



National Electric Grid of Uzbekistan JSC

Consolidated Financial Statements

*As at and for the year ended 31 December 2020
with independent auditor's report*

CONTENTS

Independent auditor's report

Consolidated Financial Statements

Consolidated statement of financial position	1
Consolidated statement of comprehensive income	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	4
Notes to the consolidated financial statements.....	5-40



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

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

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

Independent auditor's report

To the Shareholder and those charged with governance

Opinion

We have audited the consolidated financial statements of National Electric Grid of Uzbekistan JSC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

Audit company "Ernst & Young" LLC

"Ernst & Young" Audit Organization LLC

21 December 2021

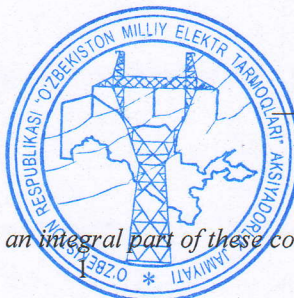
Tashkent, Uzbekistan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

<i>In millions of Uzbek soums</i>	Notes	31 December 2020	31 December 2019	1 January 2019 (unaudited)
Assets				
Non-current assets				
Property, plant and equipment	5	5,684,894	4,756,821	4,407,657
Investment in associate and joint venture		4,750	17,354	13,084
Advances paid for non-current assets		84,405	70,695	15,483
Deferred tax assets	16	1,334	970	178,670
Other long-term receivables		2,523	2,728	15,780
Total non-current assets		5,777,906	4,848,568	4,630,674
Current assets				
Inventory		51,723	33,203	22,185
Trade and other receivables	6	2,130,785	1,284,125	1,163,699
Advances paid		121,570	215,423	791,308
Income tax prepaid		14,339	-	-
Taxes prepaid other than income tax	7	161,678	64,294	513
Cash restricted in use		13,169	482	-
Cash and cash equivalents	8	298,671	53,785	7,827
Other current assets		30,922	11,450	7,253
Total current assets		2,822,857	1,662,762	1,992,785
Total assets		8,600,763	6,511,330	6,623,459
Equity				
Share capital	9	4,892,285	474,055	-
Reserve capital		2,429	2,429	-
(Accumulated loss) / retained earnings		(3,133,696)	758,858	3,160,896
Equity attributable to the Company owners		1,761,018	1,235,342	3,160,896
Non-controlling interests		2,040	2,071	1,107
Total equity		1,763,058	1,237,413	3,162,003
Liabilities				
Non-current liabilities				
Loans and borrowings	10	1,332,322	1,826,513	2,163
Deferred income		-	74,017	-
Deferred tax liabilities	16	293,940	212,867	408,051
Total non-current liabilities		1,626,262	2,113,397	410,214
Current liabilities				
Loans and borrowings	10	1,206,428	462,898	7,086
Trade accounts payable	11	3,812,792	2,494,846	2,646,633
Contract liabilities		126,534	133,236	330,313
Income tax payable		-	195	979
Taxes payable other than income tax	12	18,235	31,414	42,493
Other liabilities		47,454	37,931	23,737
Total current liabilities		5,211,443	3,160,520	3,051,241
Total liabilities		6,837,705	5,273,917	3,461,455
Total equity and liabilities		8,600,763	6,511,330	6,623,458

J.T. Ashirboyev
Deputy Chairman of the Management
Board for Economy and Finance



S.N. Kholboyev
Chief Accountant

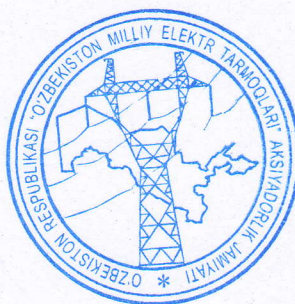
The accompanying notes on pages 5-40 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

