

JSC “Uzbekneftegaz”

Consolidated financial statements

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

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Independent auditor's report

To the Shareholders, Supervisory Board and Management of
Joint-Stock Company "Uzbekneftegaz"

Opinion

We have audited the consolidated financial statements of Joint-Stock Company "Uzbekneftegaz" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit and loss, consolidated statement of other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Compliance with debt covenants	
In accordance with the terms of certain financing arrangements (<i>Note 19</i> to the consolidated financial statements), the Group should comply with certain financial and non-financial covenants. Compliance with covenants is one of the matters of most significance in the audit since it can have a major impact on the availability of funding and classification of interest-bearing liabilities in the consolidated statement of financial position.	We inspected the terms of financing arrangements, including covenant ratios and event of default definitions. We analysed waivers provided by lenders. We evaluated management's calculations of the covenant ratios. We assessed the classification of interest-bearing liabilities as current or non-current.
Allowance for expected credit losses	
The total carrying value of the Group's trade accounts receivable as at 31 December 2021 was UZS 3,158 billion. Estimation of an allowance for expected credit losses is subject to significant management judgement. Allowance for expected credit losses requires making certain assumptions and analysis of different factors, including days past due and macroeconomic conditions of the region where the Group operates. As a result, we considered the allowance for expected credit losses to be one of the matters of most significance in the audit. Information on allowance for expected credit losses is disclosed in <i>Note 11</i> to the consolidated financial statements.	Our audit procedures included analysis of the methodology used by the Group in the estimation of allowance for expected credit losses as at 31 December 2021. We compared the input data used by the Group for trade accounts receivable in the provision matrix with: ▸ the Group's historical credit loss experience, and ▸ available forward-looking information. We have analysed the number of days past due of trade accounts receivable. We have also analysed the information on allowance for expected credit losses disclosed in the notes to the consolidated financial statements.

Responsibilities of management and the Supervisory Board 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.

The Supervisory Board is 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.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Tashkent, Uzbekistan
21 June 2022



Audit Organization "Ernst & Young" LLC

Audit Organization "Ernst & Young" LLC

Registered under №66 in the register of audit organizations of Ministry of Finance of the Republic of Uzbekistan

Anvarkhon Azamov

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In billions of Uzbek soums	Note	As at 31 December	
		2021	2020
Assets			
Non-current assets			
Property, plant and equipment	15	70,007	61,001
Exploration and evaluation assets	16	712	454
Investments in joint ventures and associates	17	21,148	17,676
Trade receivables	11	27	81
Advances for non-current assets	15	3,200	3,437
Loans due from related parties	13	5,683	5,154
Other non-current assets		348	262
Total non-current assets		101,125	88,065
Current assets			
Cash and cash equivalents	9	2,217	2,534
Restricted cash	10	211	411
Trade receivables	11	3,131	2,988
Advances paid		730	618
Inventories	12	3,103	2,272
Income tax prepaid		28	230
Loans due from related parties	13	355	662
Other current assets	14	1,379	1,194
Total current assets		11,154	10,909
Total assets		112,279	98,974
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital	21	21,536	21,536
Retained earnings		21,640	16,173
Currency translation reserve		13,781	12,845
Attributable to equity holders of the parent company		56,957	50,554
Non-controlling interest		234	276
Total shareholders' equity		57,191	50,830
Non-current liabilities			
Borrowings	19	34,410	30,852
Provisions	20	2,011	1,921
Deferred tax liabilities	29	2,437	2,156
Deferred income from government grants		173	170
Other non-current liabilities		53	88
Total non-current liabilities		39,084	35,187
Current liabilities			
Trade and other payables	18	6,691	9,351
Borrowings	19	6,542	3,323
Income tax payables		145	—
Provisions	20	30	8
Other financial liabilities	18	2,205	—
Other current liabilities		391	275
Total current liabilities		16,004	12,957
Total liabilities		55,088	48,144
Total liabilities and shareholders' equity		112,279	98,974

Chairman of the Executive Board – Chief Executive Officer

Deputy Chairman of the Executive Board – Chief Financial Officer

Chief accountant



M.R. Abdullaev

S.A. Mirzaev

I.A. Obidov

The accounting policies and explanatory notes on pages 6 through 51 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<i>In billions of Uzbek soums</i>	Note	For the years ended 31 December	
		2021	2020
Oil, gas, petroleum products and petrochemicals sales	22	20,716	19,354
Equity share in profits of associates and joint ventures	17	2,808	1,875
Construction services and other revenues		250	329
Other operating income		473	839
Total revenues and other income		24,247	22,397
Cost of purchased oil, gas, petroleum products and other materials	23	(5,056)	(4,435)
Production expenses	24	(2,870)	(2,853)
Taxes other than income tax	25	(2,278)	(1,971)
Depreciation, depletion and amortization		(2,965)	(2,767)
Impairment of trade and loans receivable and other assets	11, 13	(1,007)	(172)
General and administrative expenses	26	(1,489)	(991)
Transportation and selling expenses	27	(845)	(1,221)
Exploration and evaluation expenses		(253)	(247)
Loss on disposal of property, plant and equipment, net		(33)	(310)
Other operating expenses		(252)	(711)
Total costs and expenses		(17,048)	(15,678)
Operating profit		7,199	6,719
Finance income	28	344	626
Other non-operating income		106	-
Foreign exchange loss, net		(188)	(813)
Finance costs	28	(595)	(828)
Profit before income tax		6,866	5,704
Income tax expense	29	(1,351)	(1,000)
Net profit for the year		5,515	4,704
Net profit/(loss) for the year attributable to:			
Equity holders of the parent company		5,557	4,791
Non-controlling interests	21	(42)	(87)
		5,515	4,704

Chairman of the Executive Board – Chief Executive Officer

M.R. Abdullaev

Deputy Chairman of the Executive Board – Chief Financial Officer

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Chief accountant

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CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

<i>In billions of Uzbek soums</i>	<i>Note</i>	For the years ended 31 December	
		2021	2020
Net profit for the year		5,515	4,704
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of companies with different functional currency, net of income tax		936	2,262
Total other comprehensive income to be reclassified to profit or loss in subsequent periods		936	2,262
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Actuarial gain/(loss) on defined benefit plans of the Group, net of income tax		97	(65)
Net gain/(loss) on equity instruments at fair value through other comprehensive income after income tax		74	(844)
Total other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		171	(909)
Total comprehensive income for the year, net of income tax		6,622	6,057
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent company		6,664	6,144
Non-controlling interests		(42)	(87)
Total comprehensive income for the year, net of income tax		6,622	6,057

Chairman of the Executive Board – Chief Executive Officer

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CONSOLIDATED STATEMENT OF CASH FLOWS

In billions of Uzbek soums	Note	For the years ended 31 December	
		2021	2020
Operating activities			
Profit before income tax from continuing operations		6,866	5,704
<i>Adjustments for:</i>			
Depreciation, depletion and amortization		2,965	2,767
Exploration and evaluation expenses		186	247
Impairment of trade and loans receivables and other assets	11, 13	1,007	172
Change in provisions		61	60
Loss on disposal of property, plant and equipment		33	310
Finance income		(344)	(626)
Finance costs	28	595	828
Foreign exchange loss, net		188	813
Equity share in profit of associates and joint ventures	17	(2,808)	(1,875)
Other		–	33
Operating cash flows before working capital changes		8,749	8,433
Change in trade and other receivables		(806)	(757)
Change in inventories		(831)	(591)
Change in trade and other payables		212	(1,061)
Change in advances paid, other assets and other liabilities		(730)	(186)
Cash generated from operations		6,594	5,838
Income taxes paid		(819)	(782)
Interest received		81	22
Net cash flows from operating activities		5,856	5,078
Investing activities			
Purchase of property, plant and equipment		(10,585)	(11,368)
Proceeds from loans given to related parties		–	20
Change in restricted cash		183	192
Net cash flows used in investing activities		(10,402)	(11,156)
Financing activities			
Proceeds from borrowings	19	16,306	10,459
Repayment of borrowings	19	(10,481)	(1,228)
Interest paid	19	(1,437)	(1,214)
Dividends paid		(179)	(337)
Net cash inflow from financing activities		4,209	7,680
Net foreign exchange difference on cash and cash equivalents		20	103
Net change in cash and cash equivalents		(317)	1,705
Cash and cash equivalents, at the beginning of the year		2,564	829
Cash and cash equivalents, at the end of the year		2,217	2,534

