sales of gas and gas products	217,060	-	1,101,420
Purchase of raw materials and consumables	1,022,804	-	-
Charity and donations	-	-	42,736
Amortization of fair value of financial guarantees	19,873	-	556
(Accrual) / reversal of provision for impairment of financial guarantees	(8,963)	-	-

* *In 2021 and 2020 all Group's transactions with JSC Uztransgaz were presented as transactions with entities under government control.*

Key management compensation

Key management personnel comprises members of the Board of Directors and Management Board. Compensation of key management personnel (7 employees in 2021, 7 employees in 2020), including basic salary, bonuses and other payments, amounted to UZS 3,319 million and UZS 2,307 million in 2021 and 2020, respectively.

7. CASH AND CASH EQUIVALENTS

In millions of Uzbek sums	As at 31 December 2021	2020
Current accounts with banks – cash on special accounts	10,141	1,748
Current accounts with banks – UZS	7,197	6,181
Deposit accounts with banks – UZS	5,000	-
Current accounts with banks - other currencies	1,321	651
Current accounts with banks – US dollars	655	15,766
Current accounts with banks – cash in transit	56	101
Total cash and cash equivalents	**24,370**	**24,447**

8. RESTRICTED CASH

At 31 December 2021 and 2020, restricted cash was mainly represented by accounts held by the Group as collateral for letters of credit.

9. TRADE RECEIVABLES

In millions of Uzbek sums	As at 31 December 2021	2020
Long-term receivables	44,038	53,811
Less: provision for expected credit losses	(20,042)	(13,058)
Total long-term receivables	**23,996**	**40,753**
Short-term receivables	942,910	305,693
Less: provision for expected credit losses	(90,908)	(55,634)
Total short-term accounts receivable	**852,002**	**250,059**
Other accounts receivable	**875,998**	**290,812**

Receivables are mainly represented by receivables from sales of natural gas, and polyethylene products to customers of the Group.

As at 31 December 2021 and 2020, receivables were non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE RECEIVABLES (continued)

Movements in the provision for expected credit losses on receivables were as follows:

In millions of Uzbek sums	2021	2020
As at 1 January	(68,692)	(41,750)
Charges for the year	(42,258)	(26,942)
As at 31 December	**(110,950)**	**(68,692)**

The impaired receivables mainly relate to overdue debts (in excess of 90 days) for natural gas, and polyethylene products supplied.

Below is the information about credit risk exposure on the Group's receivables using a provision matrix:

	Number of overdue days					
In millions of Uzbek sums	Not overdue	<30 days	30-60 days	61-90 days	> 90 days	Total
31 December 2021						
ECL rate	6%	16%	61%	76%	100%	
Trade receivables	892,395	36,650	18,899	2,572	36,432	**986,948**
ECL	(55,164)	(5,813)	(11,599)	(1,942)	(36,432)	**(110,950)**
31 December 2020						
ECL rate	8%	13%	59%	72%	100%	
Receivables	309,782	1,277	11,979	2,146	34,320	**359,504**
ECL	(25,556)	(167)	(7,101)	(1,548)	(34,320)	**(68,692)**

10. INVENTORIES

	As at 31 December	
In millions of Uzbek sums	2021	2020
Work in process (at cost)	312,305	231,528
Materials and inventories (at cost)	127,485	116,014
Finished products (at cost)	48,709	47,517
Other	–	4,633
Allowance for inventories / Allowance for impairment of inventories	(44,676)	(39,888)
Total inventories	**443,823**	**359,804**

Work-in-progress inventories comprise mainly assets built by the Group for further transfer to LLC Uzbekistan GTL and buildings constructed by the Group for further sale to its employees.

11. ADVANCES PAID

	As at 31 December	
In millions of Uzbek sums	2021	2020
Advances paid for goods and services	148,772	81,765
Total advances paid	**148,772**	**81,765**

Major part of prepayments was for purchase of raw materials and spare parts for production purposes.

