Shurtan Gas Chemical Complex LLC

Consolidated financial statements

For the year ended 31 December 2023
with the independent auditor's report

CONTENTS

Statement of management on responsibility for the preparation and approval of consolidated financial statements

Independent auditor's report

Consolidated financial statements

Notes to the consolidated financial statements

STATEMENT OF MANAGEMENT ON RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Management is responsible for the preparation of consolidated financial statements that reflect the financial position of «Shurtan Gas Chemical Complex» LLC (the "Company") as at December 31, 2023, as well as related statements of profit and loss, comprehensive income for the year ended on that date, changes in equity and cash flows for the year ended on that date, as well as accounting guidelines and notes to the financial statements (hereinafter referred to as the "financial statements") in accordance with International Financial Reporting Standards ("IFRS").

In preparing consolidated financial statements, management is responsible for:

- ensuring the correct selection and application of accounting policy principles;
- presentation of information, including data on accounting policies, in a form that ensures the relevance, reliability, comparability and comprehensibility of such information;
- disclosure of additional information in cases where compliance with IFRS requirements is insufficient for users of the financial statements to understand the impact that certain transactions, as well as other events or conditions have on the financial position and financial results of the Company's activities;
- assessment of the Company's ability to continue operations in the foreseeable future.

Management is also responsible for:

- development, implementation and maintenance of an effective and reliable internal control system at all enterprises of the Company;
- keeping records in a form that allows disclosing and explaining the Company's transactions, as well as providing information of sufficient accuracy about the Company's financial position at any date and ensuring that the financial statements comply with IFRS requirements;
- accounting in accordance with the legislation and accounting standards of the Republic of Uzbekistan;
- taking all reasonable measures to ensure the safety of the Company's assets;
- detection and prevention of fraud and other abuses.

The Company's financial statements for the year ended December 31, 2023 were approved by management on 12 June 2024.

Approved and signed on 12 June 2024

General Director ______________________ Sh.Ch. Aslanov

Chief Accountant ______________________ Sh.B. Umarov

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

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Independent auditor's report

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

Qualified 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 2023 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, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As at 31 December 2023, the Group classified assets with a carrying amount of 4 999 505 million UZS as assets held for sale. IFRS 5 «Non-current assets held for sale and Discontinued operations» requires an entity to measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value through costs to sell. The Group does not estimate the fair value of retained assets. The nature of this departure from IFRS on the consolidated financial statements has not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are described further in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report. We are independent of the Organization in accordance with the ethical requirements applicable to our audit of the financial statements of «Shurtan Gas Chemical Complex» LLC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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.

- 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.

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.

General Director HLB TASHKENT **SH.S.Yuldashev**

Audit Organization «HLB Tashkent» LLC
June 13, 2024
Tashkent, Uzbekistan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

In millions of Uzbek sums	Note	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	13	610 419	3 307 690
Intangible assets	14	10 817	-
Trade receivables	9	9 676	19 115
Advances for non-current assets	15	-	2 180 687
Deferred tax assets	26	71 799	4 214
Long-term restricted cash	8	-	11 100
Other non-current financial assets		35 872	43 299
Total non-current assets		**738 583**	**5 566 105**
Current assets			
Cash and cash equivalents	7	717	19 521
Restricted cash	8	54 509	28 485
Trade receivables	9	608 413	456 925
Advances paid	11	181 351	175 941
Inventory	10	538 021	447 011
Income tax prepayment		73 746	129 495
Other current assets	12	67 718	65 392
Total current assets		**1 524 475**	**1 322 770**
Assets held for sale	15	4 999 505	-
Total assets		**7 262 563**	**6 888 875**
Equity			
Charter capital	18	207 383	207 383
Retained earnings		3 260 164	3 458 193
Total equity		**3 467 547**	**3 665 576**
Non-current liabilities			
Defined employee benefit obligations	17	111 028	79 180
Total non-current liabilities		**111 028**	**79 180**
Current liabilities			
Trade and other payables	16	2 713 715	3 050 156
Defined employee benefit liabilities	17	2 696	2 043
Financial guarantees	28	81 802	71 979
Dividend debt	18	858 800	-
Other current liabilities		26 975	19 941
Total current liabilities		**3 683 988**	**3 144 119**
Total liabilities		**3 795 016**	**3 223 299**
Total liabilities and equity		**7 262 563**	**6 888 875**

Approved and signed on 12 June 2024

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

General Director Sh.Ch. Aslanov

Chief Accountant Sh.B. Umarov

The accounting policies and explanatory notes on pages 5-35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