Chairman of the Executive Board – Chief Executive Officer

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In billions of Uzbek soums	For the years ended 31 December 2021 and 2020				
	Attributable to equity holders of the parent company				
	Share capital	Cumulative translation differences	Retained earnings	Total	Non-controlling interest
Balance at 1 January 2020	14,629	10,583	5,757	30,969	363
Net profit/(loss) for the year	-	-	4,791	4,791	(87)
Other comprehensive income/(loss)	-	2,262	(909)	1,353	-
Total comprehensive income/(loss) for the year	-	2,262	3,882	6,144	(87)
Conversion of borrowings and dividends payable (Note 21)	16,540	-	(1,023)	15,517	-
Contribution of non-controlling interest (Note 21)	1,561	-	(1,561)	-	-
Reduction of share capital (Note 21)	(11,194)	-	9,829	(1,365)	-
Dividends to shareholders (Note 21)	-	-	(515)	(515)	-
Other distributions to shareholder	-	-	(196)	(196)	-
Balance at 31 December 2020	21,536	12,845	16,173	50,554	276
Net profit/(loss) for the year	-	-	5,557	5,557	(42)
Other comprehensive income	-	936	171	1,107	-
Total comprehensive income/(loss) for the year	-	936	5,728	6,664	(42)
Other distributions to shareholder	-	-	(261)	(261)	-
Balance at 31 December 2021	21,536	13,781	21,640	56,957	234

Chairman of the Executive Board – Chief Executive Officer

Deputy Chairman of the Executive Board – Chief Financial Officer

Chief accountant



M.R. Abdullaev

S.A. Mirzaev

I.A. Obidov

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Joint-Stock Company “Uzbekneftegaz” (JSC “Uzbekneftegaz” or the “Company”) is a state oil and gas enterprise of the Republic of Uzbekistan. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in extraction and refining of crude oil, gas and gas condensate, as well as transportation and sale of gas and refined oil products.

The Company was originally established as an Uzbek State Conglomerate of the Oil and Gas Industry pursuant to the Presidential Decree No. UP-393, dated 3 May 1992, which was subsequently superseded by the Presidential Decree No. UP-518, dated 23 December 1992, in order to mainly re-organize the legal and organizational structure of the Company from State Conglomerate of Oil and Gas Industry to National Oil and Gas Corporation. In 1998, National Oil and Gas Corporation was restructured to be National Holding Company, which subsequently became a Joint-Stock Company in June 2017, in accordance with the Presidential Decree No. PP-3107.

As of 31 December 2019, on behalf of the Government of Uzbekistan (the “Government”), the Centre for the State Asset Management under the State Property Committee owns 100% of total common shares of the Company or 99.996% of the total shares. The preferred non-voting shares consist of 0.004% of total shares and are owned by private individuals and other legal entities. On 14 December 2020, in accordance with the Decree of the President of Uzbekistan dated 27 October 2020, the Centre for the State Asset Management under the State Property Committee transferred its shares in JSC “Uzbekneftegaz” to the Ministry of Finance of the Republic of Uzbekistan (the “Shareholder”).

The Company has its registered office in the Republic of Uzbekistan, Tashkent city, Yashnabod district, Istigbol Street, 21.

Under Uzbekistan law, natural resources, including oil, gas, precious metals, and minerals and other commercial resources situated in the territory of Uzbekistan, are the property of the Republic of Uzbekistan, until they are extracted. Law of the Republic of Uzbekistan, On Subsurface Resources, regulates relations arising in connection with the geological study, use and protection of subsurface resources in the territory of the Republic of Uzbekistan. Pursuant to the law, geological study and exploration activities may be conducted only on the basis of a license, unless it is financed through the state budget or it is a part of the Government approved exploration program. A separate production license is required for the development and extraction activities, which is given for the duration of field life as approved by the State Committee on Geology and Mineral Resources.

Main objectives of the Group include, but not limited, to the following:

- To determine strategic development of the oil and gas industry in Uzbekistan and to develop executable steps for achieving these strategic goals;
- To fulfill the needs of the national economy and the population of Uzbekistan for the oil and gas products.

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

Name of the Subsidiary	Principal activities	Country of incorporation	Equity interest, %	
			2021	2020
“Shurtan Gas Chemical Complex” LLC	Petrochemicals production	Uzbekistan	100%	100%
“Bukhara Refinery Plant” LLC	Oil refining	Uzbekistan	100%	100%
“Uzbekistan GTL” LLC	Gas-to-liquids production	Uzbekistan	100%	100%

The Group also has share ownership in the following material joint ventures, which are accounted for under the equity method:

Name of the equity investee	Principal activities	Country of incorporation	Equity interest, %	
			2021	2020
“Asia Trans Gaz” JV LLC	Gas transportation	Uzbekistan	50%	50%
“Uz-Kor Gas Chemical” JV LLC	Petrochemicals production	Uzbekistan	50%	50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 billions of Uzbek soums ("UZS"), unless otherwise indicated.

The consolidated financial statements of 2021 were approved and authorized for issue by the Management of the Group 21 June 2022.

Going concern considerations

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 at 31 December 2021, the Group's current liabilities exceed its current assets by UZS 4,850 billion (31 December 2020: UZS 2,048 billion).

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 margin and consistently generates positive cash flows from operating activities including the current and subsequent reporting periods.
- According to its cash flow forecasts, the Group expects to generate sufficient cash from operations in 2022-2023 as well as to attract new and restructure existing loans to settle current liabilities when they become due.
- The Group's liquidity position may be further supported by financing from foreign and local banks that indicated their intent to refinance short-term loans of the Group in the amount not less than USD 200 million.
- Also, management believes that the Group will be compliant with the financial and non-financial covenants stipulated by the loan agreements within 12 months from the date of authorization of these consolidated financial statements or will be able to renegotiate their terms in advance so that the lenders will not request an accelerated repayment of the existing debts.
- The Group's shareholders 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 these 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 Company's and the majority of subsidiaries' functional currency.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Basis of preparation (continued)**Foreign currencies (continued)**

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Group Companies

The results and financial position of all the Group's subsidiaries, joint ventures and associates (none of which operate in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

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

The currency exchange rate of CBU as of 31 December 2021 was 10,838 UZS to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in United States dollars (“US dollar”, or “USD”) as of 31 December 2021 (31 December 2020: 10,476 UZS to 1 US dollar). The currency exchange rate of CBU as of 21 June 2022 was 10,928 UZS to 1 US dollar.

3. Significant accounting policies**Basis of consolidation**

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result 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 relevant 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 contractual arrangements;
- The Group's voting rights and potential voting rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Basis of consolidation (continued)**

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, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries 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 subsidiaries 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 recognized at fair value.

Business combinations, goodwill and other intangible assets

Acquisitions by the Group of controlling interests in third parties are accounted for using the acquisition method.

The date of acquisition is the date when effective control over the acquiree passes to the Group.

The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized in the consolidated statement of profit or loss in accordance with IFRS 9. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value through profit and loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Business combinations, goodwill and other intangible assets (continued)**

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations achieved in stages

The acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

In a business combination achieved in stages the acquirer recognizes goodwill as of the acquisition date measured as the excess of (a) over (b) below:

- (a) The aggregate of: (i) the consideration transferred measured in accordance with this IFRS 3 *Business Combinations*, which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and (iii) the acquisition-date fair value of the acquirer's previously held equity interest in the acquire;
- (b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in the consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in the consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to equity.

The consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture or associate since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the joint venture or associate, deducted by the amount of dividends declared from joint venture or associate to the Group. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture or associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Investments in associates and joint ventures (continued)**

Unrealized gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate.

The aggregate of the Group's share in profit or loss of a joint venture and an associate is shown on the face of the consolidated statement of profit or loss and represents profit or loss after tax and non-controlling interest in the subsidiaries of the joint venture or associate. The financial statements of the joint venture or associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Impairment of investment in joint venture or associate' in the consolidated statement of profit or loss.

Upon loss of joint control over the joint venture or significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss, or, as in certain cases of under common control transactions, directly in equity.

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 realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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.

A liability is current when:

- It is expected to be settled in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**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 debt 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 or convention in the market place (regular way trades) are recognized 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 amortized cost (debt instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold 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 amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include certain loans due from related parties, which contain embedded derivative financial instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Financial assets (continued)*****Derecognition***

A financial asset is primarily derecognized (removed from the 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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated 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 Group could be required to repay.

Impairment of financial assets

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

ECL 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.

ECL are recognized 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 ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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. A financial asset is written off when 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 borrowings and payables, or as derivatives financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Financial liabilities (continued)**

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 payables, 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 IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or 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.

Amortized 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 costs.

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability 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 initially recognized liability less cumulative amortization, if any.

Derecognition

A financial liability is derecognized 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities 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 in an active market, the fair value is determined 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 effectively withdrawn 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, petroleum products, petrochemicals and materials and supplies are measured at the lower of cost and net realizable value. Cost of product inventories is determined using the weighted average cost method. Materials and supplies inventories 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).

Exploration and evaluation costs*Subsoil use rights for geological activities*

In accordance with Uzbekistan law, if geological activities are approved by the Government or financed with government grant, subsoil use rights are considered granted by the competent government authorities upon the receipt of Government approved cost estimates. Such subsoil use rights are granted with no substantial cost to the Group.