<i>In millions of Uzbek soums</i>	Notes	2020	2019
Revenue	13	18,073,214	13,550,184
Cost of sales	14	(17,394,211)	(13,117,268)
Gross profit		679,003	432,916
Other operating income		21,281	20,210
General and administrative expenses	15	(240,139)	(202,328)
Accrual of provision for expected credit losses		(196,665)	(99,986)
Operating profit		263,480	150,812
Dividend income		81	35
Share in (loss)/profit of associates and joint ventures		(437)	4,383
Finance income		264	11,220
Finance costs		(89,549)	(54,478)
Foreign exchange loss, net		(202,118)	(154,572)
Loss before income tax		(28,279)	(42,600)
Income tax (expense)/benefit	16	(84,610)	13,097
Loss for the year		(112,889)	(29,503)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(112,889)	(29,503)
Loss attributable to:			
Company owners		(112,858)	(29,460)
Non-controlling interests		(31)	(43)
Loss for the year		(112,889)	(29,503)
Total comprehensive loss attributable to:			
- Company owners		(112,858)	(29,460)
Non-controlling interests		(31)	(43)
Total comprehensive loss for the year		(112,889)	(29,503)

J.T. Ashirboyev
Deputy Chairman of the Management
Board for Economy and Finance



S.N. Kholboyev
Chief Accountant

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

In millions of Uzbek soums	Notes	Payable to the shareholder of the parent			Non-controlling interests	Total equity
		Share capital	Reserve capital	Retained earnings / (accumulated loss)		
				Total equity attributable to the owner of the Parent		
At 1 January 2019 (unaudited)		-	-	3,160,896	1,107	3,162,003
Net loss for the year		-	-	(29,460)	(43)	(29,503)
Total comprehensive loss for the year		-	-	(29,460)	(43)	(29,503)
Registration of the parent entity	9	474,055	-	(474,055)	1,650	1,650
Transactions with the Shareholder	9	-	2,429	(1,898,523)	-	(1,896,094)
Dividends		-	-	-	(643)	(643)
At 31 December 2019		474,055	2,429	758,858	2,071	1,237,413
Net loss for the year		-	-	(112,858)	(31)	(112,889)
Total comprehensive loss for the year		-	-	(112,858)	(31)	(112,889)
New shares issued	9	4,418,230	-	(4,418,230)	-	-
Transactions with the Shareholder	9	-	-	655,999	-	655,999
Dividends	9	-	-	(17,465)	-	(17,465)
At 31 December 2020		4,892,285	2,429	(3,133,696)	2,040	1,763,058



S.N. Kholboyev
Chief Accountant

J.T. Ashirboyev
Deputy Chairman of the Management
Board for Economy and Finance

The accompanying notes on pages 5-40 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

<i>In millions of Uzbek soums</i>	Notes	2020	2019
Cash flows from operating activities			
Loss before income tax		(28,279)	(42,600)
Adjustments:			
Dividend income		(81)	(35)
Finance costs		89,549	54,478
Foreign exchange loss		202,118	154,572
Provision for expected credit losses on trade receivables		196,725	99,846
Depreciation of property, plant and equipment		342,973	295,453
(Income)/loss from disposal of property, plant and equipment		(5,144)	12,844
Share in loss/(profit) of associates and joint ventures, net		437	(4,383)
Finance income		(264)	(11,220)
Other non-cash operating expenses		148	49
Operating cash flows before changes in working capital		798,182	559,004
Changes in trade and other receivables		(1,038,899)	(266,870)
Change in inventories		(7,261)	(11,018)
Change in other current assets		(18,103)	44,760
Change in advances paid		96,202	575,885
Change in trade and other payables		1,228,707	(178,261)
Change in contract liabilities		(9,818)	(197,077)
Change in taxes payable other than income tax		(111,206)	(72,798)
		937,804	453,625
Income tax paid		(18,960)	(2,846)
Interest paid		(44,362)	(19,691)
Net cash flows received from operating activities		874,482	431,088
Cash flows from investing activities			
Purchase of property, plant and equipment		(640,469)	(735,964)
Transfers to restricted cash		(12,687)	(482)
Net cash flows used in investing activities		(653,156)	(736,446)
Cash flows from financing activities			
Proceeds from loans and borrowings		421,714	510,417
Repayment of loans and borrowings		(382,409)	(158,951)
Dividends paid		(17,465)	-
Net cash flows received from financing activities		21,840	351,466
Net change in cash and cash equivalents		243,166	46,108
Cash and cash equivalents, beginning	8	53,785	7,827
Effect of exchange rate change on cash and cash equivalents		1,720	(150)
Cash and cash equivalents, ending	8	298,671	53,785

