JSC “Uzbekneftegaz”

Consolidated financial statements

For the years ended 31 December 2020, 2019 and 2018
with independent auditor’s report

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Independent auditor's report

To the Shareholders, Management and the Supervisory Board 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 2020, 2019 and 2018 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 years 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 2020, 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Responsibilities of management and 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.

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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.

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

We communicate with 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.

Audit company „Ernst & Young" LLC

"Ernst & Young" Audit Organization LLC

30 September 2021
Tashkent, Uzbekistan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In billions of Uzbek soums	Note	As at 31 December 2020	2019	2018
Assets				
Non-current assets				
Property, plant and equipment	15	61,001	49,720	37,620
Exploration and evaluation assets	16	454	425	517
Investments in joint ventures and associates	17	17,676	14,277	23,688
Trade receivables	11	81	861	683
Advances for non-current assets	15	3,437	1,417	529
Other non-current financial assets	17	–	1,917	–
Loans due from related parties	13	5,154	4,418	3,628
Other non-current assets		262	242	179
Total non-current assets		**88,065**	**73,277**	**66,844**
Current assets				
Cash and cash equivalents	9	2,534	829	1,429
Restricted cash	10	411	603	359
Trade receivables	11	2,988	1,454	2,838
Advances paid		618	734	1,068
Inventories	12	2,272	1,681	2,792
Income tax prepaid		230	31	227
Loans due from related parties	13	662	550	1,654
Other current assets	14	1,194	1,391	663
Total current assets		**10,909**	**7,273**	**11,030**
Assets classified as held for distribution to the shareholder	6	–	1,254	–
Total assets		**98,974**	**81,804**	**77,874**
Liabilities and shareholders' equity				
Shareholders' equity				
Share capital	21	21,536	14,629	14,416
Retained earnings		16,173	5,757	13,735
Currency translation reserve		12,845	10,583	7,998
Attributable to equity holders of the parent company		**50,554**	**30,969**	**36,149**
Non-controlling interest		276	363	1,068
Total shareholders' equity		**50,830**	**31,332**	**37,217**
Non-current liabilities				
Borrowings	19	30,852	17,698	14,746
Provisions	20	1,921	1,654	1,380
Deferred tax liabilities	29	2,156	1,501	1,128
Deferred income from government grants		170	210	192
Other non-current liabilities		88	24	27
Total non-current liabilities		**35,187**	**21,087**	**17,473**
Current liabilities				
Trade and other payables	18	9,351	8,570	15,270
Borrowings	19	3,323	19,405	7,053
Income tax payables		–	9	293
Provisions	20	8	35	15
Deferred income from government grants		–	14	40
Other current liabilities		275	351	513
Total current liabilities		**12,957**	**28,384**	**23,184**
Liabilities related to the assets classified as held for distribution to the shareholder	6	–	1,001	–
Total liabilities		**48,144**	**50,472**	**40,657**
Total liabilities and shareholders' equity		**98,974**	**81,804**	**77,874**

Chairman of the Executive Board – Chief Executive Officer _____ *M.R. Abdullaev*

Deputy Chairman of the Executive Board – Chief Financial Officer _____ *U.M. Ashurov*

Chief accountant _____ *I.A. Obidov*

The accounting policies and explanatory notes on pages 6 through 56 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

In billions of Uzbek soums	Note	For the years ended 31 December 2020	2019	2018
Oil, gas, petroleum products and petrochemicals sales	22	19,354	23,198	16,263
Government grant income		–	–	1,440
Equity share in profits of associates and joint ventures	17	1,875	(125)	1,823
Construction services and other revenues		329	569	905
Other operating income		839	583	1,062
Total revenues and other income		**22,397**	**24,225**	**21,493**
Cost of purchased oil, gas, petroleum products and other materials	23	(4,435)	(6,696)	(7,456)
Production expenses	24	(2,853)	(3,175)	(2,797)
Taxes other than income tax	25	(1,971)	(2,169)	(4,263)
Depreciation, depletion and amortization		(2,767)	(2,964)	(2,197)
Impairment of trade and loans receivable	11,13	(172)	(681)	69
General and administrative expenses	26	(991)	(648)	(400)
Transportation and selling expenses	27	(1,221)	(1,224)	(994)
Exploration and evaluation expenses	16	(247)	(613)	(657)
Loss on disposal of property, plant and equipment, net		(310)	(242)	(238)
Other operating expenses		(711)	(1,121)	(960)
Total costs and expenses		**(15,678)**	**(19,533)**	**(19,893)**
Operating profit		**6,719**	**4,692**	**1,600**
Finance income	28	626	379	190
Other non-operating income		–	268	106
Foreign exchange loss, net		(813)	(2,508)	(334)
Finance costs	28	(828)	(1,467)	(1,748)
Profit/(loss) before income tax		**5,704**	**1,364**	**(186)**
Income tax expense	29	(1,000)	(775)	(1,608)
Net profit/(loss) for the year from continuing operations		**4,704**	**589**	**(1,794)**
Discontinued operation				
Loss after income tax for the year from discontinued operations		–	–	(796)
Net profit/(loss) for the year		**4,704**	**589**	**(2,590)**
Net profit/(loss) for the year attributable to:				
Equity holders of the parent company		4,791	623	(1,041)
Non-controlling interests	21	(87)	(34)	(1,549)
		4,704	**589**	**(2,590)**

Chairman of the Executive Board – Chief Executive Officer

M.R. Abdullaev

Deputy Chairman of the Executive Board – Chief Financial Officer

U.M. Ashurov

Chief accountant

I.A. Obidov

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CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

In billions of Uzbek soums	Note	For the years ended 31 December 2020	2019	2018
Net profit/(loss) for the year		**4,704**	**589**	**(2,590)**
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		2,262	2,585	311
Total other comprehensive income to be reclassified to profit or loss in subsequent periods		**2,262**	**2,585**	**311**
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods				
Actuarial (loss)/gain on defined benefit plans of the Group, net of income tax		(65)	(6)	108
Net loss on equity instruments at fair value through other comprehensive income		(844)	–	–
Total other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		**(909)**	**(6)**	**108**
Total comprehensive income/(loss) for the year, net of income tax		**6,057**	**3,168**	**(2,171)**
Total comprehensive income attributable to:				
Equity holders of the parent company		6,144	3,202	(675)
Non-controlling interests		(87)	(34)	(1,496)
Total comprehensive income/(loss) for the year, net of income tax		**6,057**	**3,168**	**(2,171)**

Chairman of the Executive Board – Chief Executive Officer

M.R. Abdullaev

Deputy Chairman of the Executive Board – Chief Financial Officer

U.M. Ashurov

Chief accountant

I.A. Obidov

CONSOLIDATED STATEMENT OF CASH FLOWS

In billions of Uzbek soums	Note	For the years ended 31 December 2020	2019	2018
Operating activities				
Profit/(loss) before income tax from continuing operations		5,704	1,364	(186)
Loss before income tax from discontinued operations		–	–	(1,562)
Adjustments for:				
Depreciation, depletion and amortization		2,767	2,964	3,635
Unsuccessful exploration and evaluation expenditures	16	247	613	405
Impairment of trade and loans receivables	11,13	172	681	1,128
Change in provisions		60	6	(116)
Loss on disposal of property, plant and equipment		310	242	635
Finance income		(626)	(379)	(434)
Finance costs	28	828	1,467	1,748
Foreign exchange loss, net		813	2,508	251
Equity share in profit of associates and joint ventures	17	(1,875)	125	(1,823)
Other		33	115	86
Operating cash flows before working capital changes		**8,433**	**9,706**	**3,767**
Change in trade and other receivables		(757)	(1,372)	(3,904)
Change in inventories		(591)	475	(853)
Change in trade and other payables		(1,061)	(700)	11,212
Change in advances paid, other assets and other liabilities		(186)	847	370
Cash generated from operations		**5,838**	**8,956**	**10,592**
Income taxes paid		(782)	(700)	(604)
Interest received		22	28	182
Dividends received from associates and joint ventures		–	–	135
Net cash flows from operating activities		**5,078**	**8,284**	**10,305**
Investing activities				
Purchase of property, plant and equipment		(11,368)	(20,831)	(9,218)
Loans given to related parties		–	(264)	(1,654)
Proceeds from loans given to related parties		20	1,529	–
Change in restricted cash		192	(244)	876
Net cash flows used in investing activities		**(11,156)**	**(19,810)**	**(9,996)**
Financing activities				
Proceeds from borrowings		10,459	16,195	3,214
Repayment of borrowings		(1,228)	(3,377)	(4,137)
Interest paid		(1,214)	(1,909)	(232)
Dividends paid		(337)	–	–
Transactions with the shareholder	6	–	(74)	(495)
Net cash inflow/(outflow) from financing activities		**7,680**	**10,835**	**(1,650)**
Net foreign exchange difference on cash and cash equivalents		103	91	49
Net change in cash and cash equivalents		**1,705**	**(600)**	**(1,292)**
Cash and cash equivalents, at the beginning of the year		829	1,429	2,721
Cash and cash equivalents, at the end of the year		**2,534**	**829**	**1,429**