In millions of Uzbek sums	Note	2023	2022
Gas, gas processing products and petrochemicals sales5	19	3 542 148	3 271 802
Other operating income	24	103 574	37 106
Total revenues and other income		**3 645 722**	**3 308 908**
Changes in cost of finished goods inventories		13 203	45 113
Supplies and raw materials used	20	(1 240 092)	(983 468)
Services and utilities	21	(366 007)	(267 950)
Employee benefit expenses	22	(433 363)	(381 963)
Depreciation of property, plant and equipment	13	(43 406)	(38 077)
Charity and donations		(176 589)	(144 305)
Taxes other than income tax	23	(39 656)	(56 347)
Net loss from impairment of financial assets	9	15 434	(6 383)
Other operating expenses	24	(61 704)	(53 491)
Total costs and expenses		**(2 332 180)**	**(1 886 871)**
Operating profit		**1 313 542**	**1 422 037**
Other income - financial guarantees	28	36 982	18 491
Reversal/(accrual) of provision for impairment of financial guarantees	28	(46 804)	(11 547)
Finance income		11 803	11 141
Other non-operating income		75	3 257
Foreign exchange gain/(loss), net		(272 223)	48 817
Finance costs	25	(20 031)	(15 489)
Profit before income tax		**1 023 344**	**1 476 707**
Income tax expense	26	(204 735)	(370 621)
Net profit for the year		**818 609**	**1 106 086**
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	(16 566)	25 632
Gains less losses from investments in equity securities measured at fair value through other comprehensive income		(72)	(2 090)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax)		**(16 638)**	**23 542**
Total comprehensive income for the year, net of taxes		**801 971**	**1 129 628**

Approved and signed on 12 June 2024

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

General Director Sh.Ch. Aslanov

Chief Accountant Sh.B. Umarov

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

In millions of Uzbek sums	Note	2023	2022
Operating activities			
Profit before income tax		1 023 344	1 476 707
Adjustments for:			
Depreciation, depletion and amortization	13	43 406	38 077
Impairment of accounts receivable	9	(15 434)	6 383
Changes in defined benefit obligations		(951)	(1 471)
Amortization of fair value of financial guarantees		(36 982)	(18 491)
Reversal/(accrual) of provision for impairment of financial guarantees		46 804	11 547
Finance income		(11 803)	(11 141)
Finance costs	25	20 031	15 489
Foreign exchange difference, net		272 223	(48 817)
Losses less gains on disposal of subsidiaries		34 406	28 236
Cash flows from operating activities before changes in working capital		**1 375 044**	**1 496 519**
Change in trade and other receivables		(117 645)	402 257
Change in inventories		(91 010)	(3 188)
Change in advances paid		(173)	(26 489)
Change in trade and other accounts payable		(613 821)	745 344
Change in non-current assets		(7 933)	1 803
Change in other assets		(2 326)	(1 881)
Change in other liabilities		(42 969)	2 158
Cash flows from operating activities		**499 167**	**2 616 523**
Income tax paid		(212 411)	(624 715)
Net cash flow from operating activities		**286 756**	**1 991 808**
Investing activities			
Purchase of property, plant and equipment	13	(199 359)	(181 674)
Change in cash restricted in use	8	(12 221)	(20 127)
Net cash used in investing activities		**(211 580)**	**(201 801)**
Financing activities			
Repayment of borrowings		-	(1 777 518)
Interest paid		-	(15 410)
Dividends paid	18	(91 200)	-
Net cash from financing activities		**(91 200)**	**(1 792 928)**
Effect of exchange rate change on cash and cash equivalents		(2 780)	(1 928)
Net change in cash and cash equivalents		**(18 804)**	**(4 849)**
Cash and cash equivalents, beginning	7	**19 521**	**24 370**
Cash and cash equivalents, ending	7	**717**	**19 521**

Approved and signed on 12 June 2024

General Director Sh.Ch. Aslanov

Chief Accountant Sh.B. Umarov

The accounting policies and explanatory notes on pages 5-35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

In millions of Uzbek sums	Note	Charter capital	Retained earnings	Total
Balance as at 1 January 2022		**207 343**	**2 328 565**	**2 535 908**
Net profit for the year		-	1 106 086	**1 106 086**
Other comprehensive loss		-	23 542	**23 542**
Total comprehensive income for the year		**-**	**1 129 628**	**1 129 628**
Contribution to the charter capital	18	40	-	**40**
Balance as at 31 December 2022		**207 383**	**3 458 193**	**3 665 576**
Net profit for the year		-	818 609	**818 609**
Other comprehensive loss		-	(16 638)	**(16 638)**
Total comprehensive income for the year		**-**	**801 971**	**801 971**
Dividends to shareholders	18	-	(1 000 000)	**(1 000 000)**
Balance as at 31 December 2023		**207 383**	**3 260 164**	**3 467 547**

Approved and signed on 12 June 2024

General Director *Sh.Ch. Aslanov*

Chief Accountant *Sh.B. Umarov*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 2023, 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
- Purified natural gas
- Motor gasoline
- Stable gas condensate
- Liquefied gas
- Jet fuel
- Granulated sulfur
- Other polyethylene products

The entire volume of stable gas condensate (hydrocarbon raw materials) produced by "Shurtan Gas Chemical Complex" LLC is transferred to Bukhara Refinery LLC for processing on a toll basis and obtaining an oil product with subsequent sale.