12. OTHER CURRENT ASSETS

	As at 31 December	
In millions of Uzbek sums	2021	2020
Other current non-financial assets		
Prepayments on other taxes	31,832	31,479
Other current financial assets		
Receivable from government organizations	–	49,363
Other receivables	31,679	14,766
Total other current assets	**63,511**	**95,608**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. PROPERTY, PLANT AND EQUIPMENT

In millions of Uzbek sums	Buildings and structures	Machinery and equipment	Other	Construc-tion in progress	Total
Cost					
As at 31 December 2019	**402,201**	**391,326**	**79,992**	**1,123,314**	**1,996,833**
Additions	3,227	-	15,051	1,253,826	**1,272,104**
Disposals	(57,022)	(15,716)	(3,528)	-	**(76,266)**
Disposal of subsidiaries	-	-	(44,498)	-	**(44,498)**
Transfers from construction in progress	11,824	-	-	(11,824)	-
As at 31 December 2020	**360,230**	**375,610**	**47,017**	**2,365,316**	**3,148,173**
Additions	-			415,785	**415,785**
Disposals	(24,762)	(30,690)	(3,941)	(12,495)	**(71,888)**
Transfers from construction in progress	36	22,420	8,100	(30,556)	-
As at 31 December 2021	**335,504**	**367,340**	**51,176**	**2,738,050**	**3,492,070**
Depreciation and impairment					
At 31 December 2019	**(65,531)**	**(225,770)**	**(37,423)**	-	**(328,724)**
Charges for the year	(16,298)	(43,085)	(5,106)	-	**(64,489)**
Disposals	6,691	4,949	199	-	**11,839**
Disposal of subsidiaries	-	-	14,265	-	**14,265**
As at 31 December 2020	**(75,138)**	**(263,906)**	**(28,065)**	-	**(367,109)**
Charges for the year	(14,600)	(17,212)	(7,429)	-	**(39,241)**
Disposals	5,048	13,557	2,851	-	**21,456**
As at 31 December 2021	**(84,690)**	**(267,561)**	**(32,643)**	-	**(384,894)**
Net book value					
As at 31 December 2020	**285,092**	**111,704**	**18,952**	**2,365,316**	**2,781,064**
As at 31 December 2021	**250,814**	**99,779**	**18,533**	**2,738,074**	**3,107,176**

In 2021, the Group capitalized borrowing costs in the amount of UZS 170,128 million (2020: UZS 139,251 million).

The construction-in-progress balance mainly relates to the expansion of production capacities of LLC Shurtan Gas Chemical Complex in accordance with Decrees of the President of the Republic of Uzbekistan No.PP-2551 dated 20 June 2016 and No.PP-2965 dated 11 May 2017.

14. ADVANCES FOR NON-CURRENT ASSETS

Shurtan Gas Chemical Complex is in process of the construction of the capital project related to the expansion of the production of polyethylene, polypropylene and pyrolysis gasoline in Uzbekistan. Advances for non-current assets comprise advances paid as part of this project.

15. TRADE AND OTHER PAYABLES

In millions of Uzbek sums	As at 31 December 2021	2020
Trade payables	2,329,017	56,511
Other non-financial liabilities		
Contract liabilities	1,183	4,569
Other taxes payable	58,587	44,714
Total trade and other accounts payable	**2,388,787**	**105,794**

Trade payables mainly represent payables for gas, raw materials, chemicals and utilities provided by vendors of the Group.

As of 31 December 2021, trade and other payables were not interest bearing.