Chairman of the Executive Board – Chief Executive Officer _____ *M.R. Abdullaev*

Deputy Chairman of the Executive Board – Chief Financial Officer _____ *U.M. Ashurov*

Chief accountant _____ *I.A. Obidov*

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	For the years ended 31 December 2020, 2019 and 2018					
	Attributable to equity holders of the parent company					
In billions of Uzbek soums	Share capital	Cumulative translation differences	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 January 2018	**14,415**	**7,687**	**(701)**	**21,401**	**11,237**	**32,638**
Net loss for the year	–	–	(1,041)	**(1,041)**	(1,549)	**(2,590)**
Other comprehensive income	–	311	55	**366**	53	**419**
Total comprehensive income/(loss) for the year	**–**	**311**	**(986)**	**(675)**	**(1,496)**	**(2,171)**
Increase in share capital from retained earnings	1	–	(1)	**–**	–	**–**
Dividends to shareholders	–	–	(175)	**(175)**	–	**(175)**
Loss of control over JSC "Uztransgaz" *(Note 6)*	–	–	15,598	**15,598**	(8,673)	**6,925**
Balance at 31 December 2018	**14,416**	**7,998**	**13,735**	**36,149**	**1,068**	**37,217**
Net profit for the year	–	–	623	**623**	(34)	**589**
Other comprehensive income/(loss)	–	2,585	(6)	**2,579**	–	**2,579**
Total comprehensive income/(loss) for the year	**–**	**2,585**	**617**	**3,202**	**(34)**	**3,168**
Disposal of service companies *(Note 6, 21)*	–	–	(1,023)	**(1,023)**	–	**(1,023)**
Transfer of share interest in JSC "Uztransgaz" *(Note 21)*	–	–	(9,211)	**(9,211)**	–	**(9,211)**
Forgiveness of tax liabilities (*Note 18*)	–	–	607	**607**	523	**1,130**
Contribution of non-controlling interest (*Note 21*)	213	–	981	**1,194**	(1,194)	**–**
Other movements	–	–	51	**51**	–	**51**
Balance at 31 December 2019	**14,629**	**10,583**	**5,757**	**30,969**	**363**	**31,332**
Net profit/(loss) for the year	–	–	4,791	**4,791**	(87)	**4,704**
Other comprehensive income/(loss)	–	2,262	(909)	**1,353**	–	**1,353**
Total comprehensive income for the year	**–**	**2,262**	**3,882**	**6,144**	**(87)**	**6,057**
Conversion of borrowings and dividends payable *(Note 21)*	16,540	–	(1,023)	**15,517**	–	**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)**	–	**(1,365)**
Dividends to shareholders *(Note 21)*	–	–	(515)	**(515)**	–	**(515)**
Other distributions to shareholder	–	–	(196)	**(196)**	–	**(196)**
Balance at 31 December 2020	**21,536**	**12,845**	**16,173**	**50,554**	**276**	**50,830**

Chairman of the Executive Board – Chief Executive Officer — *M.R. Abdullaev*

Deputy Chairman of the Executive Board – Chief Financial Officer — *U.M. Ashurov*

Chief accountant — *I.A. Obidov*

The accounting policies and explanatory notes on pages 6 through 56 form an integral part of these consolidated financial statements.

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, %		
			2020	2019	2018
"Uzburneftegaz" JSC	Exploration and drilling	Uzbekistan	Not applicable**	Not applicable**	51%
"Uzneftegazdobicha" JSC	Oil and gas production	Uzbekistan	Not applicable**	Not applicable**	41%*
"Mubarekneftegaz" JSC	Oil and gas production	Uzbekistan	Not applicable**	Not applicable**	41%*
"Ustyurtgaz" LLC	Oil and gas production	Uzbekistan	Not applicable**	Not applicable**	41%*
"Gazlineftegazdobicha" LLC	Oil and gas production	Uzbekistan	Not applicable**	Not applicable**	41%*
"Shurtanneftgaz" LLC	Oil and gas production	Uzbekistan	Not applicable**	Not applicable**	41%*
"Gissarneftegaz" JV LLC	Oil and gas production	Uzbekistan	55%**	55%**	26%*
"Kokdumaloq-gaz" JV LLC	Oil and gas production	Uzbekistan	62.5%**	62.5%**	33%*
"Mubarek Gas Refinery Plant" LLC	Gas processing	Uzbekistan	Not applicable**	Not applicable**	41%*
"Shurtan Gas Chemical Complex" LLC	Petrochemicals production	Uzbekistan	100%**	100%**	41%*
"Uzneftеproduct" JSC	Sales of refined oil products	Uzbekistan	Not applicable**	Not applicable**	66%
"Bukhara Refinery Plant" LLC	Oil refining	Uzbekistan	100%**	100%**	66%
"Fergana Refinery Plant" LLC	Oil refining	Uzbekistan	0%**	100%**	66%
"Uzbekistan GTL" LLC	Gas-to-liquids production	Uzbekistan	100%**	100%**	100%

* *Despite the fact that participating share in equity is less than 50 percent, the Group has a control according to IFRS 10.*

** *In 2019 according to Decree of President of the Republic of Uzbekistan No. 4388 from 9 July 2019, a number of subsidiary enterprises (JSC "Uzburneftegaz", JSC "Uzneftegazdobicha", JSC "Uzneftеproduct", JSC "Mubarekneftegaz", "Mubarek Gas Refinery Plant" LLC, "Ustyurtgaz" LLC, "Gazlineftegazdobicha" LLC, "Shurtanneftegaz" LLC) were merged into JSC "Uzbekneftegaz". Following the reorganization the share interest of these enterprises in their subsidiaries ("Gissarneftegaz" JV LLC, "Kokdumalak" JV LLC, "Bukhara Refinery Plant" LLC, "Shurtan Gas Chemical Complex" LLC, "Fergana Refinery Plant" LLC) were transferred directly to JSC "Uzbekneftegaz", that led to increase in equity share (Note 21). In March 2020 the Group transferred 100% share interest in "Fergana Refinery Plant" LLC to the State Asset Management Agency (Note 6).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. General information (continued)

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, %		
			2020	2019	2018
"Asia Trans Gaz" JV LLC	Gas transportation	Uzbekistan	50%	50%	50%
"Uz-Kor Gas Chemical" JV LLC	Petrochemicals production	Uzbekistan	50%	50%	50%
"Uztransgaz" JSC	Gas transportation and sales	Uzbekistan	0%***	8.3%***	47.8%***

*** *At 27 December 2018 the Group has lost control over "Uztransgaz" JSC, as a result of dilution of share of the Group in share capital of "Uztransgaz" JSC according to the Order of the Cabinet of Ministers of the Republic of Uzbekistan dated 5 January 2017 (Note 6). In 2019 according to the Decree of President of Republic of Uzbekistan No. 4388 dated 9 July 2019, share interest of 39.5% was transferred to the State Asset Management Agency (Notes 6 and 17). In October 2020 the Group transferred the remaining 8.3% share interest in JSC "Uztransgaz" to the State Asset Management Agency (Note 21).*

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 2020 were approved and authorized for issue by the Management of the Group on 30 September 2021.

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 2020, the Group's current liabilities exceed its current assets by UZS 2,048 billion (31 December 2019: UZS 21,111 billion and 31 December 2018: UZS 12,154 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 margins and consistently generates positive cash flows from operating activities including the current and subsequent reporting periods.
- According to its cash flow forecasts, the Group expects to generate sufficient cash from operations in 2021–2022 as well as to attract new and restructure existing loans to settle current liabilities when they become due.
- As at the date of authorization of these consolidated financial statements, the Group's short-term borrowings included UZS 1,708 billion payable to one of the lenders, which confirmed its intention to prolong the indebtedness for the period beyond 12 months since the date of authorization of these consolidated financial statements.
- As at the date of authorization of these consolidated financial statements, the Group has available undrawn borrowing facilities from financial institutions comprised UZS 4,642 billion.
- The Group's liquidity position may be further supported by financing from foreign and local banks who indicated their intent to negotiate terms of working capital financing for the amount not less than UZS 500 million.
- Also, management believes that the Group will be compliant with the financial and non-financial covenants stipulated by the loan agreement within 12 months from the date of authorization of these consolidated financial statements or will be able to renegotiate their terms in advance so that the lenders will not request an accelerated repayment of the existing debts.
- The Group's 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 its cash flows by regulating prices for gas sales to related parties.

2. Basis of preparation (continued)

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.

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 2020 was 10,476 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 2020 (31 December 2019: 9,508 UZS to 1 US dollar, 31 December 2018: 8,340 UZS to 1 US dollar). The currency exchange rate of CBU as of 30 September 2021 was 10,692 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 2020. 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.

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.

3. Significant accounting policies (continued)

Business combinations, goodwill and other intangible assets (continued)

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.

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.

3. Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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.

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.

3. Significant accounting policies (continued)

Current versus non-current classification (continued)

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.

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.