The consolidated financial statements of the Group include the following major operating companies that are directly or indirectly controlled by the Company:

Subsidiary name	Primary activity	Country of registration	% share 2023	% share 2022
UE "Kurilish montazh va tamirlash boshkarmasi"	Construction	Uzbekistan	100%	100%
SHURTAN YASHIL MAKON LLC	Production of nursery products	Uzbekistan	99%	99%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

The consolidated financial statements of 2023 were approved and authorized for issue by the Management of the Group on 12 June 2024.

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.

As of 31 December 2023, the Group's current liabilities exceeded its current assets by UZS 2 159 513 (as of 31 December 2022: UZS 1 821 349). It should be noted that the negative liquidity is due to the accounts payable to the Mother Company of the Group. The Group's management expects that financial obligations will be repaid on time and will not affect the stability of the work. It is also worth noting that Shurtan Gas Chemical Complex LLC is a strategically important facility for the country's oil and gas 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;
- Based on the cash flow forecast, the Group expects to generate sufficient cash flow from operating activities in 2024-2025;
- In addition, the Group's management believes that the Group's financial obligations to its parent can be settled in the amount required by the Group's parent within 12 months from the date of approval of these consolidated financial statements;
- 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 2023 was 12 339 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 2022 (31 December 2022: 11 225 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 2023. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income

A financial asset must be measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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.

Intangible assets

When accounting for intangible assets, the Group's management estimates the likelihood of future economic benefits from the use of an asset using reasonable and appropriate assumptions that represent the best estimate of the economic conditions of the asset over its useful life and the extent to which the asset's value can be measured reliably.

Development costs directly attributable to identifiable and unique software controlled by the Group are recognized as intangible assets if the amount of additional economic benefits is expected to exceed the costs. Capitalized costs include employee benefits expense for the software development team and an appropriate share of overhead expenses. All other costs associated with the software (such as maintenance) are expensed as incurred.

Depreciation of intangible assets

The Group assumes that the economic benefits from the use of intangible assets are consumed evenly over the useful life of the assets and uses the straight-line method to amortize intangible assets.

For intangible assets, the following estimated useful lives are used:

Intangible assets	Useful life
Software	3-7 years
Other intangible assets	3-7 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of intangible assets (continued)

When impaired, the carrying amount of intangible assets is written down to the higher of their value in use or fair value less costs of disposal.

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.

An appropriate valuation model is used to determine an asset's fair value less costs to sell. Impairment losses from continuing operations are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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.

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*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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.

Measurement of liabilities under guarantees issued

As of 31 December 2023, the Group issued a number of guarantees to its related parties (see *Note 28, Financial guarantee liabilities*). As of 31 December 2023, the Group recognized the financial liabilities in respect of the issued guarantees amounting to UZS 81 802 million (at 31 December 2022: UZS 71 979 million) as part of other current liabilities. 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 2023. 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 2023.

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)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Taxation (continued)

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 standards, interpretations and amendments to existing standards and interpretations

The following new standards and amendments came into effect on January 1, 2023:

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their significant accounting policies rather than their significant accounting policies. The amendment provided a definition of material accounting policies. The amendment also clarified that information about an accounting policy is considered material if, without it, users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided clear examples of accounting policies that are likely to be considered material to an entity's financial statements. In addition, the amendment to IAS 1 clarified that immaterial accounting policies are not required to be disclosed. However, if disclosed, it should not conceal material information about accounting policies. In support of this amendment, IFRS Practice Statement 2, Making Materiality Judgments, has also been amended to provide guidance on how to apply the concept of materiality to disclosures in accounting policies. The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 8 Determining Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how entities should distinguish changes in accounting policies from changes in accounting estimates. The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

Deferred tax on assets and liabilities arising in a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 determine how to account for deferred tax on transactions such as leases and decommissioning obligations. In certain circumstances, entities are exempt from recognizing deferred taxes when assets or liabilities are first recognized. Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which both an asset and a liability are recognized. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require companies to recognize deferred taxes on transactions that, upon initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

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

Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow amendments to IAS 12 Income Taxes. This amendment was introduced in response to the imminent implementation of the "Pillar Two" model rules published by the Organization for Economic Co-operation and Development (OECD) as a result of international tax reform. The amendments provide a temporary exception to the requirement to recognize and disclose deferred taxes arising from existing or substantively enacted tax laws that implement the standard pillar two rules. Under the IASB's effective date, entities can apply the exemption immediately, but disclosure requirements are required for annual periods beginning on or after 1 January 2023. The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

Standards that have been issued but have not yet entered into force

Certain new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2024 and which the Group has not early adopted.

Amendments to IFRS 16 Leases: Lease Liabilities in Sale and Leasebacks (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to sale and leaseback transactions that meet the requirements of IFRS 15 and must be accounted for as a sale. The amendments require the seller-lessee to subsequently measure the liabilities arising from the transaction in such a way that it does not recognize any gains or losses associated with the right of use that it retains. This means deferring the receipt of such profits, even if the obligation is to make variable payments independent of the index or rate. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

Classification of Liabilities as Current or Non-Current - Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on 1 January 2024 or after this date)

These amendments clarify that liabilities are classified as current or non-current depending on the rights existing at the end of the reporting period. A liability is long-term if the entity has a substantial right at the end of the reporting period to defer repayment for at least twelve months. Management no longer requires that such a right be unconditional.