Exploration and evaluation cost or drilling activities

The Group recognizes exploration and evaluation costs using the successful efforts method as permitted by IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Under this method, costs related to exploration and evaluation (exploration and appraisal drilling) are temporarily capitalized in cost centers by wells until the drilling program results in the discovery of economically feasible oil and gas reserves.

The length of time necessary for this determination depends on the specific technical or economic difficulties in assessing the recoverability of the reserves. If a determination is made that the well did not encounter oil and gas in economically viable quantities, the well costs are expensed to Exploration expenses in the consolidated statement of profit or loss.

Expenditures related to drilling of exploration and evaluation wells are capitalized. Costs of seismic, topographical, geological, geophysical research are expensed as incurred. Exploration and evaluation assets are recognized at cost less impairment, if any, until the existence (or absence) of commercial reserves has been established. The initial cost of exploration and evaluation assets acquired through a business combination is formed as a result of purchase price allocation. The cost allocation to mineral rights to prove properties and mineral rights to unproved properties is performed based on the respective oil and gas reserves information. Exploration and evaluation assets are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When indicators of impairment are present, an impairment test is performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. Significant accounting policies (continued)****Exploration and evaluation costs (continued)**

If, subsequently, commercial reserves are discovered, the carrying value, less losses from impairment of the respective exploration and evaluation assets, is classified as oil and gas properties. However, if no commercial reserves are discovered, such costs are expensed after exploration and evaluation activities have been completed.

Property, plant and equipment

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

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.

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as separators, compressors, the pipelines and the drilling of commercially proven development wells is capitalized within tangible and intangible assets according to nature. When development is completed on a specific field, it is transferred to production assets (oil and gas properties).

The present value of the estimated costs of decommissioning oil and gas production wells and facilities, including abandonment and site restoration costs, are recognized when the obligation is incurred and are included within the carrying value of property, plant and equipment, subject to depletion using unit-of-production method.

Depreciation, depletion and amortization

Property, plant and equipment related to oil and gas properties are depleted using a unit-of-production method.

Depletion of oil and gas assets is computed on a field-by-field basis over proved developed reserves or over total proved reserves, as appropriate. Shared oil and gas properties and equipment (e.g. gathering and initial processing systems, etc.) are depleted over total proved reserves.

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

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

Property, plant and equipment	Useful life
Buildings and structures	30-45 years
Refinery assets	5-30 years
Machinery and equipment	5-20 years
Vehicles and other property, plant and equipment	3-10 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Depreciation, depletion and amortization (continued)**

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

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and 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 assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized 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 recognized 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 recognized. 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 comprehensive income.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statements of profit or loss of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of profit or loss.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Asset retirement (decommissioning) obligations**

The Group has asset retirement (decommissioning) obligations (ARO) associated with its core business activities.

The Group's exploration, development and production activities involve the use of wells, related equipment and operating sites, oil gathering and treatment facilities, tank farms and in-field pipelines. Generally, licenses and other regulatory acts require that such assets be decommissioned upon the completion of production. According to these requirements, the Group is obliged to decommission wells, dismantle equipment, restore the sites and perform other related activities. The Group's estimates of these obligations are based on current regulatory or license requirements, as well as actual dismantling and other related costs. These liabilities are measured by the Group using the present value of the estimated future costs of decommissioning of these assets. The discount rate is reviewed at each reporting date and reflects current market assessments of the time value of money and the risks specific to the liability.

In accordance with “IFRIC” Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, the provision is reviewed at each balance sheet date as follows:

- Upon changes in the estimates of future cash flows (e.g., the costs of and timeframe for abandoning one well) or the discount rate, changes in the amount of the liability are included in the cost of the item of property, plant, and equipment, whereby such cost may not be negative and may not exceed the recoverable value of the item of property, plant, and equipment;
- Any changes in the liability due to its nearing maturity (change in the discount) are recognized in Finance expenses.

The Group's refining and distribution activities involve refining operations, and other distribution terminals, and retail sales. The Group's refining operations consist of major petrochemical operations and industrial complexes. Legal or contractual asset retirement (decommissioning) obligations related to petrochemical, oil refining and distribution activities are not recognized due to the limited history of such activities in these segments, the lack of clear legal requirements as to the recognition of obligations, as well as the fact that decommissioning periods for such assets are not determinable.

Because of the reasons described above, the fair value of an asset retirement (decommissioning) obligation in the refining and distribution segment cannot be reasonably estimated.

Due to continuous changes in the regulatory and legal environment in Uzbekistan, there could be future changes to the requirements and contingencies associated with the retirement of long-lived assets.

Capitalized interest

Interest expense on borrowed funds used for capital construction projects and the acquisition of property, plant and equipment is capitalized provided that the interest expense could have been avoided if the Group had not made capital investments. Interest is capitalized only during the period when construction activities are actually in progress and until the resulting properties are 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.

Government grants

Grants from the Government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Provisions for liabilities and charges**

Provisions are recognized 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, 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 or loss.

Pension and other post-retirement benefits

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the collective agreements between the Group's entities and their employees. The collective agreement provides for certain one-off retirement payments, payments on holidays, pension supplements, financial aid for employees' disability, anniversaries, funeral and other benefits. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

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 movements are recognized in the current period, including current service cost, any past service cost and the effect of any curtailments 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 recognized 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 refined oil products, gas and gas products and petrochemical products and other sales are usually recognized at the point in time when title passes. The entity 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.

Interest income and costs

For all financial instruments measured at amortised cost and interest cost is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Revenue recognition (continued)***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 recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated financial statements in the period to which they relate on an accrual basis.

Refinery maintenance costs

The Group recognizes the costs of overhauls and preventive maintenance performed with respect to oil refining 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; and
 - 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; and
- At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Income taxes (continued)**

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized 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.

Loss contingencies considered remote are generally not disclosed unless they involve financial guarantees, in which case the nature of the guarantee would be disclosed. However, in some instances in which disclosure is not otherwise required, the Group may disclose contingent liabilities or other uncertainties of an unusual nature which, in the judgment of management after consultation with its legal or tax counsel, may be of interest to shareholders or others.

Equity*Non-controlling interest*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the Group's owners. Total comprehensive income is attributed to the Group's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Dividends

Dividends are recognized 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 authorized for issue.

Other distributions to the Shareholder

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 other distributions through equity. Such expenditures include costs associated with non-core activity of the Group (construction of social assets), acquisitions and transfer of investments.

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenues, results or assets are 10 per cent or more of all the segments are reported separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**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 25*.

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

It is the nature of transactions with related parties that they cannot be presumed to be carried out on an arm's 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 consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Critical estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the 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.

Consolidation of subsidiaries

Management judgment is involved in the assessment of control and the consolidation of subsidiaries in the Group's consolidated financial statements taken into account voting rights and contractual arrangements with other shareholders and other relevant facts and circumstances in assessing whether it has control over the entity in accordance with IFRS 10 *Consolidated Financial Statements*.

Oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortization expenses and impairment losses. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Critical estimates and judgements (continued)**Oil and gas reserves (continued)**

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for Depreciation, Depletion & Amortization (DD&A) in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Proved reserves of the Group as of 31 December 2021 were based on reports prepared by independent reservoir engineers in accordance with Petroleum Resources Management System rules as of 31 December 2020 taking into account geological reserves changes during the year 2021.

Recoverability of oil and gas assets, midstream, refining and other assets

The Group assesses assets or CGU for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such indicators include changes in the Group's business plans, changes in commodity prices leading to unprofitable performances, changes in product mixes, and for oil and gas properties, significant downward revisions of estimated proved reserves. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount. In assessing recoverable amount, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

Assets retirement obligations

Under the provisions of current legislation and regulations, the Group has legal or constructive obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells. The settlement date of the final closure obligations has been assumed to be the end of production period due to economic life test of the oil and gas reserves.

Where neither subsoil use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each field. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Uzbekistan market.

At each reporting date the Group reviews site restoration provisions and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Critical estimates and judgements (continued)**Assets retirement obligations (continued)**

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at 31 December 2021 were equal to 8% and 14%, respectively (2020: 7% and 12%). Movements in the provision for asset retirement obligations are disclosed in *Note 20*.

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 changes in these assumptions. All assumptions are reviewed at each reporting date.

Measurement of liabilities under guarantees issued

As of 31 December 2021, the Company issued a number of guarantees to its related parties (see *Note 31, Financial guarantee liabilities*). As of 31 December 2021, the Group recognized the financial liabilities in respect of the issued guarantees amounting to UZS 346 billion (UZS 268 billion in 2020) as part of other current and non-current liabilities. ECL rate in the range of 2,6% was used to measure the book value of the financial guarantee liabilities as of 31 December 2021. The Group is using general approach in calculation of expected credit losses for government companies. Country rating with appropriate downgrade based on overdue bucket is assigned and was used to estimate probability of default. Loss given default estimates are based on the external statistics using weighted average of recovery rates specific to the country.