3. Significant accounting policies (continued)

Financial assets (continued)

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.

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.

3. Significant accounting policies (continued)

Financial assets (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. 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.

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.

3. Significant accounting policies (continued)

Financial liabilities (continued)

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.

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.

3. Significant accounting policies (continued)

Exploration and evaluation costs (continued)

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.

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.

3. Significant accounting policies (continued)

Depreciation, depletion and amortization (continued)

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.

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.

3. Significant accounting policies (continued)

Non-current assets held for sale and discontinued operations (continued)

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.

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.

3. Significant accounting policies (continued)

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.

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.

3. Significant accounting policies (continued)

Revenue recognition (continued)

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.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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.

3. Significant accounting policies (continued)

Income taxes (continued)

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

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 classified as non-current deferred tax assets and non-current deferred tax liabilities, respectively.

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.

3. Significant accounting policies (continued)

Equity (continued)

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.

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.

4. Critical estimates and judgements (continued)

Oil and gas reserves (continued)

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.

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 2020 were based on reports prepared by independent reservoir engineers in accordance with Petroleum Resources Management System rules. For certain assets proved reserves are based on estimation of internal engineers.

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.

4. Critical estimates and judgements (continued)

Assets retirement obligations (continued)

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*.

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 2020 were equal to 7% and 12%, respectively (2019: 7% and 16%, 2018: 7% and 16%). 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 2020, the Company issued a number of guarantees to its related parties (see *Note 31, Financial guarantee liabilities*). As of 31 December 2020, the Group recognized the financial liabilities in respect of the issued guarantees amounting to UZS 268 billion (UZS 221 billion and UZS 87 billion in 2019 and 2018, respectively) as part of other current and non-current liabilities. ECL rate in the range of 1.9% - 2.43% was used to measure the book value of the financial guarantee liabilities as of 31 December 2020, 2019 and 2018. 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 2020. 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 2020.

4. Critical estimates and judgements (continued)

Taxation (continued)

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.

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 accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective as of 1 January 2020.

The following amendments were applied for the first time in 2020:

Amendments to IFRS 3 Business Combinations

The amendments enhanced definition of a business set out by the standard and clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. The amendments are applicable prospectively. These amendments had no impact on the consolidated financial statements of the Group since the current practice is in line with these amendments.

Amendments to IFRS 7 Financial Instruments: Disclosures, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments

The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

5. Adoption of new or revised standards and interpretations and new accounting pronouncements (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

These amendments introduced new definition of material. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. Since the current practice is in line with these amendments, there is no impact on the consolidated financial statements.

Revised version of Conceptual Framework for Financial Reporting

In particular, the revised version introduced new definitions of assets and liabilities, as well as amended definitions of income and expenses. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Leases in Regards of COVID-19-Related Rent Concessions

The amendments provide relief to lessees from assessment whether a COVID-19-related rent concession is a lease modification. The amendments did not have a material impact on the consolidated financial statements, as the Group has not received significant rent concessions related to pandemic.

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.

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*. IFRS 17 establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures. The new standard replaces IFRS 4 *Insurance Contracts*. The standard is effective for annual periods beginning on or after 1 January 2023. The Group does not expect the standard to have a material impact on the consolidated financial statements.

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* named *Classification of Liabilities as Current or Non-current*. The amendments clarify requirements for classifying liabilities as current or non-current. The amendments are effective on or after 1 January 2023; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements, as the Group already applies criteria set by the amendments.

In May 2020, the IASB issued amendments to IFRS 3 *Business Combinations* named *Reference to the Conceptual Framework*. The amendments replace references to the *Conceptual Framework for Financial Reporting* with the current version issued in March 2018, without significantly changing the requirements of the standard. The amendments are effective on or after 1 January 2022; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In May 2020, the IASB issued amendments to IAS 16 *Property, Plant and Equipment* named *Property, Plant and Equipment: Proceeds Before Intended Use*. The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of 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 recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments are effective on or after 1 January 2022 and should be applied retrospectively. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In May 2020, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* named *Onerous Contracts − Costs of Fulfilling a Contract*. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous. The amendments are effective on or after 1 January 2022; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

5. Adoption of new or revised standards and interpretations and new accounting pronouncements (continued)

Standards issued but not yet effective (continued)

In August 2020, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments* as well as IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* named *Interest Rate Benchmark Reform − Phase II*. The amendments provide certain temporary reliefs which address the financial reporting effects related to the transfer to the risk-free interest rate. The amendments are effective on or after 1 January 2021; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

Additionally, a number of amendments, not yet effective, were issued during annual improvement process conducted by IASB. They include the amendments to IFRS 1 *Fist-time Adoption* named *First-time Adoption: Subsidiary as a First-time Adopter*, and the amendments to IFRS 9 *Financial Instruments* named *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2 Making Materiality Judgements*. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS *Practice Statement 2* provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Separately, the Board has also issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments to IAS 1 and IAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

6. Discontinued operation and assets classified as held for distribution to the shareholder

Disposal of "Fergana Refinery Plant" LLC (2020 – 2019)

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. Assets and liabilities of "Fergana Refinery Plant" LLC were classified in the consolidated financial statement of the Group as of 31 December 2019 as disposal group.

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

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

In billions of Uzbek soums	**31 December 2019**	**Assets and liabilities as of the date of disposal**
Assets		
Property, plant and equipment	407	402
Trade and loans receivable	236	549
Inventory	561	193
Other assets	50	314
Total assets	**1,254**	**1,458**
Liabilities		
Borrowings	229	329
Trade payables	415	396
Other liabilities	357	441
Total liabilities	**1,001**	**1,166**
Net assets	**253**	**292**

6. Discontinued operation and assets classified as held for distribution to the shareholder (continued)

Disposal of "Fergana Refinery Plant" LLC (2020 – 2019) (continued)

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 − "Reduction of share capital"*) was recognized in retained earnings.

Disposal of service companies (2019)

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

Main categories of assets and liabilities of these entities as of the date of disposal are presented below:

	Assets and liabilities as of the date of disposal
Assets	
Trade receivables	1,611
Inventory	599
Property, plant and equipment	1,515
Other assets	724
Total assets	**4,449**
Liabilities	
Trade and other payables	2,612
Other liabilities	814
Total liabilities	**3,426**
Net assets	**1,023**

The difference between assets and liabilities of the disposed entities in the amount of UZS 1,023 billion was recognized in equity *(Note 22 − "Reduction of share capital")*.

Discontinued operation (Loss of control over "Uztransgaz" JSC) (2018)

In 2018 "Uztransgaz" JSC increased its share capital through the placement of additional 40,566,804 ordinary shares. On 27 December 2018 shares of this issue were purchased by private subscription by the "State Committee of the Republic of Uzbekistan on privatized enterprises and development of competition". As a result of this transaction share of the Group decreased to 47.8% that led to the loss of control by the Group over "Uztransgaz" JSC. The Group derecognized respective assets and liabilities as of 27 December 2018, and presented financial results of "Uztransgaz" JSC as discontinued operation in the consolidated statement of profit or loss.

6. Discontinued operation and assets classified as held for distribution to the shareholder (continued)

Discontinued operation (Loss of control over "Uztransgaz" JSC) (2018) (continued)

The operating results of "Uztransgaz" JSC for the period from 1 January till 27 December 2018 are presented below:

	For the period from 1 January till 27 December 2018
Gas and gas products sales, and transportation	12,742
Government grant and other operating income	1,464
Total revenues and other income	**14,206**
Cost of purchased oil, gas, petroleum product and other materials	(10,144)
Production expenses	(1,371)
Taxes other than income tax	(496)
Depreciation and amortization	(1,438)
Impairment of trade receivables	(1,197)
General and administrative expenses	(1,908)
Transportation and selling expenses	(623)
Loss on disposal of property, plant and equipment, net	(397)
Other operating expenses	(60)
Total costs and expenses	**(17,634)**
Operating loss	**(3,428)**
Finance income	244
Other non-operating income	5
Foreign exchange loss, net	(190)
Finance costs	(2)
Loss before income tax	**(3,371)**
Income tax benefit	766
Loss for the year	**(2,605)**
Intercompany operations	1,809
Loss for the year from discontinued operation, recognized in the consolidated statement of profit or loss	**(796)**

6. Discontinued operation and assets classified as held for distribution to the shareholder (continued)

Discontinued operation (Loss of control over "Uztransgaz" JSC) (2018) (continued)

As of the date of loss of control, net assets of "Uztransgaz" JSC are as follows:

	On 27 December 2018
Assets	
Current assets	
Cash and cash equivalents	495
Trade receivables	8,016
Advances paid	177
Inventories	1,029
Income tax prepaid	314
Other current assets	113
Total current assets	**10,144**
Non-current assets	
Property, plant and equipment	21,216
Investments in joint ventures and associates	15
Other non-current assets	216
Total non-current assets	**21,447**
Liabilities	
Current liabilities	
Trade and other payables	19,208
Borrowings	2,675
Provisions	13
Total current liabilities	**21,896**
Non-current liabilities	
Borrowings	2,041
Provisions	358
Deferred income tax liabilities	721
Total non-current liabilities	**3,120**
Net assets	**6,575**

Net cash flows from discontinued operation:

	For the period from 1 January till 27 December 2018
Operating activities	3,891
Investing activities	668
Financing activities	(4,556)
Net cash flows	**3**

In 2018, the Group recognized its share in "Uztransgaz" JSC as investments in associated company at fair value as of the date of loss of control *(Note 17)*.