16. BORROWINGS

As of 31 December 2021, borrowings of the Group were represented by the following facilities:

			Balance at 31 December 2021	
	Interest rate	Maturity date	Non-current portion	Current portion
JSC Uzbekneftegaz	0.0%	31 December 2022	–	905,241
Gasprombank JSC	6m EURIBOR + 95%	9 April 2022	–	770,541
JSC NBU	10%	27 September 2022	–	90
Other	–	–	–	499
Total borrowings			**–**	**1,676,371**

As of 31 December 2020, borrowings of the Group were represented by the following facilities:

			Balance at 31 December 2020	
	Interest rate	Maturity date	Non-current portion	Current portion
Gasprombank JSC	6m EURIBOR + 4.95%	9 April 2022	815,338	2,465,176
JSC Uzbekneftegaz	0.0%	29 November 2021	–	896,389
JSCB Hamkorbank	8.5%	27 May 2022	4,965	12,018
JSC NBU	10%	27 September 2022	87	–
Other	–	–	–	1,408
Total borrowings			**820,390**	**3,374,991**

Loans and borrowings from foreign banks are represented by the loan from Gazprombank (Russia) for the total amount of EUR 300 million to expand the production capacities of LLC Shurtan Gas Chemical Complex in accordance with Presidential Decrees No.PP-2551 dated 20 June 2016 and No.PP-2965 dated 11 May 2017. The loan was issued at 6m EURIBOR+4.95% p.a. The loan matures in 2022 and is secured by the financial guarantee of JSC Uzbekneftegaz.

Loans and borrowings from local banks are mainly represented by a number of loans from the National Bank of Uzbekistan and Hamkorbank for the purpose of expanding the production capacity of Shurtan Gas Chemical Complex in accordance with Presidential Decree No. PP-2551 dated 20 June 2016 for a total of 23.5 million dollars. The interest rates vary from 8.5% to 10%. These loans must be repaid by 2022.

The Group also received an interest-free loan from its parent JSC Uzbekneftegaz for the total amount of USD 90 million to expand the production capacities of LLC Shurtan Gas Chemical Complex in accordance with Presidential Decree No.PP-2551 dated 20 June 2016. The loan matures in 2022.

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.Fair values of current loans and borrowings correspond to their carrying amounts due to insignificant effect of discounting. The fair value is determined based on cash flows discounted using the rate effective as of the loan date and is classified into Level 3 of fair value hierarchy.

16. BORROWINGS (continued)

Changes in liabilities arising from financing activities:

In millions of Uzbek sums	2021	2020
As at 1 January	**4,195,381**	**1,440,763**
Proceeds from borrowings	–	2,521,073
Finance costs, including capitalized to property, plant and equipment	170,128	100,370
Change in the foreign exchange differences	(54,674)	281,255
Accrual of discount	(76,086)	(77,276)
Unwinding of discount	–	30,741
Repayment of borrowings	(2,425,511)	(20,759)
Interest paid	(132,867)	(80,786)
As at 31 December	**1,676,371**	**4,195,381**

17. DEFINED EMPLOYEE BENEFIT OBLIGATIONS

As at 31 December 2021:

	Employee benefit obligations		
In millions of Uzbek sums	Post-employment benefits	Other long-term payments	Total
Cost of service, including:			
Current cost of service	5,202	884	**6,086**
Net interest	9,437	1,043	**10,480**
Actuarial losses	4,657	2,304	**6,961**
Net expense	**19,296**	**4,231**	**23,527**
Net defined benefit plan liabilities			
Current portion	7,923	2,778	**10,701**
Non-current portion	81,645	8,395	**90,040**
As at 31 December 2021	**89,568**	**11,173**	**100,741**
Change in net value of obligations			
As at 1 January 2021	72,427	8,003	**80,430**
Net expense	14,639	1,927	**16,566**
Actuarial losses recognized in other comprehensive income	4,657	2,304	**6,961**
Contributions by employer	(2,155)	(1,061)	**(3,216)**
As at 31 December 2021	**89,568**	**11,173**	**100,741**

17. DEFINED EMPLOYEE BENEFIT OBLIGATIONS (continued)

As at 31 December 2020:

In millions of Uzbek sums	Employee benefit obligations: Post-employment benefits	Employee benefit obligations: Other long-term payments	Total
Cost of service, including:			
Current cost of service	4,772	693	**5,465**
Net interest	6,539	504	**7,043**
Actuarial losses	16,533	4,960	**21,493**
Net expense	**27,844**	**6,157**	**34,001**
Net defined benefit plan liabilities			
Current portion	6,160	1,843	**8,003**
Non-current portion	66,267	6,160	**72,427**
As at 31 December 2020	**72,427**	**8,003**	**80,430**
Change in net value of obligations			
As at 1 January 2020	45,695	3,528	**49,223**
Net expense	11,311	1,197	**12,508**
Actuarial losses recognized in other comprehensive income	16,533	4,960	**21,493**
Contributions by employer	(1,112)	(1,682)	**(2,794)**
As at 31 December 2020	**72,427**	**8,003**	**80,430**

Key actuarial assumptions

The principal assumptions used in determining defined benefit obligations for the Group's defined benefit plan are shown below:

	2021	2020
Discount rate	13.89%	13.03%
Future salary increase	12.50%	10.72%
Growth of the minimum wage	13.58%	14.70%

18. EQUITY

As at 31 December 2021, the charter capital of the Company was UZS 207,343 million (31 December 2020: UZS 359,158 million). The charter capital of the Company was reduced by UZS 151,815 million based on the decision of the sole founder of the Company dated 20 September 2021. The charter capital was decreased due to transfer of the following assets:

- According to the Decree of the Cabinet of Ministers of the Republic of Uzbekistan No. PKM-685 dated 25.08.2018, the Company's assets with a total carrying amount of UZS 102,469 million were transferred to local executive authorities and other organizations, with a subsequent reduction of JSC "Uzbekneftegas" share in the charter capital of the Company;
- According to the Decree of the President of the Republic of Uzbekistan No PP-4388 dated 9 July 2019, the Company's participation shares in Polyethylene Kuvurlar LLC and Polypropylene Kuvurlar LLC were transferred to the State Assets Management Agency on 31 March 2020. The transfer of the Company's shares was carried out at the carrying amount of UZS 49,346 million due to a decrease in the share of Uzbekneftegaz JSC in the Company;
- In 2020, the Group received an interest-free loan from Uzbekneftegaz JSC totaling USD 90 million. In 2021, the Group entered into a supplementary agreement to extend the payment terms until 31 December 2022 and the profit from the initial recognition of the interest-free loan in the amount of UZS 76,086 was recognised as a contribution to equity through retained earnings as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. GAS, GAS PROCESSING PRODUCTS AND PETROCHEMICALS SALES

In millions of Uzbek sums	2021	2020
Sale of polyethylene products	1,591,946	1,011,858
Sales of gas and gas products	1,139,358	1,362,741
Sales of gasoline and kerosene	372,257	45,769
Sale of other products	104,073	-
Total gas, gas processing products and petrochemicals sales	**3,207,634**	**2,420,368**
Geographical markets		
Uzbekistan	3,148,784	2,207,760
Other countries	58,850	212,608
Total gas, gas processing products and petrochemicals sales	**3,207,634**	**2,420,368**

20. SUPPLIES AND RAW MATERIALS USED

In millions of Uzbek sums	2021	2020
Purchased gas	908,560	1,042,339
Materials and supplies	91,484	78,232
Other	52,027	26,629
Total raw materials and consumables used	**1,052,071**	**1,147,200**

21. SERVICES AND UTILITIES

In millions of Uzbek sums	2021	2020
Repair and maintenance	70,755	86,992
Gas condensate processing services	61,026	-
Utilities	44,859	43,081
Security services	42,259	17,965
Transportation services	8,537	8,845
Fee and commission expenses	6,897	4,973
Professional services	5,037	437
Other	1,138	11,412
Total services and utilities	**240,508**	**173,705**

22. EMPLOYEE BENEFIT EXPENSES

Employee benefits expenses amounted to UZS 305,407 million, including social tax payments of UZS 33,590 million (2020: UZS 249,017 million, including social tax payments of UZS 26,216 million).