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment 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 use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. Uncertainties related to taxation are disclosed in *Note 29*.

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

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies (*Note 29*).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Critical estimates and judgements (continued)**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. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Useful lives of property, plant and equipment

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

5. Adoption of new or revised standards and interpretations and new accounting pronouncements**New and amended standards and interpretations**

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

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

New and amended standards and interpretations*COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16*

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

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Group has not received COVID-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Adoption of new or revised standards and interpretations and new accounting pronouncements (continued)**Standards issued but not yet effective**

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

IFRS 17 Insurance Contracts

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Adoption of new or revised standards and interpretations and new accounting pronouncements (continued)**Standards issued but not yet effective (continued)***Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*

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

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

The amendments are not expected to have a material impact on the Group.

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

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

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

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

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

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

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

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

The amendments are not expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Adoption of new or revised standards and interpretations and new accounting pronouncements (continued)**Standards issued but not yet effective (continued)***IAS 41 Agriculture – Taxation in fair value measurements*

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

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

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

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

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

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

6. Disposal of "Fergana Refinery Plant" LLC

In accordance with the Decree of President of Republic of Uzbekistan No. 4275 dated 10 April 2019, it was decided to transfer 100% of share interest of "Fergana Refinery Plant" LLC to State Asset Management Agency.

Transfer of 100% of shares of "Fergana Refinery Plant" LLC took place in March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. Disposal of “Fergana Refinery Plant” LLC (continued)**

The main categories of assets and liabilities of “Fergana Refinery Plant” LLC as of the date of disposal are presented below:

<i>In billions of Uzbek soums</i>	Assets and liabilities as of the date of disposal
Assets	
Property, plant and equipment	402
Trade and loans receivable	549
Inventory	193
Other assets	314
Total assets	1,458
Liabilities	
Borrowings	329
Trade payables	396
Other liabilities	441
Total liabilities	1,166
Net assets	292

The difference in the amount of UZS 208 billion, between book value of the net assets of “Fergana Refinery Plant” LLC as of the disposal date (UZS 292 billion) and nominal amount of shares by which share capital was decreased (UZS 84 billion, *Note 21*) was recognized in retained earnings.

7. Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the management of the Group and for which discrete financial information is available.

The Group is organized into business units and subsidiaries based on their products and services and has three reportable segments as follows:

- Gas, gas condensate and oil production and sales – representing extraction of gas, gas condensate and oil;
- Oil refining and retail – representing refining of crude oil and sales of oil products;
- Gas refining – representing production of products from gas, including future GTL project.

The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

Substantially all the Group’s operations and assets are located in the Republic of Uzbekistan.

The Group’s segments are strategic business units and subsidiaries that focus on different customers. Management monitors the operating results of its business units and subsidiaries separately for the purpose of making decisions about resource allocation and performance assessment. Transfer prices between operating segments are either on an arm’s length basis or non-arm’s length basis.

The Executive Management Board is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. Segment information (continued)**

Management evaluates performance of each segment based on both revenues and profit after tax. Segment information for the reportable segments for the year ended 31 December 2021 is set out below:

<i>In billions of Uzbek soums</i>	Gas, gas condensate and oil production and sales	Oil refining and retail	Gas refining	Other	Adjustments and eliminations*	Total
Revenues and other income						
External customers	7,970	9,850	3,797	2,630	–	24,247
Inter-segment	2,049	318	260	1,547	(4,174)	–
Total revenues and other income	10,019	10,168	4,057	4,177	(4,174)	24,247
Costs and expenses						
Costs and expenses other than depreciation, depletion and amortization	(6,844)	(7,429)	(1,891)	(2,093)	4,174	(14,083)
Depreciation, depletion and amortization	(2,749)	(64)	(56)	(96)	–	(2,965)
Total costs and expenses	(9,593)	(7,493)	(1,947)	(2,189)	4,174	(17,048)
Operating profit	426	2,675	2,110	1,988	–	7,199
Finance income	262	8	67	7	–	344
Finance expense	(519)	(15)	(27)	(34)	–	(595)
Other non-operating income	106	–	–	–	–	106
Foreign exchange (loss)/gain, net	(209)	(24)	73	(28)	–	(188)
Profit before income tax	66	2,644	2,223	1,933	–	6,866
Income tax expense	(843)	(48)	(451)	(9)	–	(1,351)
Net profit for the year	(777)	2,596	1,772	1,924	–	5,515
Other segment information						
Investments in associates and joint ventures	–	–	8,985	12,163	–	21,148
Capital expenditures**	7,513	275	3,352	71	–	11,211
Total segment assets	46,882	5,265	50,560	16,909	(7,337)	112,279
Total segment liabilities	26,667	2,798	28,012	4,948	(7,337)	55,088

* Inter-segment balances are eliminated on consolidation.

** Capital expenditure represents additions to non-current assets other than financial instruments and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. Segment information (continued)**

Segment information for the reportable segments for the year ended 31 December 2020 is set out below:

<i>In billions of Uzbek soums</i>	Gas, gas condensate and oil production and sales	Oil refining and retail	Gas refining	Other	Adjustments and eliminations*	Total
Revenues and other income						
External customers	9,340	8,034	2,823	2,200	–	22,397
Inter-segment	2,538	817	222	185	(3,762)	–
Total revenues and other income	11,878	8,851	3,045	2,385	(3,762)	22,397
Costs and expenses						
Costs and expenses other than depreciation, depletion and amortization	(5,616)	(8,195)	(1,963)	(899)	3,762	(12,911)
Depreciation, depletion and amortization	(2,494)	(48)	(53)	(172)	–	(2,767)
Total costs and expenses	(8,110)	(8,243)	(2,016)	(1,071)	3,762	(15,678)
Operating profit	3,768	608	1,029	1,314	–	6,719
Finance income	360	150	42	74	–	626
Finance expense	(763)	(13)	(44)	(8)	–	(828)
Foreign exchange loss, net	(437)	(45)	(159)	(172)	–	(813)
Profit before income tax	2,928	700	868	1,208	–	5,704
Income tax expense	(664)	(145)	(164)	(27)	–	(1,000)
Net profit for the year	2,264	555	704	1,181	–	4,704
Other segment information						
Investments in associates and joint ventures	–	–	7,912	9,764	–	17,676
Capital expenditures**	7,099	217	7,082	64	–	14,462
Total segment assets	40,274	3,711	44,424	14,401	(3,836)	98,974
Total segment liabilities	23,926	1,517	24,682	1,855	(3,836)	48,144

* Inter-segment balances are eliminated on consolidation.

** Capital expenditure represents additions to non-current assets other than financial instruments and deferred tax assets.

8. Related party transactions

For the purpose of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In 2021 and 2020 the Group entered into transactions with shareholder and companies controlled by shareholder (including enterprises directly or indirectly controlled by the Uzbekistan Government), associates and joint ventures and key management.

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

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

In the course of its ordinary business, the Group enters into transactions with other companies controlled by the Uzbekistan Government. Bank loans are recorded based on market interest rates. Taxes are accrued and paid in accordance with applicable tax law. The Group sells crude oil and petroleum products to related parties in the ordinary course of business at prices close to average market prices. For gas sales to related parties selling prices are set by the Government (UZS 250-340 thousand for 1,000 cubic meters in 2021, UZS 340 thousand for 1,000 cubic meters in 2020).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**8. Related party transactions (continued)**

At 31 December 2021 and 2020, the outstanding balances with related parties were as follows:

	As at 31 December			
	2021		2020	
	Government and entities under government control	Associates and joint ventures	Government and entities under government control	Associates and joint ventures
<i>In billions of Uzbek soums</i>				
Trade receivables	2,485	483	1,765	800
Provision for expected credit losses on trade receivables	(288)	(371)	(71)	(109)
Cash and cash equivalents	1,178	–	1,700	–
Restricted cash	196	–	411	–
Advances paid (including for non-current assets)	159	258	392	617
Loans due from related parties	363	5,675	509	5,415
Provision for expected credit losses on loans due from related parties	(69)	(142)	(14)	(94)
Borrowings	(2,784)	–	(3,530)	–
Trade and other payables	(143)	(1,359)	(475)	(2,580)
Advances received	(2)	(3)	(27)	(2)

The transactions with related parties for the year ended 31 December 2021 and 2020 were as follows:

	2021		2020	
	Government and entities under government control*	Associates and joint ventures	Government and entities under government control*	Associates and joint ventures
Sales of gas and gas products	7,275	334	8,238	438
Sales of refined oil products	1,551	–	1,567	–
Services rendered	–	255	–	286
Interest on loans due from related parties	45	218	7	362
Interest on loans due to related parties	(164)	–	(123)	–
Transportation and selling expenses	(47)	–	(80)	1
Purchase of inventory	–	–	–	(105)
Other operating income	10	–	7	340

Key management compensation

Key management personnel include members of the Board of Directors and members of the Management Board. All of the Group's key management are appointed by the President of the Republic of Uzbekistan. Compensation of key management personnel (6 employees in 2021 and 2020 years), including basic salary, bonuses and other payments, amounted to UZS 9,538 million and UZS 5,359 million respectively.