Difference in the amount of UZS 15,598 billion, between the book value of the disposed net assets (UZS 6,575 billion), non-controlling interest (UZS 8,673 billion) and fair value of investments in associated company (UZS 13,500 billion), was recognized in equity.

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. In addition, in 2018 other operating segment includes JSC "Uztransgaz".

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.

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 2020 is set out below:

In billions of Uzbek soums	**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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Segment information (continued)

Segment information for the reportable segments for the year ended 31 December 2019 is set out below:

In billions of Uzbek soums	**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	10,667	10,711	3,005	602	–	**24,985**
Inter-segment	669	924	51	–	(2,404)	**(760)**
Total revenues and other income	**11,336**	**11,635**	**3,056**	**602**	**(2,404)**	**24,225**
Costs and expenses						
Costs and expenses other than depreciation, depletion and amortization	(6,055)	(9,792)	(1,228)	(1,898)	2,404	**(16,569)**
Depreciation, depletion and amortization	(2,714)	(131)	(87)	(32)	–	**(2,964)**
Total costs and expenses	**(8,769)**	**(9,923)**	**(1,315)**	**(1,930)**	**2,404**	**(19,533)**
Operating profit	**2,567**	**1,712**	**1,741**	**(1,328)**	**–**	**4,692**
Finance income	226	125	15	13	–	**379**
Finance expense	(1,197)	(123)	(1)	(146)	–	**(1,467)**
Other non-operating income	234	(90)	5	119	–	**268**
Foreign exchange loss, net	(2,266)	(44)	(156)	(42)	–	**(2,508)**
Profit/(loss) before income tax	**(436)**	**1,580**	**1,604**	**(1,384)**	**–**	**1,364**
Income tax expense	(308)	(321)	(115)	(31)	–	**(775)**
Net profit/(loss) for the year	**(744)**	**1,259**	**1,489**	**(1,415)**	**–**	**589**
Other segment information						
Investments in associates and joint ventures	–	–	6,715	7,562	–	**14,277**
Capital expenditures**	7,003	133	7,598	83	–	**14,817**
Total segment assets	**35,227**	**5,235**	**33,485**	**11,381**	**(3,524)**	**81,804**
Total segment liabilities	**34,453**	**2,656**	**16,251**	**636**	**(3,524)**	**50,472**

* *Inter-segment balances are eliminated on consolidation.*

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

7. Segment information (continued)

Segment information for the reportable segments for the year ended 31 December 2018 is set out below:

In billions of Uzbek soums	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	3,858	12,575	924	18,297	–	**35,654**
Inter-segment	2,799	150	255	124	(3,328)	**–**
Total revenues and other income	**6,657**	**12,725**	**1,179**	**18,421**	**(3,328)**	**35,654**
Costs and expenses						
Costs and expenses other than depreciation, depletion and amortization	(4,671)	(11,645)	(858)	(18,216)	3,352	**(32,038)**
Depreciation, depletion and amortization	(1,897)	(144)	(56)	(1,538)	–	**(3,635)**
Total costs and expenses	**(6,568)**	**(11,789)**	**(914)**	**(19,754)**	**3,352**	**(35,673)**
Operating profit/(loss)	**89**	**936**	**265**	**(1,333)**	**24**	**(19)**
Finance income	4	1	–	429	–	**434**
Finance expense	(322)	(339)	(3)	(1,086)	–	**(1,750)**
Other non-operating income	43	41	–	51	(24)	**111**
Foreign exchange profit/(loss), net	(103)	9	–	(430)	–	**(524)**
Profit/(loss) before income tax	**(289)**	**648**	**262**	**(2,369)**	**–**	**(1,748)**
Income tax benefit/(expense)	(972)	(690)	(3)	823	–	**(842)**
Net profit/(loss) for the year	**(1,261)**	**(42)**	**259**	**(1,546)**	**–**	**(2,590)**
Other segment information						
Investments in associates and joint ventures	187	25	4,944	18,490	–	**23,646**
Capital expenditures**	4,918	191	6,357	2,169	–	**13,635**
Total segment assets	**22,788**	**5,205**	**19,669**	**42,052**	**(11,820)**	**77,894**
Total segment liabilities	**22,755**	**4,263**	**6,159**	**19,300**	**(11,820)**	**40,657**

* *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 2020, 2019 and 2018 the Group entered into transactions with shareholder and companies controlled by shareholder (including enterprises directly or indirectly controlled by the Uzbek 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 effected 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 Uzbek 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 340 thousand for 1,000 cubic meters in 2020; UZS 208-340 thousand for 1,000 cubic meters in 2019, UZS 83-208 thousand for 1,000 cubic meters in 2018).

8. Related party transactions (continued)

At 31 December 2020, 2019 and 2018, the outstanding balances with related parties were as follows:

	As at 31 December					
	2020		2019		2018	
In billions of Uzbek soums	Government and entities under government control	Associates and joint ventures	Government and entities under government control	Associates and joint ventures	Government and entities under government control	Associates and joint ventures
Trade receivables	1,765	800	748	1,535	22	3,225
Provision for expected credit losses on trade receivables	(71)	(109)	(113)	–	–	(22)
Cash and cash equivalents	1,700	–	130	–	342	–
Restricted cash	411	–	439	–	85	–
Advances paid (including for non-current assets)	392	617	19	226	118	–
Loans due from related parties	509	5,415	301	4,712	–	5,337
Provision for expected credit losses on loans due from related parties	(14)	(94)	(2)	(43)	–	(55)
Borrowings	(3,530)	–	(18,610)	–	(19,192)	–
Trade and other payables	(475)	(2,580)	(110)	(2,668)	(486)	(4,258)
Advances received	(27)	(2)	(34)	(35)	–	(71)

The transactions with related parties for the year ended 31 December 2020, 2019 and 2018 were as follows:

	2020		2019		2018	
	Government and entities under government control*	Associates and joint ventures	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	8,238	438	6,334	584	3,714	738
Sales of refined oil products	1,567	–	1,735	–	1,852	29
Services rendered	–	286	–	127	–	139
Interest on loans due from related parties	7	362	2	206	–	165
Interest on loans due to related parties	(123)	–	(584)	–	(489)	–
Transportation and selling expenses	(80)	1	(141)	–	(899)	(615)
Purchase of inventory	–	(105)	–	–	(2)	(45)
Other operating income	7	340	3	2	–	47

* *In 2020 and 2019 all Group's transactions with JSC "Uztransgaz" were presented as transactions with entities under government control.*

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 2020, 8 employees in 2019 and 8 employees in 2018), including basic salary, bonuses and other payments, amounted to UZS 5,359 million, UZS 2,575 million and UZS 1,635 million in 2020, 2019 and 2018, respectively.

9. Cash and cash equivalents

	As at 31 December		
In billions of Uzbek soums	**2020**	**2019**	**2018**
Current accounts with banks − US dollars	2,129	287	210
Current accounts with banks − UZS	354	509	1,193
Current accounts with banks − other currencies	43	33	12
Cash on hand	8	−	14
Total cash and cash equivalents	**2,534**	**829**	**1,429**

10. Restricted cash

At 31 December 2020, 2019 and 2018 years, restricted cash was mainly represented by accounts held by the Group as collateral for letters of credit.

11. Trade receivables

	As at 31 December		
In billions of Uzbek soums	**2020**	**2019**	**2018**
Long-term trade receivables	81	861	683
Short-term trade receivables	3,979	2,347	3,050
Less: provision for expected credit losses	(991)	(893)	(212)
Trade accounts receivable	**3,069**	**2,315**	**3,521**

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 2020, 2019 and 2018 trade receivables were non-interest bearing.