An amendment introduced in October 2022 established that credit covenants that must be met after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations as to whether they will subsequently exercise the option to defer repayment do not affect the classification of liabilities. A liability is classified as current if a condition is violated on or before the reporting date, even if a waiver of that condition is received from the obligee after the end of the reporting period. Conversely, a loan is classified as long-term if the loan covenant is violated only after the reporting date. In addition, the amendments include clarification of requirements for the classification of debt that a company can repay by converting it into equity. "Settlement" is defined as the settlement of a liability out of cash, other resources embodying economic benefits, or the entity's own equity instruments. The exception is convertible instruments, which can be converted into equity, but only for those instruments whose convertibility is classified as an equity instrument as a separate component of a composite financial instrument. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Financing Arrangements (issued 25 May 2023). In response to financial statement users' concerns about inadequate or misleading disclosure of financing arrangements, in May 2023 the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure of an entity's supplier financing arrangements. (SFA). The amendments require disclosure of an entity's supplier financing arrangements to enable users of financial statements to assess the impact of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to increase transparency of supplier financing arrangements. The amendments do not affect recognition or measurement principles, only disclosure requirements. The new disclosure requirements will be effective for annual periods beginning on or after January 1, 2024. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

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

IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 allows first-time adopters to continue to recognize rate-related amounts in accordance with previous GAAP requirements upon transition to IFRS. However, to enhance comparability with entities that already apply IFRS accounting standards and do not recognize such amounts, the standard requires that the effect of tariff regulation be presented separately from other items. An entity that already presents financial statements in accordance with IFRS accounting standards is not eligible to apply this standard. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after the date that determined by the IASB). These amendments remove the inconsistency between the requirements of IFRS 10 and the requirements of IAS 28 in relation to the sale or contribution of assets between an investor and its associate or joint venture. The main effect of the amendments is to recognize the full gain or loss when the transaction relates to a business. Partial gain or loss is recognized when the transaction involves assets that do not constitute a business, even if those assets are owned by a subsidiary. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

On 9 April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements for application to annual periods beginning on or after 1 January 2027.

This Standard replaces IAS 1 Presentation of Financial Statements.

The objective of this IFRS is to improve the way financial statements are presented and disclosed, with a focus on financial performance information in the income statement.

At the same time, the main requirements of IFRS 18 and the reasons for the adoption of the standard are:

- **requiring additional specific subtotals in the income statement.** Adding specific subtotals to the income statement makes it easier to compare companies' financial performance and provides a consistent starting point for investors' analysis;
- **requirement to disclose information on performance indicators determined by management.** Requiring companies to disclose management-defined performance measures increases discipline in their use and transparency in their calculation;
- **adding new principles for grouping (aggregation and disaggregation) of information.** Establishing requirements regarding whether information should be contained in the primary financial statements or notes, and providing principles regarding the level of detail required, improves the effectiveness of communication.

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

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 2022, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. RELATED PARTY TRANSACTIONS (continued)

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 340-450 thousand per 1 000 cubic meters in 2023, UZS 250-340 thousand per 1 000 cubic meters in 2022).

At 31 December 2023 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)	85 014	335 331	202 569
Provision for expected credit losses on receivables	(969)	(3 547)	(22 099)
Cash and cash equivalents	-	-	5 712
Advances paid (including for non-current assets)	-	6	12 647
Trade and other payables	2 130 637	437 597	94 527
Dividend debt	858 800	-	-
Financial guarantees	44 296	17 932	-

At 31 December 2022 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)	457	204 230	275 507
Provision for expected credit losses on receivables	(10)	(2 899)	(45 916)
Cash and cash equivalents	-	-	10 770
Advances paid (including for non-current assets)	-	3	23 383
Trade and other payables	2 777 124	180 540	49 430
Financial guarantees	42 285	6 786	-

As at 31 December 2023 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	3 055	1 136 295	556 278
Purchase of raw materials and consumables	1 027 519	97 541	139 790
Charity and donations	1 911	26 742	25 711
Amortization of fair value of financial guarantees	25 388	11 593	-
Accrual / reversal of provision for impairment of financial guarantees	(27 400)	(22 739)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. RELATED PARTY TRANSACTIONS (continued)

As at 31 December 2022 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	4 293	847 592	667 146
Purchase of raw materials and consumables	810 714	154 188	66 772
Charity and donations	3 108	2 582	53 479
Amortization of fair value of financial guarantees	17 550	535	-
Accrual / reversal of provision for impairment of financial guarantees	(8 272)	(7 321)	-

Key management compensation

Key management personnel comprises members of the Board of Directors and Management Board. Compensation of key management personnel (7 employees in 2023, 7 employees in 2022), including basic salary, bonuses and other payments, amounted to UZS 5 684 million and UZS 5 253 million in 2023 and 2022, respectively.