J.T. Ashirboyev
Deputy Chairman of the Management
Board for Economy and Finance



S.N. Kholboyev
Chief Accountant

The accompanying notes on pages 5-40 are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2020****1. GENERAL INFORMATION**

The National Electric Grid of Uzbekistan Joint Stock Company (the “Company”) is a state-owned joint stock company established in accordance with the Decree of the President of the Republic of Uzbekistan dated 27 March 2019 No. PP-4249 “*On the Strategy for the Further Development and Reformation of the Electric Power Industry in the Republic of Uzbekistan*”. The Company was registered on 18 April 2019.

The main activities of the company are the operation and development of the main electric networks of the Republic of Uzbekistan, the supply of electricity through the main electric networks and the implementation of interstate transit, cooperation with electric power systems of neighbouring states.

As at 31 December 2020, the sole shareholder of the Company is the Ministry of Finance of the Republic of Uzbekistan (hereinafter referred to as the “Shareholder”). Before 24 December 2020, the sole shareholder of the Company was the State Asset Management Agency. The Government of the Republic of Uzbekistan is the sole controlling party of the Company.

As at 31 December 2020, 31 December 2019 and 1 January 2019, the Company had interest ownership in the following subsidiaries operating in the Republic of Uzbekistan:

Subsidiaries	Principal activities	31 December 2020	31 December 2019	1 January 2019 (unaudited)
		Interest ownership, %	Interest ownership, %	Interest ownership, %
Uzenergoengineering JSC	Design of power supply facilities	87.5%	87.5%	87.5%
Savdoenergo JSC	Retail and wholesale trade	68.87%	68.87%	68.87%
Energomahsuvavto LLC	Rendering of transportation services	100.0%	100.0%	100.0%
Energokommunalkurilish LLC	Construction and repair	100.0%	100.0%	100.0%

The Company and its subsidiaries are hereinafter collectively referred to as the “Group”.

The Company’s headquarters are based at: 42, Osiye street, Tashkent, Republic of Uzbekistan. The Group carries out its core operations in the Republic of Uzbekistan. These consolidated financial statements of the Group were authorized for release by the Deputy Chairman of the Management Board for Economy and Finance and Chief Accountant of the Company on 21 December 2021.

2. BASIS OF PREPARATION**Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared on a historical cost basis, except some financial instruments that have been measured at fair value as noted in *Note 4*.

Functional and presentation currency

The functional currency of each of the Group’s entities included in these consolidated financial statements is determined as the currency of the primary economic environment in which the Group operates. The functional currency of the Company and its subsidiaries and the presentation currency of the Group is the national currency of the Republic of Uzbekistan - Uzbek Soum (“UZS”). The consolidated financial statements are presented in millions of Uzbek soums (“UZS”). All values are rounded to the nearest million soum, unless otherwise specified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)**Exchange rates**

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

The currency exchange rate of CBU as at 31 December 2020 was UZS 10,476.92 to USD 1. This exchange rate was used to translate monetary assets and liabilities denominated in US dollars as at 31 December 2020 (UZS 9,507.56 to USD 1 as at 31 December 2019, UZS 8,339.55 to USD 1 as at 1 January 2019). The currency exchange rate of CBU as at 21 December 2021 was 10,828.37 UZS to USD 1.