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

In billions of Uzbek soums	**2020**	**2019**	**2018**
At 1 January	**893**	**212**	**4,315**
Charge for the year	572	720	1,169
Recovered during the year	(474)	(39)	(41)
Discontinued operations	−	−	(5,231)
At 31 December	**991**	**893**	**212**

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

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

	Days past due					
In billions of Uzbek soums	**Not overdue**	**<30 days**	**30-60 days**	**61-90 days**	**>90 days**	**Total**
31 December 2020						
ECL rate	*12%*	*17%*	*65%*	*69%*	*100%*	
Trade accounts receivable	2,651	853	23	86	447	**4,060**
ECL	321	149	15	59	447	991
31 December 2019						
ECL rate	*8%*	*8%*	*17%*	*77%*	*100%*	
Trade accounts receivable	1,444	451	659	95	559	**3,208**
ECL	113	36	112	73	559	**893**
31 December 2018						
ECL rate	*5%*	*5%*	*4%*	*11%*	*100%*	
Trade accounts receivable	1,737	1,464	105	416	11	**3,733**
ECL	84	66	4	47	11	**212**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Inventories

In billions of Uzbek soums	As at 31 December 2020	2019	2018
Refined oil products (at cost or net realizable value)	1,039	438	781
Materials and supplies (at cost or net realizable value)	802	829	1,294
Crude oil (at cost)	321	346	625
Work-in-progress (at cost)	78	31	24
Gas products (at cost)	6	5	6
Other	26	32	62
Total inventories	**2,272**	**1,681**	**2,792**

13. Loans due from related parties

In billions of Uzbek soums	Maturity	Interest rate	As at 31 December 2020	2019	2018
Loans due from JV "Uz-Kor Gas Chemical" in US dollars	December 2024	10%	5,125	4,463	3,640
Loans due from JV "Natural Gas Stream" in US dollars	December 2021	3.5%	290	249	1,674
Loans due from JSC "Uztransgaz" in US dollars	July, November 2021	3%	318	277	–
Loans due from JSC "Uzbekgeofizika" in US dollars	October 2028	2%	113	–	–
Loans due from other related parties in other currencies			78	24	23
Less: provision for expected credit losses			(108)	(45)	(55)
Total loans due from related parties			**5,816**	**4,968**	**5,282**
Current portion of loans due from related parties			(662)	(550)	(1,654)
Non-current portion of loans due from related parties			**5,154**	**4,418**	**3,628**

14. Other current assets

In billions of Uzbek soums	As at 31 December 2020	2019	2018
Other current non-financial assets			
Prepayments on other taxes	792	748	319
Other current financial assets			
Dividends receivable	69	58	136
Other receivables	333	585	208
	402	**643**	**344**
Total other current assets	**1,194**	**1,391**	**663**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Property, plant and equipment

In billions of Uzbek soums	Oil and gas	Gas pipelines	Refinery assets	Buildings and structures	Machinery and equipment	Other	CIP	Total
Cost								
At 1 January 2018	**17,942**	**20,407**	**1,069**	**5,098**	**2,472**	**467**	**9,597**	**57,052**
Additions	144	9	42	186	527	189	11,035	**12,132**
Disposals	(132)	(80)	(55)	(175)	(82)	(89)	(185)	**(798)**
Transfers from CIP	4,408	415	42	407	129	26	(5,427)	**–**
Transfers from E&E assets	61	–	–	–	–	–	–	**61**
Translation to presentation currency	–	–	–	–	–	–	385	**385**
Discontinued operations *(Note 6)*	–	(20,751)	–	(3,124)	(958)	(271)	(235)	**(25,339)**
At 31 December 2018	**22,423**	**–**	**1,098**	**2,392**	**2,088**	**322**	**15,170**	**43,493**
Additions	459	–	12	21	15	56	14,254	**14,817**
Disposals	(297)	–	(15)	(88)	(51)	(47)	(111)	**(609)**
Transfer to assets to be transferred to shareholder *(Note 6)*	–	–	(564)	–	–	(63)	(1)	**(628)**
Disposal of service companies *(Note 6)*	(78)	–	–	(622)	(970)	(29)	(293)	**(1,992)**
Transfers from CIP	5,592	–	121	54	20	28	(5,815)	**–**
Transfers from E&E assets	31	–	–	–	–	–	–	**31**
Translation to presentation currency	–	–	–	–	–	–	2,641	**2,641**
At 31 December 2019	**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**
Depreciation and impairment								
At 1 January 2018	**(2,719)**	**(2,069)**	**(265)**	**(704)**	**(453)**	**(157)**	**–**	**(6,367)**
Charge for the year	(1,802)	(1,068)	(86)	(346)	(400)	(90)	–	**(3,792)**
Disposals	20	15	4	24	71	29	–	**163**
Discontinued operations *(Note 6)*	–	3,122	–	722	215	64	–	**4,123**
At 31 December 2018	**(4,501)**	**–**	**(347)**	**(304)**	**(567)**	**(154)**	**–**	**(5,873)**
Charge for the year	(2,684)	–	(79)	(116)	(102)	(57)	–	**(3,038)**
Disposals	100	–	25	15	21	19	–	**180**
Transfer to assets to be transferred to the shareholder *(Note 6)*	–	–	180	–	–	41	–	**221**
Disposal of service companies *(Note 6)*	39	–	–	66	383	(11)	–	**477**
At 31 December 2019	**(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)**
Net book value								
At 1 January 2018	**15,223**	**18,338**	**804**	**4,394**	**2,019**	**310**	**9,597**	**50,685**
At 31 January 2018	**17,922**	**–**	**751**	**2,088**	**1,521**	**168**	**15,170**	**37,620**
At 31 December 2019	**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**

15. Property, plant and equipment (continued)

In 2020, the Group capitalized borrowing costs in the amount of UZS 1,120 billion (2019: UZS 330 billion, in 2018: UZS 231 billion).

The construction-in-progress balance mainly relates to two subsidiaries of the Group, "Uzbekistan GTL" LLC (UZS 28,788 billion, UZS 22,192 billion and UZS 13,206 billion as of 31 December 2020, 2019 and 2018, respectively) and "Shurtan Gas Chemical Complex" LLC (UZS 2,428 billion in 2020 and UZS 1,005 billion as of 31 December 2019 and 2018, 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 2020, advances for non-current assets given under this project amounted to UZS 189 billion (as of 31 December 2019 and as of 31 December 2018 − UZS 203 billion and UZS 45 billion, respectively).

Also, another subsidiary of the Group, Shurtan Gas Chemical Complex is in process of the construction of the capital project related to the expansion of the production of polyethylene, polypropylene and pyrolysis gasoline in Uzbekistan. As of 31 December 2020, advances for non-current assets given under this project amounted to UZS 2,205 billion (as of 31 December 2019: UZS 729 billion, as of 31 December 2018: nil).

16. Exploration and evaluation assets

In billions of Uzbek soums	
Net book value as at 1 January 2018	**325**
Additions	658
Transfer to property, plant and equipment	(61)
Expensed	(405)
Net book value as at 31 December 2018	**517**
Additions	658
Transfer to property, plant and equipment	(31)
Expensed	(613)
Disposal of service companies	(106)
Net book value as at 31 December 2019	**425**
Additions	544
Transfer to property, plant and equipment	(268)
Expensed	(247)
Net book value as at 31 December 2020	**454**

17. Investments in joint-ventures and associates

In billions of Uzbek soums	Place of business	Main activity	Percentage ownership	As at 31 December 2020	2019	2018
"Uz-Kor Gas Chemical" LLC	Uzbekistan	Manufacturing of the polymer products	50%	7,912	6,623	4,944
"Asia Trans Gas" LLC	Uzbekistan	Natural gas transportation	50%	8,877	6,894	4,979
"Uztransgaz" JSC*	Uzbekistan	Transportation and sale of natural gas		–	–	13,500
Other joint ventures and associates	Uzbekistan			887	760	265
Total investments in joint ventures and associates				**17,676**	**14,277**	**23,688**

* *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.*

17. Investments in joint-ventures and associates (continued)

The following table summarizes the movements in the investments in 2020, 2019 and 2018:

In billions of Uzbek soums	**2020**	**2019**	**2018**
At 1 January	**14,277**	**23,688**	**8,446**
Recognition of associated companies	–	–	13,500
Share in profits of joint ventures and associates, net	1,875	(125)	1,823
Dividends received	–	–	(135)
Foreign currency translation	1,524	1,619	186
Disposal of JSC "Uztransgaz" *(Note 21)*	–	(11,128)	–
Other	–	223	(132)
At 31 December	**17,676**	**14,277**	**23,688**

The equity share in profits/(losses) of associates and joint ventures comprises the following:

In billions of Uzbek soums	**2020**	**2019**	**2018**
"Uz-Kor Gas Chemical" JV LLC	590	916	658
"Asia Trans Gaz" JV LLC	1,230	1,131	1,039
"Uztransgaz" JSC	–	(2,372)	–
Other joint ventures and associates	55	200	126
Total equity share in profits of associates and joint ventures	**1,875**	**(125)**	**1,823**

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 31 December 2020, 2019 and 2018:

	As at 31 December		
"Uz-Kor Gas Chemical" LLC	**2020**	**2019**	**2018**
Non-current assets	26,707	25,691	24,691
Current assets, including	14,306	12,409	8,951
Cash and cash equivalents	*3,883*	*4,178*	2,536
Non-current liabilities, including	9,138	8,207	6,549
Non-current financial liabilities	*9,089*	*8,165*	6,516
Current liabilities	16,051	16,648	17,205
Equity	**15,824**	**13,245**	**9,888**
Share of ownership of the Group	50%	50%	50%
Carrying amount of the investment	**7,912**	**6,623**	**4,944**
Revenue	7,005	6,777	6,538
Cost of sales	(3,109)	(2,806)	(2,705)
General and administrative expenses	(281)	(377)	(500)
Allowance for expected credit losses	(1,355)	(146)	–
Interest expense	(2,031)	(2,039)	(2,070)
Finance income	762	91	–
Other income	189	332	53
Profit for the year	**1,180**	**1,832**	**1,316**