9. Cash and cash equivalents

<i>In billions of Uzbek soums</i>	As at 31 December	
	2021	2020
Current accounts with banks – US dollars	1,289	2,129
Current accounts with banks – other currencies	370	43
Deposits in banks – UZS	365	–
Current accounts with banks – UZS	165	354
Cash on hand	28	8
Total cash and cash equivalents	2,217	2,534

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**10. Restricted cash**

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

11. Trade receivables

<i>In billions of Uzbek soums</i>	As at 31 December	
	2021	2020
Long-term trade receivables	27	81
Short-term trade receivables	4,931	3,979
Less: provision for expected credit losses	(1,800)	(991)
Trade accounts receivable	3,158	3,069

Trade receivables are mainly represented by receivables from sales of oil products and natural gas sold to customers of the Group.

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

Movements in the provision for expected credit losses of trade accounts receivable were as follows:

<i>In billions of Uzbek soums</i>	2021	2020
At 1 January	991	893
Charge for the year	980	572
Recovered during the year	(171)	(474)
At 31 December	1,800	991

The impaired receivables mainly relate to overdue debts (in excess of 90 days) for products supplied and services rendered.

Set out below is the information about credit risk exposure on the Group's trade receivables using a provision matrix:

<i>In billions of Uzbek soums</i>	Days past due					Total
	Not overdue	<30 days	30-60 days	61-90 days	>90 days	
31 December 2021						
<i>ECL rate</i>	2%	4%	11%	50%	100%	
Trade accounts receivable	2,360	731	153	28	1,686	4,958
ECL	53	30	17	14	1,686	1,800
31 December 2020						
<i>ECL rate</i>	3%	17%	65%	69%	100%	
Trade accounts receivable	2,414	853	23	86	684	4,060
ECL	84	149	15	59	684	991

12. Inventories

<i>In billions of Uzbek soums</i>	As at 31 December	
	2021	2020
Refined oil products (at cost or net realizable value)	1,773	1,039
Materials and supplies (at cost or net realizable value)	783	802
Crude oil (at cost)	322	321
Work-in-progress (at cost)	138	78
Gas products (at cost)	2	6
Other	85	26
Total inventories	3,103	2,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**13. Loans due from related parties**

<i>In billions of Uzbek soums</i>	Maturity	Interest rate	As at 31 December	
			2021	2020
Loans due from JV "Uz-Kor Gas Chemical" in US dollars	July 2029	10%	5,514	5,125
Loans due from JV "Natural Gas Stream" in US dollars	2023	3.5%	304	290
Loans due from JSC "Uztransgaz" in US dollars	December 2022	3%	340	318
Loans due from JSC "Uzbekgeofizika" in US dollars		2%	–	113
Loans due from other related parties in other currencies			91	78
Less: provision for expected credit losses			(211)	(108)
Total loans due from related parties			6,038	5,816
Current portion of loans due from related parties			(355)	(662)
Non-current portion of loans due from related parties			5,683	5,154

14. Other current assets

<i>In billions of Uzbek soums</i>	As at 31 December	
	2021	2020
Other current non-financial assets		
Prepayments on other taxes	759	792
Other current financial assets		
Dividends receivable	56	69
Other receivables	564	333
	620	402
Total other current assets	1,379	1,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Property, plant and equipment

<i>In billions of Uzbek soums</i>	Oil and gas assets	Refinery assets	Buildings and structures	Machinery and equipment	Other	CIP	Total
Cost							
At 1 January 2020	28,130	652	1,757	1,102	267	25,845	57,753
Additions	303	15	29	131	47	10,973	11,498
Disposals	(219)	(6)	(196)	(119)	(16)	-	(556)
Transfers from CIP	2,404	22	38	32	19	(2,515)	-
Transfers from E&E assets	268	-	-	-	-	-	268
Translation to presentation currency	-	-	-	-	3	2,544	2,547
At 31 December 2020	30,886	683	1,628	1,146	320	36,847	71,510
Additions	2	13	9	27	18	10,554	10,623
Disposals	(90)	(5)	(33)	(15)	(11)	-	(154)
Transfers from CIP	8,033	13	12	20	125	(8,203)	-
Transfers from E&E assets	368	-	-	-	-	13	381
Translation to presentation currency	-	-	-	-	4	1,098	1,102
At 31 December 2021	39,169	704	1,616	1,178	456	40,309	83,432
Depreciation and impairment							
At 1 January 2020	(7,046)	(221)	(339)	(265)	(162)	-	(8,033)
Charge for the year	(2,477)	(48)	(77)	(84)	(36)	-	(2,722)
Disposals	125	-	52	57	12	-	246
At 31 December 2020	(9,398)	(269)	(364)	(292)	(186)	-	(10,509)
Charge for the year	(2,729)	(46)	(78)	(66)	(46)	-	(2,965)
Disposals	27	1	13	4	4	-	49
At 31 December 2021	(12,100)	(314)	(429)	(354)	(228)	-	(13,425)
Net book value							
At 1 January 2020	21,084	431	1,418	837	105	25,845	49,720
At 31 December 2020	21,488	414	1,264	854	134	36,847	61,001
At 31 December 2021	27,069	390	1,187	824	228	40,309	70,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. Property, plant and equipment (continued)**

In 2021, the Group capitalized borrowing costs in the amount of UZS 1,327 billion (2020: UZS 1,120 billion).

The construction-in-progress balance mainly relates to two subsidiaries of the Group, "Uzbekistan GTL" LLC (UZS 34,364 billion and UZS 28,788 billion as of 31 December 2021 and 2020, respectively) and "Shurtan Gas Chemical Complex" LLC (UZS 2,483 billion and UZS 2,428 billion as of 31 December 2021 and 2020, respectively).

"Uzbekistan GTL" LLC, a wholly owned subsidiary of the Group, is in process of the construction of the capital project related to the development of synthetic liquid fuel using gas-to-liquid (GTL) technology. "Uzbekistan GTL" LLC is planning to use methane rich gas as feedstock for the GTL facility and produce GTL diesel, GTL aviation kerosene, GTL naphtha and liquified petroleum gas (LPG) in Uzbekistan. As of 31 December 2021, advances for non-current assets given under this project amounted to UZS 94.5 billion (31 December 2020: UZS 189 billion).

Also, another subsidiary of the Group, "Shurtan Gas Chemical Complex" LLC is in process of the construction of the capital project related to the expansion of the production of polyethylene, polypropylene and pyrolysis gasoline in Uzbekistan. As of 31 December 2021, advances for non-current assets given under this project amounted to UZS 2,256 billion (31 December 2020: UZS 2,205 billion).

16. Exploration and evaluation assets

In billions of Uzbek soums

Net book value as at 1 January 2020	425
Additions	544
Transfer to property, plant and equipment	(268)
Expensed	(247)
Net book value as at 31 December 2020	454
Additions	825
Transfer to property, plant and equipment	(381)
Expensed	(186)
Net book value as at 31 December 2021	712

17. Investments in joint-ventures and associates

<i>In billions of Uzbek soums</i>	Place of business	Main activity	Percentage ownership	As at 31 December	
				2021	2020
"Uz-Kor Gas Chemical" LLC	Uzbekistan	Manufacturing of the polymer products	50%	8,985	7,912
"Asia Trans Gas" LLC	Uzbekistan	Natural gas transportation	50%	11,237	8,877
Other joint ventures and associates	Uzbekistan			926	887
Total investments in joint ventures and associates				21,148	17,676

The following table summarizes the movements in the investments in 2021 and 2020:

<i>In billions of Uzbek soums</i>	2021	2020
At 1 January	17,676	14,277
Share in profits of joint ventures and associates, net	2,808	1,875
Dividends received	(5)	–
Foreign currency translation	666	1,524
Other	3	–
At 31 December	21,148	17,676

The equity share in profits of associates and joint ventures comprises the following:

<i>In billions of Uzbek soums</i>	2021	2020
"Uz-Kor Gas Chemical" JV LLC	783	590
"Asia Trans Gaz" JV LLC	2,011	1,230
Other joint ventures and associates	14	55
Total equity share in profits of associates and joint ventures	2,808	1,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. Investments in joint-ventures and associates (continued)**

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 31 December 2021 and 2020:

“Uz-Kor Gas Chemical” LLC	As at 31 December	
	2021	2020*
Non-current assets	31,349	33,433
Current assets, including	11,534	7,580
<i>Cash and cash equivalents</i>	3,827	3,883
Non-current liabilities, including	6,543	9,138
<i>Non-current financial liabilities</i>	6,488	9,089
Current liabilities	18,370	16,051
Equity	17,970	15,824
Share of ownership of the Group	50%	50%
Carrying amount of the investment	8,985	7,912
Revenue	8,201	7,005
Cost of sales	(4,395)	(3,109)
General and administrative expenses	(338)	(281)
Allowance for expected credit losses	(83)	(1,355)
Interest expense	(1,884)	(2,031)
Finance income	–	762
Income tax expense	(474)	–
Other income	540	189
Profit for the year	1,567	1,180

* Certain amounts shown here do not correspond to the consolidated financial statements for years ended 31 December 2020, as they reflect certain reclassifications.