7. CASH AND CASH EQUIVALENTS

In millions of Uzbek sums	31 December 2023	31 December 2022
Current accounts with banks - euro	-	15 452
Current accounts with banks - UZS	211	3 906
Current accounts with banks - cash on special accounts	391	76
Current accounts with banks - US dollars	96	74
Current accounts with banks - other currencies	11	12
Current accounts with banks - cash in transit	8	1
Total cash and cash equivalents	**717**	**19 521**

8. RESTRICTED CASH

At 31 December 2023 and 2022, 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	31 December 2023	31 December 2022
Long-term receivables	35 443	38 279
Less: provision for expected credit losses	(25 767)	(19 164)
Total long-term receivables	**9 676**	**19 115**
Short-term receivables	684 545	555 094
Less: provision for expected credit losses	(76 132)	(98 169)
Total short-term accounts receivable	**608 413**	**456 925**
Other accounts receivable	**618 089**	**476 040**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE RECEIVABLES (continued)

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

As at 31 December 2023 and 2022, receivables were non-interest bearing.

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

In millions of Uzbek sums	**2023**	**2022**
As at 1 January	**(117 333)**	**(110 950)**
Charges for the year	15 434	(6 383)
As at 31 December	**(101 899)**	**(117 333)**

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 2023						
ECL rate	16%	6%	9%	2%	30%	
Trade receivables	246 537	99 755	42 265	172 650	158 781	**719 988**
ECL	(39 944)	(6 242)	(4 003)	(3 774)	(47 936)	**(101 899)**
31 December 2022						
ECL rate	23%	6%	3%	7%	48%	
Trade receivables	130 552	90 694	120 039	102 709	149 379	**593 373**
ECL	(29 847)	(5 548)	(3 430)	(7 437)	(71 071)	**(117 333)**

10. INVENTORIES

In millions of Uzbek sums	**31 December 2023**	**31 December 2022**
Materials and inventories (at cost)	212 285	157 842
Work in process (at cost)	277 690	240 968
Finished products (at cost)	110 130	96 927
Allowance for inventories / Allowance for impairment of inventories	(62 084)	(48 726)
Total inventories	**538 021**	**447 011**

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

In millions of Uzbek sums	**31 December 2023**	**31 December 2022**
Advances paid for goods and services	181 351	175 941
Total advances paid	**181 351**	**175 941**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. OTHER CURRENT ASSETS

In millions of Uzbek sums	31 December 2023	31 December 2022
Other current non-financial assets		
Prepayments on other taxes	34 127	32 413
Other current financial assets		
Other receivables	33 591	32 979
Total other current assets	**67 718**	**65 392**

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 2021	**335 504**	**367 340**	**51 176**	**2 738 050**	**3 492 070**
Additions	-	-	-	270 865	270 865
Disposals	(836)	(1 262)	(2 304)	(29 371)	(33 773)
Transfers from construction in progress	25 175	2 088	9 054	(36 317)	-
As at 31 December 2022	**359 843**	**368 166**	**57 926**	**2 943 227**	**3 729 162**
Additions	-	-	-	573 134	573 134
Disposals	(12 803)	(743)	(875)	(3 217 393)	(3 231 814)
Transfers from construction in progress	42 451	45 340	27 511	(115 302)	-
As at 31 December 2023	**389 491**	**412 763**	**84 562**	**183 666**	**1 070 482**
Depreciation and impairment					
As at 31 December 2021	**(84 690)**	**(267 561)**	**(32 643)**	**-**	**(384 894)**
Charges for the year	(14 561)	(17 851)	(5 665)	-	(38 077)
Disposals	143	678	678	-	1 499
As at 31 December 2022	**(99 108)**	**(284 734)**	**(37 630)**	**-**	**(421 472)**
Charges for the year	(16 138)	(18 990)	(8 278)	-	(43 406)
Disposals	3 718	536	561	-	4 815
As at 31 December 2023	**(111 528)**	**(303 188)**	**(45 347)**	**-**	**(460 063)**
Net book value					
As at 31 December 2022	**260 735**	**83 432**	**20 296**	**2 943 227**	**3 307 690**
As at 31 December 2023	**277 963**	**109 575**	**39 215**	**183 666**	**610 419**

In 2023, the Group did not capitalize borrowing costs (2022: UZS 80 772 million).

The bulk of the balance of construction in progress as of December 31, 2022 are the costs of the investment project “Expansion of production capacity of Shurtan Gas Chemical Complex LLC” carried out in accordance with Resolutions of the President of the Republic of Uzbekistan No. PP-2551 dated June 20, 2016 and No. PP-2965 dated May 11, 2017 of the year. (Note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. INTANGIBLE ASSETS

In millions of Uzbek sums	Software	Other	Total
Cost			
As at 31 December 2022	-	-	-
Additions	11 232	165	**11 397**
As at 31 December 2023	**11 232**	**165**	**11 397**
Depreciation and impairment			
As at 31 December 2022	-	-	-
Charges for the year	(566)	(14)	**(580)**
As at 31 December 2023	**(566)**	**(14)**	**(580)**
Net book value			
As at 31 December 2022	-	-	-
As at 31 December 2023	**10 666**	**151**	**10 817**

The main part of the intangible assets is the software "ERP Enterprise Management 2", "Document Flow 8 KORP" and "Vehicle Management" introduced into a single integrated information system for enterprise resource management based on "1C: Enterprise 8.3".