	As at 31 December		
"Asia Trans Gas" JV LLC	**2020**	**2019**	**2018**
Non-current assets	28,843	28,149	26,056
Current assets, including	4,945	3,285	4,309
Cash and cash equivalents	*1,593*	*3,285*	*2,920*
Non-current liabilities	12,222	14,320	17,548
Current liabilities, including	3,813	3,327	2,859
Current financial liabilities	*17*	–	*13*
Equity	**17,753**	**13,787**	**9,958**
Share of ownership of the Group	50%	50%	50%
Carrying amount of the investment	**8,877**	**6,894**	**4,979**

17. Investments in joint-ventures and associates (continued)

"Asia Trans Gas" JV LLC	**2020**	**2019**	**2018**
Revenue	5,585	5,794	5,841
Cost of sales	(2,351)	(2,323)	(2,426)
General and administrative expenses	(149)	(157)	(126)
Interest expense	(562)	(931)	(956)
Other income	11	6	8
Other operational expenses	(2)	–	(64)
Foreign exchange loss, net	(1)	–	–
Finance costs	(3)	–	–
Income tax expense	(68)	(126)	(199)
Profit for the year	**2,460**	**2,263**	**2,078**

"Uztransgaz" JSC	**As at 31 December 2018**
Non-current assets	43,115
Current assets, including	10,144
Cash and cash equivalents	*495*
Non-current liabilities, including	3,120
Non-current financial liabilities	*2,041*
Current liabilities, including	21,896
Current financial liabilities	*21,883*
Equity	**28,243**
Share of ownership of the Group	47.8%
Carrying amount of the investment	**13,500**

18. Trade and other payables

	As at 31 December		
In billions of Uzbek soums	**2020**	**2019**	**2018**
Trade accounts payable	5,739	6,961	11,219
Other financial payables			
Dividends payable	605	549	1,227
Other non-financial payables			
Advances received	2,095	–	–
Other tax payables	658	760	2,317
Contract liabilities	254	300	507
Total trade and other payables	**9,351**	**8,570**	**15,270**

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 2020, 2019 and 2018 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)*.

Forgiveness of tax liabilities

In 2019, a liability on other taxes of "Gissarneftegaz" JV LLC due to the budget was decreased in the amount of UZS 1,130 billion in return to the certain fixed assets, which were immediately transferred to JSC "Uzneftegazdobicha" by the State Asset Management Agency as a contribution to the share capital. Effect of the decrease of other tax payables in the amount of UZS 1,130 billion was recognized by the Group in equity.

19. Borrowings

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

			Balance as at 31 December 2020	
Facilities	**Interest rate**	**Maturity date**	**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 86 million	LIBOR + 3.25%	July 2029	3,431	401
EURO 250 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 4,000 million	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**

19. Borrowings (continued)

At 31 December 2019, borrowings of the Group were represented by the following facilities:

			Balance as at 31 December 2019	
Facilities	**Interest rate**	**Maturity date**	**Non-current portion**	**Current portion**
USD 1,200 million**	LIBOR + 3.5%	June 2031	–	7,202
USD 740 million	2.0%	December 2030	6,055	150
USD 600 million**	LIBOR + 1.15% and LIBOR + 3.61%	December 2031	–	3,658
USD 200 million	2.0%	October 2026	2,116	30
USD 200 million	2.0%	January 2026	1,995	19
USD 164 million	2.0%	June 2027	1,503	31
USD 300 million*	6m EURIBOR + 4.95%	April 2022	–	1,402
USD 144 million	2.0%	June 2027	1,296	27
USD 280 million**	LIBOR + 1.15%	December 2031	–	1,459
USD 120 million**	LIBOR + 1.86% or LIBOR + 4.85%	June 2031	–	749
USD 57 million	2.0%	December 2024	647	11
USD 48 million	2.0%	July 2024	485	7
USD 48 million	2.0%	December 2026	472	9
USD 43 million	2.0%	July 2024	438	7
USD 172 million	3.5%	January 2023	410	172
USD 15 million	2.0%	June 2024	405	3
USD 45 million	5.5%	August 2027	379	49
USD 37 million	2.0%	June 2027	337	7
USD 55 million	2.3%	August 2024	326	4
USD 32 million	2.0%	September 2024	321	5
USD 100 million**	LIBOR + 1.86% or LIBOR + 4.85%	June 2031	–	308
USD 22 million	2.0%	September 2024	235	3
USD 40 million	2.0%	July 2024	186	4
UZS 675,000 million	0.0%	April 2020	–	254
USD 86 million*	LIBOR + 3.25%	July 2029	–	820
CNY 1,600 million*	SHIBOR + 0.5%	July 2031	–	2,189
USD 200 million	11.0%	May 2020	–	114
USD 200 million	3.5%	August 2020	–	232
Others			92	480
Total borrowings			**17,698**	**19,405**

* *On or before 31 December 2019 the Group did not comply with certain covenants of the loan agreements with the Silk Road Fund and Gazprombank JSC. As a result, the Group recognized all outstanding amounts under these loan agreements as at 31 December 2019 in the amount of UZS 3,009 billion and UZS 1,402 billion, respectively, as short-term loans. Subsequent to 31 December 2019, any event of default associated with the above-mentioned non-compliance with covenants under these loan agreements were waived by the lenders.*

** *As of 31 December 2019 "Uzbekistan GTL" LLC, the Company's 100% subsidiary, had the outstanding debt of UZS 13,367 billion under a loan agreement with the consortium of lenders ("GTL loans"). The Company is acting as a sponsor for this loan, while State of Uzbekistan is acting as a guarantor. This loan agreement contains a cross-default provision entitling its lender to declare the event of default if the Company's creditors obtained the right to declare its loans due and payable. As stated above, the Company's lenders obtained such right thus launching cross default clause at GTL loans.*

19. Borrowings (continued)

At 31 December 2018, borrowings of the Group were represented by the following facilities:

			Balance as at 31 December 2018	
Facilities	**Interest rate***	**Maturity date**	**Non-current portion**	**Current portion**
USD 740 million	2.25%	December 2030	5,274	–
USD 200 million	5.00%	October 2026	1,733	231
USD 200 million	5.00%	January 2026	1,664	235
USD 164 million	2.00%	June 2027	1,167	170
USD 144 million	2.00%	June 2027	1,031	150
USD 178 million	3.50%	January 2023	504	144
USD 57 million	5.00%	June 2024	464	97
USD 48 million	6.50%	December 2026	390	57
USD 49 million	3.50%	July 2023	350	86
USD 44 million	3.50%	July 2023	298	78
USD 55 million	2.25%	February 2023	283	6
USD 41 million	5.00%	July 2021	274	124
USD 37 million	2.00%	June 2027	261	39
USD 33 million	4.50%	September 2027	224	59
USD 20 million	5.50%	November 2027	163	–
USD 23 million	4.00%	September 2022	154	51
USD 15 million	7.00%	December 2024	114	26
USD 15 million	8.50%	December 2020	111	–
USD 70 million***	Libor + 1.86-4.85%	December 2031	–	534
USD 140 million	7.0%	December 2019	–	519
USD 110 million	7.0%	November 2019	–	459
UZS 725,000 million	0.0%	December 2019	–	579
UZS 675,000 million	0.0%	December 2019	–	506
UZS 183,089 million	3.0%	June 2019	–	183
USD 200 million	3.5%	2019	–	1,674
UZS 250,000 million	3.0%	June 2019	–	250
Other			287	796
Total borrowings			**14,746**	**7,053**

*** *On or before 31 December 2018 the Group did not comply with certain covenants of GTL loans. As a result, the Group recognized all outstanding amounts under these loan agreements as at 31 December 2018 in the amount of UZS 534 billion as short-term loans. Subsequent to 31 December 2018, any event of default associated with the above-mentioned non-compliance with covenants under these loan agreements were waived by the lenders.*

In 2020, 2019 and 2018 lenders of the Group comprise of financial institutions.