“Asia Trans Gas” JV LLC	As at 31 December	
	2021	2020
Non-current assets	27,910	28,843
Current assets, including	5,844	4,945
<i>Cash and cash equivalents</i>	2,661	1,593
Non-current liabilities	7,084	12,222
Current liabilities, including	4,196	3,813
<i>Current financial liabilities</i>	3,926	3,628
Equity	22,474	17,753
Share of ownership of the Group	50%	50%
Carrying amount of the investment	11,237	8,877

“Asia Trans Gas” JV LLC	2021	2020
Revenue	7,059	5,585
Cost of sales	(2,819)	(2,351)
General and administrative expenses	(117)	(149)
Interest expense	(347)	(562)
Other income	3	11
Other operational expenses	(10)	(2)
Foreign exchange loss, net	(11)	(1)
Finance costs	–	(3)
Income tax expense	264	(68)
Profit for the year	4,022	2,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. Trade and other payables**

<i>In billions of Uzbek soums</i>	As at 31 December	
	2021	2020
Trade accounts payable	5,384	5,739
Other financial payables		
Dividends payable	652	605
Other non-financial payables		
Other tax payables	337	658
Contract liabilities	318	254
Advances received	–	2,095
Total trade and other payables	6,691	9,351

Trade payables mainly represent payables for crude oil, oil products, gas, construction, drilling, transportation and utilities provided by vendors of the Group.

As at 31 December 2021 and 2020 trade and other payables were not interest bearing.

In 2020 the Group received UZS 2,095 billion from Air Products Netherlands Gases B.V. under the Advance Payment Agreement as a prepayment for future supply of certain equipment that will be constructed in the plant of "Uzbekistan GTL" LLC (Note 15). In accordance with the terms of this agreement, in order to complete the transaction, it is necessary to obtain a letter of consent from the creditors of "Uzbekistan GTL" LLC. This letter of consent should have been received by 30 June 2021. However, as of 31 December 2021, letter of consent has not been received and the agreement has not been renewed. As a result, as of 31 December 2021, liabilities to Air Products Netherlands Gases B.V. were reclassified to other financial liabilities.

19. Borrowings

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

Facilities	Interest rate	Maturity date	Balance as at 31 December 2021	
			Non-current portion	Current portion
USD 1,200 million	6M LIBOR +3.5%	December 2031	10,476	1,715
USD 700 million	4.75%	November 2028	7,549	46
USD 500 million	6M LIBOR +3.61%	December 2031	4,359	720
USD 360 million	LIBOR + 3.25%	December 2029	3,251	495
CNY 1,600 million	SHIBOR + 0.5%	October 2031	2,351	287
USD 280 million	6M LIBOR +1.15%	December 2031	2,230	333
USD 120 million	LIBOR +1.86%	December 2031	991	185
	LIBOR +4.85%			
USD 100 million	LIBOR +1.86%	December 2031	827	127
	LIBOR +4.85%			
USD 100 million	6M LIBOR +1.15%	December 2031	795	119
USD 57 million	2%	December 2024	398	260
UZS 511,653 million	14%	July 2024	307	237
UZS 464,874 million	14%	July 2024	279	216
UZS 316,267 million	10%	August 2024	173	159
EURO 40 million	2%	July 2024	152	77
USD 172 million	3.5%	January 2023	96	191
USD 5 million	6.5%	October 2023	44	9
USD 5 million	6.5%	October 2023	44	9
UZS 100,000 million	17%	April 2023	34	67
USD 6 million	6%	July 2023	25	42
EURO 300 million	6M EURIBOR + 4.95%	February 2022	–	770
UZS 198,000 million	19%	December 2022	–	198
EURO 8 million	6%	October 2022	–	107
Others			29	173
Total borrowings			34,410	6,542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**19. Borrowings (continued)**

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

Facilities	Interest rate	Maturity date	Balance as at 31 December 2020	
			Non-current portion	Current portion
USD 1,200 million	6M Libor + 3.5%	June 2031	9,400	877
USD 500 million	6M Libor + 3.61%	June 2031	4,254	365
USD 360 million	LIBOR + 3.25%	July 2029	3,431	401
EURO 300 million	6m EURIBOR + 4.95%	April 2022	3,265	16
CNY 1,600 million	SHIBOR + 0.5%	July 2031	2,418	179
USD 280 million	6M Libor + 1.15%	June 2031	2,393	205
USD 100 million	6M Libor + 1.15%	June 2031	852	73
USD 120 million	6M Libor + 4.85%	June 2031	802	88
USD 57 million	2%	December 2024	719	12
USD 100 million	6M Libor + 1.86%	June 2031	573	73
USD 53 million	2%	October 2028	544	10
USD 53 million	2%	July 2024	485	9
USD 45 million	5.5%	August 2027	393	47
USD 55 million	10.0%	August 2024	313	20
USD 172 million	3.50%	January 2023	269	188
EURO 43 million	EURIBOR 1m + 4.95%	December 2022	192	10
RUB 4 billion	2.1%	December 2022	197	4
USD 11 million	5.5%	October 2027	72	43
USD 30 million	5.0%	December 2021	–	331
UZS 166,476 million	1.0%	April 2021	–	166
Others			280	206
Total borrowings			30,852	3,323

In 2021 and 2020 years lenders of the Group comprise of financial institutions.

In November 2021, the Group issued Eurobonds on the London Stock Exchange for a total amount of USD 700 million, interest rate – 4.75%. The repayment date of Eurobonds is November 2028. Funds received as a result of issue of these Eurobonds were mainly used for the early repayment of certain short-term borrowings, as well as for financing of the investment projects.

Changes in liabilities arising from financing activities:

<i>In billions of Uzbek soums</i>	2021	2020
As at 1 January	34,175	37,103
Proceeds from borrowings	16,306	10,459
Translation to presentation currency	734	1,582
Finance costs, including capitalized to property, plant and equipment	1,639	1,539
Foreign exchange effect	317	1,326
Conversion of borrowings (<i>Note 21</i>)	–	(15,401)
Repayment of borrowings	(10,481)	(1,228)
Interest paid	(1,437)	(1,214)
Other	(301)	9
As at 31 December	40,952	34,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**20. Provisions**

<i>In billions of Uzbek soums</i>	Asset retirement obligations	Employee benefit		Total
		Post- employment benefits	Other long-term payments	
As at 1 January 2020	955	678	56	1,689
Provision for the year / current service cost	30	53	7	90
Change in estimate	(115)	68	–	(47)
Experience-based adjustments	–	9	–	9
Unwinding of discount (<i>Note 28</i>)	103	–	–	103
Interest cost (<i>Note 28</i>)	–	97	8	105
Use of provision/payment	(2)	(14)	(4)	(20)
As at 31 December 2020	971	891	67	1,929
Provision for the year / current service cost	62	40	6	108
Change in estimate	(77)	(114)	(9)	(200)
Unwinding of discount (<i>Note 28</i>)	107	–	–	107
Interest cost (<i>Note 28</i>)	–	116	9	125
Use of provision/payment	–	(22)	(6)	(28)
As at 31 December 2021	1,063	911	67	2,041
As at 31 December 2020				
Short-term portion	–	2	6	8
Long-term portion	971	889	61	1,921
As at 31 December 2020	971	891	67	1,929
As at 31 December 2021				
Short-term portion	–	25	5	30
Long-term portion	1,063	886	62	2,011
As at 31 December 2021	1,063	911	67	2,041

Key actuarial assumptions

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

	2021	2020
Discount rate	13.89%	13.03%
Future salary increases	12.50%	10.72%
Growth of the minimum wage	13.58%	14.70%
Increase in surcharges	13.58%	12.10%

A quantitative sensitivity analysis for significant assumption as at 31 December 2021 is as shown below:

Assumptions	Discount rate		Future salary increases		Staff turnover		Mortality	
	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease	10% increase	10% decrease
Impact on post-employment benefits	(124)	156	155	(125)	(61)	70	(38)	43
Impact on other long-term payments	(5)	6	6	(5)	(6)	7	1	–

A quantitative sensitivity analysis for significant assumption as at 31 December 2020 is as shown below:

Assumptions	Discount rate		Future salary increases		Staff turnover		Mortality	
	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease	10% increase	10% decrease
Impact on post-employment benefits	(139)	181	178	(139)	(72)	87	(40)	45
Impact on other long-term payments	(4)	6	6	(4)	(4)	6	–	–

The sensitivity analysis above were made based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Shareholders' equity

As of 31 December 2021, the share capital of the Company consisted of 43,048,493,329 common shares (as of 31 December 2020: 43,048,493,329 common shares) issued at UZS 500 par value as well as preferred non-voting shares of 24,437,863 items (as of 31 December 2020: 24,312,673 preferred shares) issued at UZS 500 par value.