23. TAXES OTHER THAN INCOME TAX

In millions of Uzbek sums	2021	2020
Excise tax	26,960	17,675
Land tax	10,586	4,452
Tax on water resources use	8,447	8,302
Property tax	4,471	6,130
Value added tax	2,051	680
Total taxes other than income tax	**52,515**	**37,239**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. OTHER OPERATING INCOME AND EXPENSES

In millions of Uzbek sums	2021	2020
Income from write-off of tax debts	18,330	–
Other	34,789	30,415
Total other operating income	**53,119**	**30,415**
Loss on disposal of property and equipment	50,432	42,799
Duties and penalties	406	939
Other	13,411	17,652
Total other operating expense	**64,249**	**61,390**

25. FINANCE COSTS

In millions of Uzbek sums	2021	2020
Unwinding of discount on borrowings	–	30,741
Loss from initial recognition of Uzengineering's fixed assets	–	23,799
Loss on recognition of receivables to employees	1,643	14,051
Total interest expense	**1,643**	**68,591**
Provision: interest expense on employee benefit obligations *(Note 17)*	10,480	7,043
Other	–	413
Total finance costs	**12,123**	**76,047**

26. INCOME TAX

The major components of income tax expense for the years ended 31 December are:

In millions of Uzbek sums	2021	2020
Current income tax charge	422,803	163,838
Deferred tax expenses/ (income)	39,080	(10,007)
Income tax expenses presented in the consolidated statement of profit or loss	**461,883**	**153,831**

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Uzbekistan may differ from IFRS.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2021 and 2020 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax-book bases' differences for certain assets and liabilities.

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2021, 20% in 2020) to income tax expenses was as follows for the years ended 31 December:

In millions of Uzbek sums	2021	2020
Profit before income tax	1,792,492	496,935
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	**358,498**	**99,387**
Non-deductible expenses / (non-taxable income), net	76,074	54,444
Profit received from an interest-free loan from Uzbekneftegaz JSC	27,311	–
Income tax expenses	**461,883**	**153,831**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. INCOME TAX (continued)

Deferred tax assets and liabilities as of 31 December 2021 and 2020 were calculated using the expected income tax rates of 20%. Deferred tax assets and liabilities as of 31 December 2021 and their movements for the respective years comprise:

In millions of Uzbek soums	31 December 2020	In the consolidated statement of profit or loss	In the consolidated statement of other comprehensive income	31 December 2021
Deferred tax assets				
Trade receivables	13,738	10,188	-	**23,926**
Inventories	7,978	(7,465)	-	**513**
Financial guarantees	76,919	(61,134)	-	**15,785**
Advances paid	22,228	15,817	-	**38,045**
Other non-current financial assets	10,117	(10,117)	-	**-**
Employee benefit obligations	16,085	2,671	1,392	**20,148**
Other	8,589	9,868	1,081	**19,538**
Deferred tax assets	**155,654**	**(40,172)**	**2,473**	**117,955**
Deferred tax liabilities				
Property, plant and equipment	(103,254)	5,662	-	**(97,592)**
Borrowings	(9,243)	(4,570)	-	**(13,813)**
Deferred tax liabilities	**(112,497)**	**1,092**	**-**	**(111,405)**
Net deferred tax assets	**43,157**	**(39,080)**	**2,473**	**6,550**

Deferred tax assets and liabilities as of 31 December 2020 and their movements for the respective years comprise:

In millions of Uzbek soums	01 January 2020	In the consolidated statement of profit or loss	In the consolidated statement of other comprehensive income	31 December 2020
Deferred tax assets				
Trade receivables	8,350	5,388	-	**13,738**
Inventories	7,516	462	-	**7,978**
Borrowings	63	(9,306)	-	**(9,243)**
Financial guarantees	79,363	(2,444)	-	**76,919**
Advances paid	18,899	3,329	-	**22,228**
Other non-current financial assets	6,739	3,378	-	**10,117**
Employee benefit obligations	9,845	1,942	4,298	**16,085**
Other	5,443	3,146	-	**8,589**
Deferred tax assets	**136,218**	**5,895**	**4,298**	**146,411**
Deferred tax liabilities				
Property, plant and equipment	(107,366)	4,112	-	**(103,254)**
Deferred tax liabilities	**(107,366)**	**4,112**	**-**	**(103,254)**
Net deferred tax assets	**28,852**	**10,007**	**4,298**	**43,157**

27. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments mainly consist of borrowings, cash and cash equivalents, loans due from related parties as well as accounts receivable and accounts payable. The Group is mainly exposed to interest rate risk, currency risk, credit risk and liquidity risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

27. FINANCIAL RISK MANAGEMENT (continued)

Market risk

The Group assumes market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements.

The sensitivity analysis in the sections below relates to positions as at 31 December 2021 and 2020.

Currency risk

The Group's main financial instruments in foreign currencies include Cash and cash equivalents, trade receivables and payables denominated in US dollar, and borrowings denominated in US dollar and euro.

As a result of significant borrowings denominated in the US dollars and euro, and cash and cash equivalents, trade receivables and payables denominated in US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / UZS and euro/UZS exchange rates. The Group also has transactional currency exposures. Such exposure arises from revenue in US dollars.

The following table demonstrates the sensitivity to a reasonably possible changes in the US Dollar, Euro and Chinese Yuan exchange rates, with all the variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). Fluctuations in other currencies are not taken into account due to their immateriality for the consolidated financial results of operations of the Group.

In millions of Uzbek soums	**Increase/ decrease in UZS to US dollar exchange rate**	**Effect on profit before tax**	**Increase/ decrease in UZS to euro exchange rate**	**Effect on profit before tax**
2021	**+3%**	**(94,400)**	**20%**	**(153,778)**
	-20%	**629,334**	**-20%**	**153,778**
2020	+3%	(21,774)	21%	(698,452)
	-20%	145,161	-21%	698,462

Interest rate risk

Loans and borrowings raised at variable interest rates expose the Group to interest rate risk arising from the possible movement of variable elements of the overall interest rate.

The Group analyzes its interest rate exposure, including by performing scenario analysis to measure the impact of an interest rate shift on annual income before income tax. According to sensitivity analysis, which is limited to variable rate borrowings and is conducted with all other variables held constant the impact of a potential increase or decrease in interest rates on the Group's profit before tax, as applied to the variable element of interest rates on borrowings is immaterial, since the Group does not have significant exposure to interest rate risk.

The analysis is prepared with the assumption that the amount of variable rate liability outstanding at the balance sheet date was outstanding for the whole year. The interest rate on variable rate borrowings will effectively change throughout the year in response to fluctuations in market interest rates. The impact measured through the sensitivity analysis does not take into account other potential changes in economic conditions that may accompany the relevant changes in market interest rates.

	Increase/ decrease in Euribor	**Sensitivity of finance costs**
Financial liabilities		
2021	**+0.20%**	**1,541**
	-0.20%	**(1,541)**
2020	+0.20%	6,561
	-0.20%	(6,561)

27. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily polyethylene and gas products. Historically, the prices of these products have been regulated by the Government of Uzbekistan, except for prices of oil refined and natural gas products for export sales, which are contract based with predominantly fixed prices.

Credit risk

The Group controls its own exposure to credit risk. All external customers and their financial guarantors, including related parties, undergo a creditworthiness check (including sellers of goods and services who act on a prepayment basis).

The Group performs an ongoing assessment and monitoring of the financial position and the risk of default. The Group's maximum exposure to credit risk in the event that counterparties fail to meet their obligations is limited to the amounts of contracts entered into.