Changes in liabilities arising from financing activities:

In billions of Uzbek soums	**2020**	**2019**	**2018**
As at 1 January	**37,103**	**21,799**	**20,851**
Proceeds from borrowings	10,459	16,191	3,214
Transfer from trade payables	–	–	4,716
Translation to presentation currency	1,582	1,494	1,691
Finance costs, including capitalized to property, plant and equipment	1,539	1,530	–
Foreign exchange effect	1,326	2,587	520
Conversion of borrowings *(Note 21)*	(15,401)	–	–
Repayment of borrowings	(1,228)	(3,377)	(4,137)
Interest paid	(1,214)	(1,909)	(232)
Discontinued operations *(Note 6)*	–	–	(4,716)
Transfer to liabilities, related to assets held for distribution to the shareholder	–	(229)	–
Offset with trade receivables	–	(518)	–
Other	9	(465)	(108)
As at 31 December	**34,175**	**37,103**	**21,799**

51,536,810 of common shares of JSC "Uztransgaz" (approximately 8.3% of total common shares), owned by the Group, were pledged as collaterals for borrowings as of 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Provisions

In billions of Uzbek soums	Asset retirement obligations	Employee benefit: Post-employment benefits	Employee benefit: Other long-term payments	Legal claims	Total
As at 1 January 2018	**826**	**894**	**47**	**81**	**1,848**
Provision for the year / current service cost	3	–	–	–	**3**
Change in estimate	(167)	(116)	–	–	**(283)**
Unwinding of discount *(Note 28)*	106	139	10	–	**255**
Use of provision/payment	–	(56)	(1)	–	**(57)**
Discontinued operations	–	(242)	(48)	(81)	**(371)**
As at 31 December 2018	**768**	**619**	**8**	**–**	**1,395**
Provision for the year / current service cost	51	–	–	–	**51**
Change in estimate	5	6	–	–	**11**
Unwinding of discount *(Note 28)*	131	–	–	–	**131**
Interest cost *(Note 28)*		70	57	–	**127**
Use of provision/payment	–	(17)	(1)	–	**(18)**
Disposal of service companies	–	–	(8)	–	**(8)**
As at 31 December 2019	**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 *(Note 28)*	103	–	–	–	**103**
Interest cost *(Note 28)*	–	97	8	–	**105**
Use of provision/payment	(2)	(14)	(4)	–	**(20)**
As at 31 December 2020	**971**	**891**	**67**	**–**	**1,929**
As at 31 December 2018					
Current portion	–	15	–	–	**15**
Long-term portion	768	604	8	–	**1,380**
As at 31 December 2018	**768**	**619**	**8**	**–**	**1,395**
As at 31 December 2019					
Current portion	–	20	15	–	**35**
Long-term portion	955	658	41	–	**1,654**
As at 31 December 2019	**955**	**678**	**56**	**–**	**1,689**
As at 31 December 2020					
Current portion	–	2	6	–	**8**
Long-term portion	**971**	889	61	–	**1,921**
As at 31 December 2020	**971**	**891**	**67**	**–**	**1,929**

Key actuarial assumptions

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

	2020	2019	2018
Discount rate	13.03%	14.31%	13.83%
Future salary increases	10.72%	10.4%	9.8%
Growth of the minimum wage	14.7%	15.86%	16.9%
Increase in surcharges	12.1%	12.05%	11.8%

20. Provisions (continued)

Key actuarial assumptions (continued)

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	
Sensitivity level	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	–	–

A quantitative sensitivity analysis for significant assumption as at 31 December 2019 is as shown below:

Assumptions	Discount rate		Future salary increases		Staff turnover		Mortality	
Sensitivity level	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease	10% increase	10% decrease
Impact on post-employment benefits	(94)	119	119	(96)	(53)	62	(25)	28
Impact on other long-term payments	(4)	4	5	(4)	(4)	5	–	–

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.

21. Shareholders' equity

As of 31 December 2020, the share capital of the Company consisted of 43,048,493,329 common shares (2019: 14,628,597,094 common shares, 2018: 14,415,056,795 common shares) issued at UZS 500 par value (2019: UZS 1,000 par value, 2018: UZS 1,000 par value) as well as preferred non-voting shares of 24,312,673 (31 December 2019: 519,856 preferred shares, 31 December 2018: 519,856 preferred shares) issued at UZS 500 par value (2019: UZS 1,000 par value, 2018: UZS 1,000 par value).

Contributions to share capital

i) Contribution of non-controlling interest (2019 and 2020)

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" *(Note 1)*. 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.

21. Shareholders' equity (continued)

Contributions to share capital (continued)

ii) Conversion of borrowings and dividends payable (2020)

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" (2018, 2019 and 2020)

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.

ii) "Fergana Refinery Plant" LLC (2020)

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, *Note 6*) was recognized in retained earnings.

iii) Transfer of other entities (2019 and 2020)

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 (*Note 6*, Disposal of service companies).

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.

21. Shareholders' equity (continued)

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.

22. Oil, gas, petroleum products and petrochemicals sales

In billions of Uzbek soums	**2020**	**2019**	**2018**
Sales of gas and gas products	9,403	9,723	11,669
Sales of refined oil products	7,695	11,265	2,716
Sales of petrochemical products	1,132	1,243	873
Gas processing and tolling fees	715	436	458
Oil refinery tolling fees	139	106	117
Gas transportation fees	98	103	49
Sales of other products	172	322	381
Total oil, gas, petroleum products and petrochemicals sales	**19,354**	**23,198**	**16,263**
Geographical markets			
Uzbekistan	18,828	22,245	14,479
Other countries	526	953	1,784
	19,354	**23,198**	**16,263**

The Group recognized oil, gas, petroleum and petrochemical sales at the point in time during the years 2020, 2019 and 2018.

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

In billions of Uzbek soums	**2020**	**2019**	**2018**
Purchased crude oil	4,057	6,016	6,199
Materials and supplies	310	680	1,018
Purchased gas for resale	68	–	239
Total cost of purchased oil, gas, petroleum products and other materials	**4,435**	**6,696**	**7,456**

24. Production expenses

In billions of Uzbek soums	**2020**	**2019**	**2018**
Payroll	1,167	1,500	1,561
Services	520	471	348
Utilities	559	472	186
Repair and maintenance	471	409	235
Transportation costs	1	90	170
Other	135	233	297
Total production expenses	**2,853**	**3,175**	**2,797**

25. Taxes other than income tax

In billions of Uzbek soums	**2020**	**2019**	**2018**
Subsoil tax	1,593	1,581	912
Property tax	108	141	1,011
Excise tax	91	67	603
Value added tax	12	143	1,316
Contributions to non-budget funds	–	92	248
Other taxes	167	145	173
Total taxes other than income tax	**1,971**	**2,169**	**4,263**

26. General and administrative expenses

In billions of Uzbek soums	**2020**	**2019**	**2018**
Payroll	335	243	149
Charitable donations and sponsorship	150	2	127
Consulting services	122	119	5
Repair and maintenance	95	21	81
Materials and supplies	38	6	8
Other	251	257	30
Total transportation and selling expenses	**991**	**648**	**400**

27. Transportation and selling expenses

In billions of Uzbek soums	**2020**	**2019**	**2018**
Payroll	542	504	454
Services	374	155	113
Transportation	202	453	345
Other	103	112	82
Total transportation and selling expenses	**1,221**	**1,224**	**994**

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

In billions of Uzbek soums	**2020**	**2019**	**2018**
Interest expenses	324	833	843
Loss on initial recognition of financial assets	159	–	–
Unwinding of discount on borrowings	95	367	615
Total interest expense	**578**	**1,200**	**1,458**
Provision: unwinding of discount of asset retirement obligations *(Note 20)*	103	131	106
Provision: interest cost on employee benefit obligations *(Note 20)*	105	127	149
Other	42	9	35
Total finance costs	**828**	**1,467**	**1,748**

29. Income tax

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

In billions of Uzbek soums	**2020**	**2019**	**2018**
Current tax charge	562	596	904
Deferred tax charge	438	179	704
Income tax expense reported in the consolidated statement of profit or loss	**1,000**	**775**	**1,608**

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.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2020, 2019 and 2018 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax-book bases' differences for certain assets.

29. Income tax (continued)

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (15% in 2020, 12% in 2019 and 14% in 2018) to income tax expenses was as follows for the years ended 31 December:

In billions of Uzbek soums	**2020**	**2019**	**2018**
Profit/(loss) before income tax from continuing operations	**5,704**	**1,364**	**(186)**
Profit/(loss) before income tax from discontinued operations	**–**	**–**	**(1,562)**
Statutory tax rate	15%	12%	14%
Theoretical income tax expense/(benefit) at the statutory rate	**856**	**164**	**(245)**
Non-deductible expenses / (non-taxable income), net	64	66	(8)
Utilized tax losses carried forward, not recognized previously	(227)	–	–
Excess profit tax	–	–	144
Unrecognized deferred tax assets	275	360	641
Income of subsidiaries taxed at different rates	32	185	290
Income tax expense	**1,000**	**775**	**822**
Less income tax benefit from discontinued operations	–	–	(786)
Income tax expense from continuing operations	**1,000**	**775**	**1,608**

29. Income tax (continued)

Deferred tax assets and liabilities as of 31 December 2020, 2019 and 2018 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:

In billions of Uzbek soums	1 January 2018	In the consolidated statement of profit or loss	In the consolidated statement of other comprehen-sive income	Discontinued operations	31 December 2018	In the consolidated statement of profit or loss	In the consolidated statement of other comprehen-sive income	31 December 2019	In the consolidated statement of profit or loss	In the consolidated statement of other comprehen-sive income	31 December 2020
Deferred tax assets											
Trade receivables	670	131	–	(776)	25	81	–	106	(26)	–	80
Advances paid	202	(131)	–	(71)	–	–	–	–	–	–	–
Inventories	438	(106)	–	(211)	121	(72)	–	49	(22)	–	27
Provisions	121	19	(8)	(2)	130	73	–	203	144	12	359
Other	108	211	–	(304)	15	(1)	–	14	(14)	–	–
Deferred tax assets	**1,539**	**124**	**(8)**	**(1,364)**	**291**	**81**	**–**	**372**	**82**	**12**	**466**
Deferred tax liabilities											
Property, plant and equipment	(2,395)	(140)	–	2,051	(484)	42	–	(442)	(217)	–	(659)
Investments in joint ventures and associates	(1,042)	133	(26)	–	(935)	(302)	(194)	(1,431)	(303)	(229)	(1,963)
Accrued liabilities and other payables	–	(34)	–	34	–	–	–	–	–	–	–
Deferred tax liabilities	**(3,437)**	**(41)**	**(26)**	**2,085**	**(1,419)**	**(260)**	**(194)**	**(1,873)**	**(520)**	**(229)**	**(2,622)**
Net deferred tax liabilities	**(1,898)**	**83**	**(34)**	**721**	**(1,128)**	**(179)**	**(194)**	**(1,501)**	**(438)**	**(217)**	**(2,156)**

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 4,545 billion (2019: UZS 5,519 billion, 2018: UZS 5,258 billion). The Group determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

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 2020, 2019 and 2018.