Contributions to share capital*i) Contribution of non-controlling interest*

In 2019, according to the Decree of President of Republic of Uzbekistan No. 4388 from 9 July 2019, a number of subsidiary entities (JSC "Uzburneftegaz", JSC "Uzneftegazdobicha", JSC "Uznefteproduct", JSC "Mubarekneftegaz", "Mubarek Gas Refinery Plant" LLC, "Ustyurtgaz" LLC, "Gazlineftegazdobicha" LLC, "Shurtanneftegaz" LLC) were merged with JSC "Uzbekneftegaz". For the purpose of merging the Centre for the State Asset Management transferred its non-controlling interest in the above-mentioned entities to the Group. The formal registration of the share capital contribution in respect of this transfer partially took place in 2019 (nominal value of shares issued: UZS 213 billion) and 2020 (nominal value of shares issued: UZS 1,561 billion – 1,544,755,227 common shares and 11,478,425 preferred shares with par value UZS 1,000). As an actual transfer of the non-controlling interest in all above-mentioned entities and the merger was fully completed in 2019, the difference in the amount of UZS 981 billion, between nominal value of issued shares in 2019 (UZS 213 billion) and the book value of the received non-controlling interest (UZS 1,194 billion) was recognized in retained earnings in 2019.

In 2020, when the formal registration of the remaining part of the share capital contribution was completed, the Group recognized the increase in share capital by the amount of UZS 1,561 billion (nominal value of shares issued) with an adjustment of the retained earnings for the same amount.

ii) Conversion of borrowings and dividends payable

In April 2020, the Company issued 33,079,989,640 of common shares with UZS 500 par value per share. As consideration, the Company converted the loans provided by Fund for Reconstruction and Development of the Republic of Uzbekistan to the Group during 2010-2019 for financing investments projects in the total amount UZS 16,425 billion and dividends payable in the amount UZS 115 billion into shareholders' equity. The difference in the amount of 1,023 billion UZS between the nominal amount and book value of the converted borrowings was recognized in retained earnings of the Group.

Reduction of share capital

In December 2020, the Group officially registered a decrease in the share capital in the total amount of UZS 11,194 billion (22,378,567,524 common shares with par value UZS 500) in return of Group's interest in certain companies transferred to the State Asset Management Agency in 2019 and 2020:

i) JSC "Uztransgaz"

In November 2019, according to the Decree of President of Republic of Uzbekistan No. 4288 from 9 July 2019, the Group transferred 39.5% of the share interest in JSC "Uztransgaz" to the State Asset Management Agency without any consideration. Remaining 8.3% share interest in JSC "Uztransgaz" was recognized as financial assets measured at fair value through other comprehensive income. The difference in the amount of UZS 9,211 billion between the book value of investment in associate (UZS 11,128 billion) and fair value of the remaining 8.3% share interest in JSC "Uztransgaz" (UZS 1,917 billion) was recognized in the equity.

In October 2020 the Group transferred the remaining 8.3% share interest in JSC "Uztransgaz" to the State Asset Management Agency without any consideration. The fair value of these shares as at the disposal date in the amount of UZS 1,073 billion was recognized as a reduction of retained earnings.

In December 2020, when the formal registration of the share capital reduction was completed, the Group recognized the decrease in share capital at the amount of UZS 10,233 billion, related to the transfer of 47.8% shares of JSC "Uztransgaz", with an adjustment of the retained earnings in the amount of UZS 9,160 billion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**21. Shareholders' equity (continued)****Reduction of share capital (continued)***ii) "Fergana Refinery Plant" LLC*

In accordance with the Decree of President of Republic of Uzbekistan No. 4275 dated 10 April 2019, it was decided to transfer 100% of share interest of "Fergana Refinery Plant" LLC to State Asset Management Agency. Transfer of 100% of shares of "Fergana Refinery Plant" LLC took place in March 2020. The difference in the amount of UZS 208 billion, between book value of the net assets of "Fergana Refinery Plant" LLC as of the disposal date (UZS 292 billion) and nominal amount of shares by which share capital was decreased (UZS 84 billion) was recognized in retained earnings.

iii) Transfer of other entities

In accordance with the Decree of the President of Republic of Uzbekistan No. 4388 from 9 July 2019, in 2019 the Group has transferred its participation share in certain service companies (drilling, construction and installation, transport companies) to the State Asset Management Agency.

The difference between assets and liabilities of the disposed entities in the amount of 1,023 million UZS was recognized in retaining earnings.

In December 2020, when the formal registration of the share capital reduction was completed, the Group recognized the decrease in share capital at the amount of UZS 877 billion, related to the transfer of these companies, with an adjustment of the retained earnings for the same amount.

Dividends

In 2020 based on decision of the shareholders, the Group declared dividends:

- UZS 8.28 per common share in the total amount of UZS 121 billion and UZS 250 per preferred share in the total amount of UZS 0.13 billion for 2018;
- UZS 5.98 per common share in the total amount of UZS 391 billion and UZS 125 per preferred share in the total amount of UZS 3 billion for 2019.

In 2021 the Group did not declare dividends.

22. Oil, gas, petroleum products and petrochemicals sales

<i>In billions of Uzbek soums</i>	2021	2020
Sales of refined oil products	9,618	7,695
Sales of gas and gas products	8,134	9,403
Sales of petrochemical products	1,832	1,132
Gas processing and tolling fees	648	715
Oil refinery tolling fees	93	139
Gas transportation fees	90	98
Sales of other products	301	172
Total oil, gas, petroleum products and petrochemicals sales	20,716	19,354
Geographical markets		
Uzbekistan	20,387	18,828
Other countries	329	526
	20,716	19,354

23. Cost of purchased oil, gas, petroleum products and other materials

<i>In billions of Uzbek soums</i>	2021	2020
Purchased crude oil	4,500	4,057
Materials and supplies	524	310
Purchased gas for resale	32	68
Total cost of purchased oil, gas, petroleum products and other materials	5,056	4,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**24. Production expenses**

<i>In billions of Uzbek soums</i>	2021	2020
Payroll	1,424	1,167
Services	575	520
Utilities	466	559
Repair and maintenance	289	471
Other	116	136
Total production expenses	2,870	2,853

25. Taxes other than income tax

<i>In billions of Uzbek soums</i>	2021	2020
Subsoil tax	1,624	1,593
Property tax	217	108
Excise tax	190	91
Land tax	169	33
Other taxes	78	146
Total taxes other than income tax	2,278	1,971

26. General and administrative expenses

<i>In billions of Uzbek soums</i>	2021	2020
Payroll	596	335
Charitable donations and sponsorship	362	150
Consulting services	128	122
Repair and maintenance	149	95
Materials and supplies	38	38
Other	216	251
Total transportation and selling expenses	1,489	991

27. Transportation and selling expenses

<i>In billions of Uzbek soums</i>	2021	2020
Payroll	453	542
Services	191	374
Transportation	190	202
Other	11	103
Total transportation and selling expenses	845	1,221

28. Finance income and finance costs**Finance income**

Finance income mainly comprises of interest accrued on loans due from related parties (*Note 8*) and other finance income.