15. ASSETS HELD FOR SALE

For the year ended December 31, 2023. The Group classified assets related to the expansion project of «Shurtan Gas Chemical Complex»" LLC as assets held for sale due to the intention to transfer them in the future to replace the participation interest of the newly created joint venture.

All capital obligations associated with the expansion project of «Shurtan Gas Chemical Complex» LLC will be transferred to the newly created joint venture.

16. TRADE AND OTHER PAYABLES

In millions of Uzbek sums	31 December 2023	31 December 2022
Trade payables	2 627 527	3 007 294
Other non-financial liabilities		
Contract liabilities	316	1 191
Other taxes payable	85 872	41 671
Total trade and other accounts payable	**2 713 715**	**3 050 156**

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

As of 31 December 2023, trade and other payables were not interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. DEFINED EMPLOYEE BENEFIT OBLIGATIONS

As at 31 December 2023:

	Employee benefit obligations		
In millions of Uzbek sums	Post-employment benefits	Other long-term payments	Total
Cost of service, including:			
Current cost of service	3 780	579	**4 359**
Net interest	11 322	1 422	**12 744**
Actuarial losses	16 569	4 139	**20 708**
Net expense	**31 671**	**6 140**	**37 811**
Net defined benefit plan liabilities			
Current portion	1 752	944	**2 696**
Non-current portion	98 370	12 658	**111 028**
As at 31 December 2023	**100 122**	**13 602**	**113 724**
Change in net value of obligations			
As at 1 January 2023	**72 159**	**9 064**	**81 223**
Net expense	15 102	2 001	17 103
Actuarial losses recognized in other comprehensive income	16 569	4 139	20 708
Contributions by employer	(3 708)	(1 602)	(5 310)
As at 31 December 2023	**100 122**	**13 602**	**113 724**

As at 31 December 2022:

	Employee benefit obligations		
In millions of Uzbek sums	Post-employment benefits	Other long-term payments	Total
Cost of service, including:			
Current cost of service	2 645	436	**3 081**
Net interest	12 441	1 552	**13 993**
Actuarial losses	(29 217)	(2 823)	**(32 040)**
Net expense	**(14 131)**	**(835)**	**(14 966)**
Net defined benefit plan liabilities			
Current portion	1 141	902	**2 043**
Non-current portion	71 018	8 162	**79 180**
As at 31 December 2022	**72 159**	**9 064**	**81 223**
Change in net value of obligations			
As at 1 January 2022	**89 568**	**11 173**	**100 741**
Net expense	15 086	1 988	17 074
Actuarial losses recognized in other comprehensive income	(29 217)	(2 823)	(32 040)
Contributions by employer	(3 278)	(1 274)	(4 552)
As at 31 December 2022	**72 159**	**9 064**	**81 223**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. DEFINED EMPLOYEE BENEFIT OBLIGATIONS (continued)

Key actuarial assumptions

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

	2023	2022
Discount rate	14,87%	15,69%
Future salary increase	14,49%	10,29%
Growth of the minimum wage	12,55%	13,16%

18. EQUITY

As of December 31, 2023, the Company's authorized capital was UZS 207 383 million (December 31, 2022: UZS 207 383 million). The authorized capital of the Company was increased by 40 million soums based on the decision of the sole founder of the Company dated September 9, 2022.

According to the decisions of «Uzbekneftegaz» JSC in 2023, part of the profit of «Shurtan Gas Chemical Complex» LLC for 2021-2022 in the amount of 1 000 billion soums was distributed as dividends.

In millions of Uzbek sums	2023	2022
Payment of dividends to shareholders	1 000 000	-
Dividends paid	(91 200)	-
Tax on dividends	(50 000)	-
Total debt on dividends	**858 800**	**-**

19. GAS, GAS PROCESSING PRODUCTS AND PETROCHEMICALS SALES

In millions of Uzbek sums	2023	2022
Sale of polyethylene products	1 805 108	1 815 692
Sales of gas and gas products	1 082 621	882 412
Sales of gasoline and kerosene	621 855	532 554
Sale of other products	32 564	41 144
Total gas, gas processing products and petrochemicals sales	**3 542 148**	**3 271 802**
Geographical markets		
Uzbekistan	3 542 148	3 271 802
Total gas, gas processing products and petrochemicals sales	**3 542 148**	**3 271 802**

20. SUPPLIES AND RAW MATERIALS USED

In millions of Uzbek sums	2023	2022
Purchased gas	1 049 317	796 388
Materials and supplies	117 691	104 988
Other	73 084	82 092
Total raw materials and consumables used	**1 240 092**	**983 468**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. SERVICES AND UTILITIES

In millions of Uzbek sums	2023	2022
Repair and maintenance	29 373	28 416
Gas condensate processing services	91 784	81 175
Utilities	95 643	60 840
Security services	55 331	52 369
Transportation services	29 885	8 567
Fee and commission expenses	7 722	16 970
Professional services	15 785	11 277
Petroleum products storage services	33 289	-
Other	7 195	8 336
Total services and utilities	**366 007**	**267 950**

22. EMPLOYEE BENEFIT EXPENSES

Employee benefits expenses amounted to UZS 433 363 million, including social tax payments of UZS 42 109 million (2022: UZS 381 963 million, including social tax payments of UZS 41 436 million).