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.

In billions of Uzbek soums	**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**
2020	**+3%**	**569**	**+12%**	**306**	**21.3%**	**730**
	-20%	**(3,791)**	**-12%**	**(306)**	**-21.3%**	**(730)**
2019	+14%	3,085	+12%	265	–	–
	-14%	(3,085)	-12%	(265)	–	–
2018	+14%	3,512	–	–	–	–
	-10%	(2,509)	–	–	–	–

Interest rate risk

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

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

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

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				
2020	+1%	235	+0.2%	7
	-0.25%	(59)	-0.2%	(7)
2019	+0.35%	50	+0.15%	2
	-0.35%	(50)	-0.15%	(2)
2018	+0.5%	3	+0.2%	–
	-0.15%	–	-0.01%	–

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily oil and gas products. Historically, the prices of these products have been regulated by the Government of Uzbekistan, except for prices of oil refined and natural gas products for export sales, which are contract based with predominantly fixed prices. Starting from 2019 prices for certain oil products in the Republic of Uzbekistan is being deregulated.

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 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	6,538	–	–	–	**6,538**
Other current liabilities	275	–	–	–	**275**
Other non-current liabilities	–	88	–	–	**88**
Total undiscounted financial liabilities	**10,873**	**12,155**	**11,231**	**13,798**	**48,057**

30. Financial risk management (continued)

Liquidity risk (continued)

At 31 December 2019	<1 year	1 to 2 years	3 to 5 years	>5 years	Total
Borrowings	19,758	5,904	13,289	3,200	**42,151**
Trade accounts payable	7,510	–	–	–	**7,510**
Other current liabilities	351	–	–	–	**351**
Other non-current liabilities	–	24	–	–	**24**
Total undiscounted financial liabilities	**27,619**	**5,928**	**13,289**	**3,200**	**50,036**

At 31 December 2018	<1 year	1 to 2 years	3 to 5 years	>5 years	Total
Borrowings	7,907	7,100	7,956	7,006	**29,969**
Trade accounts payable	12,446	–	–	–	**12,446**
Other current liabilities	513	–	–	–	**513**
Other non-current liabilities	–	27	–	–	**27**
Total undiscounted financial liabilities	**20,866**	**7,127**	**7,956**	**7,006**	**42,955**

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 Shareholder transferred 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:

	31 December 2020		31 December 2019		31 December 2018	
In billions of Uzbek soums	Carrying amounts	Fair values	Carrying amounts	Fair values	Carrying amounts	Fair values
Cash and cash equivalents	2,534	2,534	829	829	1,429	1,429
Restricted cash	411	411	603	603	359	359
Trade receivables	3,069	3,069	2,315	2,315	3,521	3,521
Other current assets	402	402	643	643	344	344
Loans due from related parties	5,816	5,816	4,968	4,968	5,282	5,282
Other non-current financial assets	–	–	1,917	1,917	–	–
Other non-current assets	262	262	242	242	179	179
Total financial assets	**12,494**	**12,494**	**11,517**	**11,517**	**11,114**	**11,114**
Trade and other payables	6,344	6,344	7,510	7,510	12,446	12,446
Borrowings	34,175	33,883	37,103	31,461	21,799	16,318
Other current liabilities	275	275	351	351	513	513
Other non-current liabilities	88	88	24	24	27	27
Total financial liabilities	**40,882**	**40,590**	**44,988**	**39,346**	**34,785**	**29,304**

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:

In billions of Uzbek soums	**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	–	–	262	**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	–	–	276	**276**
Other non-current liabilities	–	–	88	**88**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2019:

In billions of Uzbek soums	**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	829	–	–	**829**
Restricted cash	603	–	–	**603**
Trade receivables	–	–	2,315	**2,315**
Other current assets	–	–	643	**643**
Loans due from related parties	–	–	4,968	**4,968**
Other non-current financial assets	–	–	1,917	**1,917**
Other non-current assets	–	–	242	**242**
Liabilities for which fair values are disclosed				
Trade and other payables	–	–	7,510	**7,510**
Borrowings	–	17,787	13,674	**31,461**
Other current liabilities	–	–	351	**351**
Other non-current liabilities	–	–	24	**24**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2018:

In billions of Uzbek soums	**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	1,429	–	–	**1,429**
Restricted cash	359	–	–	**359**
Trade receivables	–	–	3,521	**3,521**
Other current assets	–	–	344	**344**
Loans due from related parties	–	–	5,282	**5,282**
Other non-current assets	–	–	179	**179**
Liabilities for which fair values are disclosed				
Trade and other payables	–	–	12,446	**12,446**
Borrowings	–	534	15,784	**16,318**
Other current liabilities	–	–	513	**513**
Other non-current liabilities	–	–	27	**27**

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 soum against major hard currencies by 92-94%, based on official exchange rates as established by the CBU of Uzbekistan.

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

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

COVID-19

The existence of the coronavirus, COVID-19, was confirmed in early 2020 and has spread across China and beyond, causing disruptions to businesses and economic activity. Governments in affected countries, including Uzbekistan, are imposing travel bans, quarantines and other emergency public safety measures. Those measures, though temporary in nature, may continue and increase depending on developments in the virus' outbreak. The ultimate severity of the COVID-19 outbreak is uncertain at this time, and therefore the Group cannot reasonably estimate the impact it may have on future operations. There is a significant uncertainty in relation to the extent and period over which these developments will continue, but they could have a significant impact the on the Group's financial position, future cashflows and results of operations.

Legal proceedings

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

Taxation

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

These facts create 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 2020 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs position will be sustained.

31. Contingencies, commitments and operating risks (continued)

Capital commitments

As at 31 December 2020, the Group had capital commitments of UZS 14,572 billion (2019: UZS 17,649 billion, 2018: UZS 10,954 billion) mainly related to the construction of "Uzbekistan GTL" plant and the project on expansion of the Shurtan Gas Chemical Complex *(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 2020 the Group had issued a number guarantees for its related parties, including JSC Uztransgaz and JV Natural Gas Stream LLP, amounting to UZS 11,031 billion (31 December 2019: UZS 9,097 billion and 31 December 2018: UZS 3,593 billion). Should JSC Uztransgaz or JV Natural Gas Stream LLP default on their guaranteed obligations, the Group may receive claims and become liable for the respective amount. All financial guarantee agreements are concluded on the condition that the is no compensation to the Company. The main part of JSC Uztransgaz and JV Natural Gas Stream LLP financial obligations guaranteed by the Company is payable on demand or within 12 months period.

32. Subsequent events

Planned disposal of associate

According to the minutes of Supervisory Board Meeting dated 26 May 2021, the Group's share in an associate JV Jizzakh Petroleum LLC will be sold to Belvor Holdings Limited.

New loans received

In April and June 2021, the Group received the tranches under the loan agreement with VEB.RF in the total amount of EUR 18 million to finance exploration and drilling operations.

In 2021, the Group received new tranches under the loan agreement with Gazprombank JSC in the amount of UZS 724 billion to finance the construction and development of oil and gas assets.

In March 2021, the Group signed another loan agreement with Gazprombank JSC for the total amount of EUR 300 million to finance stage II of the "Program for increasing of hydrocarbon production for 2017-2021". In 2021, the Group received EUR 135 million under the loan agreement.

In June 2021, the Group and MUFG Bank signed a bridge facility agreement for the amount of USD 150 million, with additional uncommitted incremental amount of USD 150 million, to finance operational activities of the Group. in In July 2021, the Group received a tranche of USD 150 million under the loan agreement.

Market deregulation

In accordance with the Presidential Decree No. 5031 dated 17 March 2021, starting from 15 June 2021, the sale of gas condensate and liquefied gas on the domestic market is carried out exclusively through stock exchange auctions.