In addition, as part of its cash management and credit risk function, the Group regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash and performs trade finance operations. The Group primarily has banking relationships with the reputable large financial institutions in the Republic of Uzbekistan. The Group's exposure to credit risk is limited to the carrying value of financial assets recognized on the consolidated balance sheet.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored regularly, and management monitors the availability of funds in an amount sufficient to meet obligations as they arise.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 December 2021	Less than 1 year	1 to 2 years	Total
Borrowings	1,676,371	–	**1,676,371**
Trade and other payables	2,329,017	–	**2,329,017**
Financial guarantees	78,923	–	**78,923**
Other current liabilities	17,778	–	**17,778**
Total undiscounted financial liabilities	**4,102,089**	**–**	**4,102,089**

As at 31 December 2020	Less than 1 year	1 to 2 years	Total
Borrowings	3,374,991	820,390	**4,195,381**
Trade and other payables	56,511	–	**56,511**
Financial guarantees	384,595	–	**384,595**
Other current liabilities	19,207	–	**19,207**
Total undiscounted financial liabilities	**3,835,304**	**820,390**	**4,655,694**

Management believes that the Group has access to sufficient financing resources with domestic banks to meet the obligations of the Group in accordance with the established deadlines.

Capital management

The primary objective of the Group's capital management policy is to ensure a strong capital base to fund and sustain its business operations through prudent investment decisions and to maintain government, investor and creditor confidence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements.

	31 December 2021		31 December 2020	
In millions of Uzbek sums	Carrying amount	Fair value	Carrying value	Fair value
Cash and cash equivalents	24,370	24,370	24,447	24,447
Restricted cash	17,578	17,578	25,042	25,042
Trade receivables	852,002	852,002	250,059	250,059
Long-term receivables	23,996	23,996	40,753	40,753
Other current financial assets	31,679	31,679	18,623	18,623
Other non-current financial assets	46,712	46,712	40,797	40,797
Total financial assets	**996,337**	**996,337**	**399,684**	**399,684**
Trade and other payables	2,329,017	2,329,017	56,511	56,511
Borrowings	1,676,371	1,676,371	4,195,381	4,191,756
Financial guarantees	78,923	78,923	384,595	384,595
Other current liabilities	17,778	17,778	19,207	19,207
Total financial liabilities	**4,102,089**	**4,102,089**	**4,655,694**	**4,652,069**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of 31 December 2021:

In millions of Uzbek sums	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed				
Cash and cash equivalents	24,370	-	-	**24,370**
Restricted cash	17,578	-	-	**17,578**
Trade receivables	-	-	852,002	**852,002**
Long-term receivables	-	-	23,996	**23,996**
Other current assets	-	-	31,679	**31,679**
Other non-current assets	-	-	46,712	**46,712**
Liabilities for which fair values are disclosed				
Trade and other payables	-	-	2,329,017	**2,329,017**
Borrowings	-	770,541	905,830	**1,676,371**
Financial guarantees	-	-	78,923	**78,923**
Other current liabilities	-	-	17,778	**17,778**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial instruments (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of 31 December 2020:

In millions of Uzbek sums	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed				
Cash and cash equivalents	24,447	–	–	**24,447**
Restricted cash	25,042	–	–	**25,042**
Trade receivables	–	–	250,059	**250,059**
Long-term accounts receivable	–	–	40,716	**40,716**
Other current assets	–	–	18,623	**18,623**
Other non-current assets	–	–	40,797	**40,797**
Liabilities for which fair values are disclosed				
Trade and other payables	–	–	56,511	**56,511**
Borrowings	–	3,280,514	914,867	**4,195,381**
Financial guarantees	–	–	384,595	**384,595**
Other current liabilities	–	–	19,207	**19,207**

28. COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

Operating environment

The Group's operations are only conducted in the Republic of Uzbekistan. Republic of Uzbekistan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of Uzbekistan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Specifically, the President of the Republic of Uzbekistan issued Decree No. 4947 dated 7 February 2017 and confirmed Action Strategy on five priority areas of development of the Republic of Uzbekistan in 2017-2021. The government is carrying large-scale political and legal socio-economic reforms, state and regional programs in accordance with the Action Strategy for 2017-2021.