23. TAXES OTHER THAN INCOME TAX

In millions of Uzbek sums	2023	2022
Excise tax	10 479	28 544
Land tax	6 982	12 378
Tax on water resources use	9 616	7 454
Property tax	6 869	5 307
Value added tax	5 595	2 664
Other taxes	115	-
Total taxes other than income tax	**39 656**	**56 347**

24. OTHER OPERATING INCOME AND EXPENSES

In millions of Uzbek sums	2023	2022
Income from write-off of tax debts	-	-
Other	103 574	37 106
Total other operating income	**103 574**	**37 106**

In millions of Uzbek sums	2023	2022
Loss on disposal of property and equipment	34 406	28 236
Duties and penalties	77	545
Other	27 221	24 710
Total other operating expense	**61 704**	**53 491**

25. FINANCE COSTS

In millions of Uzbek sums	2023	2022
Loss on recognition of receivables to employees	7 287	1 496
Total interest expense	**7 287**	**1 496**
Provision: interest expense on employee benefit obligations *(Note 17)*	12 744	13 993
Total finance costs	**20 031**	**15 489**

26. INCOME TAX

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

In millions of Uzbek sums	2023	2022
Current income tax charge	268 160	374 170
Deferred tax expenses/ (income)	(63 425)	(3 549)
Income tax expenses presented in the consolidated statement of profit or loss	**204 735**	**370 621**

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 2023 and 2022 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 2023, 20% in 2022) to income tax expenses was as follows for the years ended 31 December:

In millions of Uzbek sums	2023	2022
Profit before income tax	**1 023 344**	**1 476 707**
Statutory tax rate	**20%**	**20%**
Theoretical income tax expense at the statutory rate	**204 669**	**295 341**
Non-deductible expenses / (non-taxable income), net	66	49 548
Profit received from an interest-free loan from Uzbekneftegaz JSC	-	25 732
Income tax expenses	**204 735**	**370 621**

Deferred tax assets and liabilities as of December 31, 2023 and their movement for the relevant years include the following items:

In millions of Uzbek sums	31 December 2022	In the consolidated statement of profit or loss	In the consolidated statement of other comprehensive income	31 December 2023
Deferred tax assets				
Trade receivables	61 671	(2 638)	-	**59 033**
Property, plant and equipment	-	615 916	-	**615 916**
Financial guarantees	14 396	1 964	-	**16 360**
Advances paid	13 709	393 372	-	**407 081**
Employee benefit obligations	16 245	2 358	4 142	**22 745**
Отложенные налоговые активы	**106 021**	**1 010 972**	**4 142**	**1 121 135**
Обязательства по отложенному налогу				
Property, plant and equipment	(61 973)	61 973	-	-
Inventories	(35 517)	(5 646)	-	**(41 163)**
Other	(4 317)	(3 973)	18	**(8 272)**
Assets held for sale	-	(999 901)	-	**(999 901)**
Deferred tax liabilities	**(101 807)**	**(947 547)**	**18**	**(1 049 336)**
Net deferred tax assets	**4 214**	**63 425**	**4 160**	**71 799**

Deferred tax assets and liabilities as of December 31, 2023 for property, plant and equipment, advances issued and assets held for sale primarily relate to the reclassification of Shurtan Gas Chemical Complex LLC expansion project costs as assets held for sale (Note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. INCOME TAX (continued)

Deferred tax assets and liabilities as of December 31, 2022 and their movement for the relevant years include the following items:

In millions of Uzbek sums	31 December 2021	In the consolidated statement of profit or loss	In the consolidated statement of other comprehensive income	31 December 2022
Deferred tax assets				
Trade receivables	23 926	37 745	-	**61 671**
Inventories	513	(513)	-	**-**
Financial guarantees	15 785	(1 389)	-	**14 396**
Advances paid	38 045	(24 336)	-	**13 709**
Employee benefit obligations	20 148	2 505	(6 408)	**16 245**
Other	19 538	(20 061)	523	**-**
Deferred tax assets	**117 955**	**(6 049)**	**(5 885)**	**106 021**
Deferred tax liabilities				
Property, plant and equipment	(97 592)	35 619	-	**(61 973)**
Inventories	-	(35 517)	-	**(35 517)**
Other	-	(4 317)	-	**(4 317)**
Borrowings	(13 813)	13 813	-	**-**
Deferred tax liabilities	**(111 405)**	**9 598**	**-**	**(101 807)**
Net deferred tax assets	**6 550**	**3 549**	**(5 885)**	**4 214**

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.

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 2023 and 2022.

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.