Going concern

These financial statements have been prepared on going concern basis, which assumes realisation of assets and settlement of liabilities in the course of ordinary activities.

The Group incurred a net loss of UZS 112,889 million for the year ended 31 December 2020 (2019: UZS 29,503 million) and as of that date its current liabilities exceeded its current assets by UZS 2,388,588 million (2019: UZS 1,497,758 million). This circumstance indicates that there is material uncertainty, which may raise significant doubts about the Group's ability to continue its activities as a going concern.

The Group's ability to settle trade payables, repay borrowings, and continue as a going concern depends on the Group raising further funds in the foreseeable future. At the date of these consolidated financial statements, the management is satisfied that there are reasonable grounds to believe that the Group will be able to operate as a going concern by raising further funds from the Shareholder as required. The Group's Shareholder intends to provide further financial support as required until the Group obtains alternative financing on acceptable terms or until it starts generating sufficient cash flows from operating activities.

The Group's current liabilities are mainly represented by trade payables to related parties, subsidiaries of Heating Power Plants JSC (“TES JSC”) controlled by the Group's Shareholder, as well as the short-term portion of loans and borrowings. As at the reporting date, loans and borrowings from the International Bank for Reconstruction and Development were fully reclassified into the short-term portion due to the Group's failure to meet the deadline of filing the Group's consolidated financial statements by 30 June 2021, however, the Group's Management does not expect any claim for early repayment of the debt. Moreover, the settlement of accounts payable is also preconditioned by the settlement method in accordance with Protocol 5 of the Interdepartmental Tariff Commission under the Cabinet of Ministers of the Republic of Uzbekistan of 29 July 2020, which states accounts payable are settled as soon as funds are received from clients - related parties, subsidiaries of Regional Electric Networks JSC.

In addition, in 2022, it is expected to transfer trade receivables of 3,786,434 million Uzbek soums and trade payables of 3,549,081 million Uzbek soums, respectively (as at 31 December 2020) and the functions of buying and selling electric energy in favor of the newly created enterprise Uzpowertrade JSC, controlled by the Group's Shareholder.

There are uncertainties around the success of obtaining funds from the above-mentioned source in a sufficient amount and in due time. Should the Group not be able to manage the inherent uncertainties referred to above and to successfully complete a sufficient number of the financing options set out above, there would be significant uncertainty as to whether it would be able to meet its debts when they fall due and therefore continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a description of significant accounting policies applied in the preparation of the consolidated financial statements. The Group consistently applies the accounting policy.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. 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.

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

Profit or loss and each component of other comprehensive income are attributable to the equity holders of the Group's Parent 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 assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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:

- Derecognises assets (including goodwill) and liabilities of a subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income ("OCI") to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Principles of consolidation

Subsidiaries

Subsidiary is an entity under the control of the Company. Control is achieved when the Company 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. The control assessment takes into account the potential voting rights that can be realized at the present time. The financial statements of subsidiaries are included in the consolidated financial statements from the date control arises until the date of its termination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Principles of consolidation (continued)***Non-controlling interests*

Non-controlling interests represent the proportionate share of shareholders holding a non-controlling interest in equity of the Group's subsidiaries and the results of their activities. Non-controlling interests in these subsidiaries are used as the basis for the calculation. Non-controlling interests are recognized in equity.

The Group recognizes transactions with non-controlling interests as transactions with the equity holders of the Group. In the case of acquisitions of non-controlling interests, the difference between the consideration paid and the corresponding acquired share of the carrying amount of the net assets of the subsidiary is stated in equity. The difference between the consideration received and the carrying amount of the non-controlling interests sold is also stated in equity.

The Group derecognizes non-controlling interests if the shareholders holding the non-controlling interest have received a mandatory offer for the purchase of their shares. The difference between the liability recognized in the consolidated statement of financial position and the carrying amount of non-controlling interests is recognized in retained earnings.