Finance costs

<i>In billions of Uzbek soums</i>	2021	2020
Interest expenses	286	324
Loss on initial recognition of financial assets	–	159
Unwinding of discount on borrowings	6	95
Total interest expense	292	578
Provision: unwinding of discount of asset retirement obligations (<i>Note 20</i>)	107	103
Provision: interest cost on employee benefit obligations (<i>Note 20</i>)	125	105
Other	71	42
Total finance costs	595	828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. Income tax**

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

<i>In billions of Uzbek soums</i>	2021	2020
Current tax charge	1,202	562
Deferred tax charge	149	438
Income tax expense reported in the consolidated statement of profit or loss	1,351	1,000

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 at 31 December 2021 and 2020 relate mostly 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 (15% in 2021 and 2020) to income tax expenses was as follows for the years ended 31 December:

<i>In billions of Uzbek soums</i>	2021	2020
Profit before income tax from continuing operations	6,866	5,704
Statutory tax rate	15%	15%
Theoretical income tax expense at the statutory rate	1,030	856
Non-deductible expenses, net	220	64
Utilized tax losses carried forward, not recognized previously	–	(227)
Unrecognized deferred tax assets	27	275
Income of subsidiaries taxed at different rates	74	32
Income tax expense	1,351	1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. Income tax (continued)**

Deferred tax assets and liabilities as of 31 December 2021 and 2020 were calculated using the expected income tax rates of 15%. Deferred tax assets and liabilities as of 31 December and their movements for the respective years comprise:

<i>In billions of Uzbek soums</i>	1 January 2020	In the consolidated statement of profit or loss	In the consolidated statement of other comprehensive income	31 December 2020	In the consolidated statement of profit or loss	In the consolidated statement of other comprehensive income	31 December 2021
Deferred tax assets							
Trade receivables	106	(26)	-	80	243	-	323
Inventories	49	(22)	-	27	(4)	-	23
Provisions	203	144	12	359	(37)	(17)	305
Other	14	(14)	-	-	109	(16)	93
Deferred tax assets	372	82	12	466	311	(33)	744
Deferred tax liabilities							
Property, plant and equipment	(442)	(217)	-	(659)	(40)	-	(699)
Investments in joint ventures and associates	(1,431)	(303)	(229)	(1,963)	(420)	(99)	(2,482)
Deferred tax liabilities	(1,873)	(520)	(229)	(2,622)	(460)	(99)	(3,181)
Net deferred tax liabilities	(1,501)	(438)	(217)	(2,156)	(149)	(132)	(2,437)

The temporary differences associated with investments in the Group's subsidiaries for which a deferred tax liability was not recognized in the periods presented, aggregate to UZS 2,320 billion (2020: UZS 4,545 billion). The Group determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**30. 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 exposed to interest rate risk, foreign 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 takes on exposure to 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 analyses in the following sections relate to the position as at 31 December 2021 and 2020 years.

Foreign exchange 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, euro and CNY.

As a result of significant borrowings denominated in the US dollars, Euro and CNY, 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, Euro / UZS and CNY / UZS exchange rates. The Group also has transactional currency exposures. Such exposure arises from revenues in the US dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, euro and CNY exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). The sensitivity of possible the changes in exchange rates for other currencies are not considered due to its insignificance to the consolidated financial results of Group's operations.

<i>In billions of Uzbek soums</i>	Increase/ decrease in UZS to US dollar exchange rate	Effect on profit before tax	Increase/ decrease in UZS to CNY exchange rate	Effect on profit before tax	Increase/ decrease in UZS to Euro exchange rate	Effect on profit before tax
2021	+3%	911	+22%	543	+20%	213
	-20%	(6,072)	-22%	(543)	-20%	(213)
2020	+3%	569	+12%	306	21.3%	730
	-20%	(3,791)	-12%	(306)	-21.3%	(730)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market interest rate risk relates primarily to the Group's long-term floating rate debt.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**30. Financial risk management (continued)****Market risk (continued)**

	Increase/ decrease in Libor	Sensitivity of finance cost	Increase/ decrease in Euribor	Sensitivity of finance cost
Financial liabilities				
2021	+1.25%	359	+0.2%	2
	-0.25%	(72)	-0.2%	(2)
2020	+1%	235	+0.2%	7
	-0.25%	(59)	-0.2%	(7)

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily oil and gas products. The Group is exposed to fluctuations of the prices of Brent crude oil, which are set in US dollars per barrel on international markets. The Group prepares annual budgets and periodic forecasts, including sensitivity analyzes of different levels of oil prices in future.

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. In the event of a default by the parties on their respective obligations under the financial guarantee contracts, the Group's exposure to credit risk will be limited to the corresponding contract amounts.

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 on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

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

At 31 December 2021	<1 year	1 to 2 years	3 to 5 years	>5 years	Total
Borrowings	8,155	5,529	13,120	23,581	50,385
Trade accounts payable	6,025	11	–	–	6,036
Other financial liabilities	2,205	–	–	–	2,205
Other current liabilities	391	–	–	–	391
Other non-current liabilities	–	53	–	–	53
Total undiscounted financial liabilities	16,776	5,593	13,120	23,581	59,070
At 31 December 2020	<1 year	1 to 2 years	3 to 5 years	>5 years	Total
Borrowings	4,060	12,067	11,231	13,798	41,156
Trade accounts payable	6,344	–	–	–	6,344
Other current liabilities	275	–	–	–	275
Other non-current liabilities	–	88	–	–	88
Total undiscounted financial liabilities	10,679	12,155	11,231	13,798	48,863

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**30. Financial risk management (continued)****Liquidity risk (continued)**

Management believes that the Group has access to sufficient financing resources with domestic banks as well as already existing undrawn committed borrowing facilities, in order to meet the Group's regular cash payment obligations. In April 2020, the Group converted significant portion of the borrowings in the total amount UZS 16,425 billion into shareholder's equity of the Group (Note 21).

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 to support its business activities.

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:

<i>In billions of Uzbek soums</i>	31 December 2021		31 December 2020	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Cash and cash equivalents	2,217	2,217	2,534	2,534
Restricted cash	211	211	411	411
Trade receivables	3,158	3,158	3,069	3,069
Other current assets	620	620	402	402
Loans due from related parties	6,038	6,038	5,816	5,816
Other non-current assets	348	348	262	262
Total financial assets	12,592	12,592	12,494	12,494
Trade and other payables	6,036	6,036	6,344	6,344
Borrowings	40,952	40,863	34,175	33,883
Other financial liabilities	2,205	2,205		
Other current liabilities	391	391	275	275
Other non-current liabilities	53	53	88	88
Total financial liabilities	49,637	49,548	40,882	40,590

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

<i>In billions of Uzbek soums</i>	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	2,217	–	–	2,217
Restricted cash	211	–	–	211
Trade receivables	–	–	3,158	3,158
Other current assets	–	–	620	620
Loans due from related parties	–	–	6,038	6,038
Other non-current assets	160	–	188	348
Liabilities for which fair values are disclosed				
Trade and other payables	–	–	6,036	6,036
Borrowings	–	30,031	10,832	40,863
Other financial liabilities	–	2,205	–	2,205
Other current liabilities	–	–	391	391
Other non-current liabilities	–	–	53	53

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**30. 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 at 31 December 2020:

<i>In billions of Uzbek soums</i>	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	2,534	–	–	2,534
Restricted cash	411	–	–	411
Trade receivables	–	–	3,069	3,069
Other current assets	–	–	402	402
Loans due from related parties	–	–	5,816	5,816
Other non-current assets	142	–	120	262
Liabilities for which fair values are disclosed				
Trade and other payables	–	–	6,344	6,344
Borrowings	–	30,623	3,260	33,883
Other current liabilities	–	–	275	275
Other non-current liabilities	–	–	88	88

31. Contingencies, commitments and operating risks**Operating environment**

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

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

The Uzbekistan's economy has been impacted by government's currency reforms in 2017, which resulted in significant devaluation of Uzbek soums 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Contingencies, commitments and operating risks (continued)**Taxation**

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

These facts create tax risks in Uzbekistan substantially more significant than typically found in 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 the relevant authorities could take differing positions with regard interpretive issues.

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

Capital commitments

As at 31 December 2021, the Group had capital commitments of UZS 11,114 billion (2020: UZS 14,572 billion) mainly related to the project on expansion of the Shurtan Gas Chemical Complex and to the construction of "Uzbekistan GTL" plant (*Note 15*).

"Program for increasing hydrocarbon production 2017-2021"

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

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

Financial guarantees

As of 31 December 2021, the Group issued guarantees for Uztransgaz JSC in the amount of UZS 13,233 billion (31 December 2020: UZS 11,031 billion). In the event that Uztransgaz JSC fails to fulfill its guaranteed obligations, the Group may receive claims and be liable in the appropriate amount. All financial guarantee agreements are subject to the absence of compensation in favor of the Company. The main part of the financial obligations of Uztransgaz JSC, guaranteed by the Company, is payable on demand or within 12 months.

32. Subsequent events**Reduction of share capital**

During the year 2022, the Group officially registered reduction of share capital for the total amount of UZS 292 billion (585,984,490 ordinary shares with a par value of UZS 500) in return of the Group's share in certain companies transferred to the government.

Dividends

During the year 2022, based on the decision of the shareholders, the Group declared dividends of UZS 27.89 per ordinary share for the total amount of UZS 1,200 billion and UZS 125 per preferred share for the total amount of UZS 3 billion for 2020 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Subsequent events (continued)**New loans received**

In 2022 year, the Group received new tranches under a loan agreement with “MUFG” Bank in the total amount of USD 100 million (equivalent to UZS 1,095 billion) for the refinancing of certain short-term borrowings, as well as for financing of the operational activities.

In 2022 year, the Group received new tranches under a loan agreement with JSC “Uzpromstroybank” in the amount of UZS 200 billion, also to finance the Group’s operations.

Other events

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

The Group considers these events as non-adjusting events after the reporting period, the quantification of the effect of which cannot be currently estimated with a reasonable degree of certainty.

The Group's management is currently reviewing the potential impact of changing of micro and macroeconomic conditions on the financial position and performance of the Group.