27. FINANCIAL RISK MANAGEMENT (continued)

In millions of Uzbek sums	**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**
2023	10%	(2 471)	15%	(246 906)
	-10%	2 471	-15%	246 906
2022	4%	(7 061)	2%	(50 464)
	-4%	7 061	-2%	50 464

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCIAL RISK MANAGEMENT (continued)

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

As at 31 December 2023	Less than 1 year	1 to 2 years	Total
Trade and other payables	2 627 527	-	**2 627 527**
Financial guarantees	81 802	-	**81 802**
Dividend debt	858 800	-	**858 800**
Other current liabilities	26 975	-	**26 975**
Итого недисконтированных финансовых обязательств	**3 595 104**	-	**3 595 104**

As at 31 December 2022	Less than 1 year	1 to 2 years	Total
Trade and other payables	3 007 294	-	**3 007 294**
Financial guarantees	71 979	-	**71 979**
Other current liabilities	19 941	-	**19 941**
Total undiscounted financial liabilities	**3 099 214**	-	**3 099 214**

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.

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 2023		31 December 2022	
In millions of Uzbek sums	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	717	717	19 521	19 521
Restricted cash	54 509	54 509	39 585	39 585
Trade receivables	608 413	608 413	456 925	456 925
Long-term receivables	9 676	9 676	19 115	19 115
Other current financial assets	33 591	33 591	32 979	32 979
Other non-current financial assets	35 872	35 872	43 299	43 299
Total financial assets	**742 778**	**742 778**	**611 424**	**611 424**
Trade and other payables	2 627 527	2 627 527	3 007 294	3 007 294
Financial guarantees	81 802	81 802	71 979	71 979
Dividend debt	858 800	858 800	-	-
Other current liabilities	26 975	26 975	19 941	19 941
Total financial liabilities	**3 595 104**	**3 595 104**	**3 099 214**	**3 099 214**

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 2023:

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	717	-	-	**717**
Restricted cash	54 509	-	-	**54 509**
Trade receivables	-	-	608 413	**608 413**
Long-term receivables	-	-	9 676	**9 676**
Other current assets	-	-	33 591	**33 591**
Other non-current assets	-	-	35 872	**35 872**
Liabilities for which fair values are disclosed				
Trade and other payables	-	-	2 627 527	**2 627 527**
Dividend debt	-	-	858 800	**858 800**
Financial guarantees	-	-	81 802	**81 802**
Other current liabilities	-	-	26 975	**26 975**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of 31 December 2022:

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	19 521	-	-	**19 521**
Restricted cash	39 585	-	-	**39 585**
Trade receivables	-	-	456 925	**456 925**
Long-term receivables	-	-	19 115	**19 115**
Other current assets	-	-	32 979	**32 979**
Other non-current assets	-	-	43 299	**43 299**
Liabilities for which fair values are disclosed				
Trade and other payables	-	-	3 007 294	**3 007 294**
Financial guarantees	-	-	71 979	**71 979**
Other current liabilities	-	-	19 941	**19 941**

There were no transfers between Level 1 and Level 2 and no transfers to or from Level 3 for fair value measurement purposes during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy

All financial instruments that are measured at fair value, or for which fair value is disclosed in the financial statements, are classified within the fair value hierarchy described below based on the lowest level of measurement input that is significant to the fair value measurement as a whole. :

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

• Level 2 – Valuation models in which the inputs relevant to the measurement of fair value at the lowest level of the hierarchy are directly or indirectly observable in the market;

• Level 3 – Valuation models in which the inputs that are significant to the measurement of fair value at the lowest level of the hierarchy are not observable in the market.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels of the hierarchy by reassessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. .

During the year ended December 31, 2023 and 2022, there were no changes in the Group's valuation processes, valuation methods and types of inputs used in measuring fair value.

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.

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.

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

28. COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (continued)

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 2022 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 2023, the Group had capital commitments of UZS 12 096 042 million (31 December 2022: UZS 11 004 634 million) mainly related to the project on expansion of the Shurtan Gas Chemical Complex *(Note 15)*.

Financial guarantee obligations

As of 31 December 2023, the Group issued a number of guarantees to its related parties, including JSC «Uzbekneftegaz», amounting to UZS 2 630 191 million (31 December 2022: UZS 1 734 966 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.

29. SUBSEQUENT EVENTS

The Group's management is currently assessing the potential impact of changing micro- and macroeconomic conditions on the Group's financial position and results of operations.

Change of legal form

From March 20, 2024, the organizational and legal form of the Unitary Enterprise "Construction, Installation and Repair Management" under LLC "Shurtan Gas Chemical Complex" was changed from a unitary enterprise to a "Limited Liability Company".

Natural gas sales price

The sales price for natural gas was increased from 450 thousand soums to 600 thousand soums, including VAT, in accordance with the resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated December 29, 2023.

Financial guarantees

On May 10, 2024, a loan agreement for a total amount of 13 million euros was concluded between Uzbekneftgaz JSC and the joint-stock commercial bank Hamkorbank, under which the Group acts as a guarantor.

On May 23, 2024, a loan agreement for a total amount of 200 billion soums was concluded between Uzbekistan GTL LLC and the joint-stock commercial bank Aloqabank, under which the Group acts as a guarantor.