The Uzbekistan's economy has been impacted by government's currency reforms in 2017, which resulted in significant devaluation of Uzbek soum against major hard currencies by 92-94%, based on official exchange rates as established by the CBU of Uzbekistan.

For the first time, the Republic of Uzbekistan obtained international credit rating in 2019. International Rating Agency Standard & Poor's Global Ratings has confirmed the long-term and short-term sovereign credit ratings of the Republic of Uzbekistan on obligations in national and foreign currencies "BB-/B".

The Group's management is monitoring economic developments in the current environment and taking precautionary measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (continued)

COVID-19

The existence of the coronavirus, COVID-19, was confirmed in early 2020 and has spread around the world, causing disruptions to businesses and economic activity. Governments in affected countries, including Uzbekistan, imposed travel bans, quarantines and other emergency public safety measures. Those measures, though temporary in nature, may continue and increase depending on developments in the virus' outbreak. The final impact of the COVID-19 outbreak is currently unclear, and therefore the Group cannot reasonably estimate the impact it may have on future operations. There is significant uncertainty about the extent and period over which these events will continue, but they could have a material effect on the Group's financial position, future cash flows and results of operations.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

Taxation

Uzbekistan currently has a number of laws related to various taxes imposed by both state and regional governmental authorities. Implementing regulations are often unclear or non-existent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations (like the State Tax Committee and its various inspectorates) thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency controls matters) are subject to review and investigation by a number of authorities that are empowered by law to impose extremely severe fines, penalties and interest charges.

These facts create higher degree of tax risks probability in Uzbekistan comparing with countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

As at 31 December 2021 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Capital commitments

As of 31 December 2021, the Group had capital commitments of UZS 10,646,137 million (31 December 2020: UZS 12,195,000 million) mainly related to the project on expansion of the Shurtan Gas Chemical Complex *(Note 13)*.

"Program for increasing hydrocarbon production 2017-2021"

In accordance with Presidential Decrees of the Republic of Uzbekistan the Group participates in "Program for increasing hydrocarbon production 2017-2021", under which the Group carries certain obligations and commitments.

The Management of the Group considers the commitments under the program are being fulfilled appropriately and any deviations related to volumes and deadlines, set in the program, will not lead to material negative consequences, which need to be recognized or disclosed in the consolidated financial statements.

Financial guarantee obligations

As of 31 December 2021, the Group issued a number of guarantees to its related parties, including JSC Uzbekneftegaz, amounting to UZS 2,154,328 million (31 December 2020: UZS 2,719,401 million). Should JSC Uzbekneftegaz default on their guaranteed obligations, the Group may receive claims and become liable for the respective amount. All financial guarantee agreements are concluded on the condition that the is no compensation to the Company. Most financial liabilities of JSC Uzbekneftegaz guaranteed by the Company are payable on demand or within 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. SUBSEQUENT EVENTS

Mass power outages

On 25 January 2022, there was a mass power outage in the cities of Uzbekistan as a result of a major breakdown in the unified power grid of Central Asia. Due to the lack of electricity, the Group's core activities were suspended until electricity was restored throughout Uzbekistan, which took 2-3 days.

Conflict between the Russian Federation and Ukraine

In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation.

Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility in the stock and currency markets, as well as a significant depreciation of Uzbek soum against the US dollar and Euro.

The Group considers these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be reliably measured at the moment.

The management of the Group is currently analyzing the possible impact of changing micro- and macroeconomic conditions on the financial position and performance of the Group.