Associates and joint ventures

An associate is an entity over which financial and operating policy the Group has significant influence, has the power to participate in the decisions related to such policy, but which does not comprise control or joint control over it.

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 the 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.

Equity method

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investments is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or a joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share in performance of the associate or joint venture. Changes in other comprehensive income of such investees are presented as part of other comprehensive income of the Group. Besides, where there has been a change recognised directly in the equity of an associate or joint venture, the Group recognises its share of any changes and discloses this, 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 an associate or a joint venture is shown in the consolidated statement of comprehensive income separately from operating profit and represents profit or loss after taxes of the associate or joint venture (including their subsidiaries) in the amount of the Group's share in the associate or joint venture for the reporting period. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group's financial statements. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Principles of consolidation (continued)***Equity method (continued)*

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investments in the associates or joint ventures are 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 'Share in profit/loss of joint venture or associate' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Transactions eliminated upon consolidation

All intra-group transactions between members of the Group, including unrealized gains on these transactions, are eliminated; unrealized losses are also eliminated, except in cases where the cost cannot be recovered. The Company and all its subsidiaries use a single accounting policy consistent with the Group's policy.

Unrealized gains on transactions between the Group members and the investees recognized at equity method are eliminated to the extent of the Group's interest in the investees; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currency transactions and foreign currency translation

Transactions in foreign currencies are translated to the relevant functional currency of the Group members using the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency at the end of the reporting date are translated to the functional currency of the Group members using the exchange rates at the relevant date. 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. Other non-monetary assets and liabilities denominated in a foreign currency are translated to the functional currency using the exchange rates at the date of the transaction. Foreign currency differences arising in translation are recognised in profit or loss.

Property plant and equipment

Property, plant and equipment are stated at cost of acquisition or construction, net of accumulated depreciation and accumulated impairment. The cost of assets constructed using own resources includes the cost of materials, direct labor costs and part of the production overhead expenses. Where an item of property, plant and equipment contains several main components with different useful lives, such components are accounted for as individual items of property, plant and equipment.

Reconstruction and modernization costs are capitalized. Repairs and maintenance costs are expensed when incurred. Gains and losses arising from retirement of property, plant and equipment are included in the profit or loss as incurred.

The costs associated with the replacement of any component of an item of property, plant and equipment that is accounted for separately are capitalized as part of the carrying amount of the component being written off. Other subsequent costs are capitalized only if an increase in the future economic benefits is expected from the use of this item of property, plant and equipment. All other expenses are recognized in profit and loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment (continued)**

The social assets are not capitalized as they are not expected to bring economic benefits to the Group in the future. Social asset maintenance costs are expensed when incurred.

The property, plant and equipment depreciation is computed on a straight-line basis over the estimated useful lives of the relevant assets. Depreciation is accrued upon completion of the facility construction and its commissioning. The useful lives of assets are reviewed annually at the end of each reporting year and where expectations regarding the useful lives differ from previous estimates, adjustments are recognized on a prospective basis. Useful lives (in years) by types of property, plant and equipment are presented below:

	Useful life (years)
Buildings and structures	10-50 years
Transfer devices, machinery and equipment	5-50 years
Vehicles	4-28 years
Other PPE	3-20 years
Capitalized costs for the improvement of leased facilities	During their useful life or lease term, if it is shorter.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

Lease

Right-of-use assets and lease liabilities are recognized at the commencement of the lease at the present value of the minimum lease payments. Rentals are distributed between finance costs and reduced lease obligations. The finance costs are recognized in the consolidated statement of comprehensive income. Right-of-use assets are depreciated during the lease term.

Inventories

Inventories are recorded at the lower of cost and net realizable value: The cost of inventories is determined by the weighted average cost method and includes the costs of acquiring inventories, production or processing costs, as well as other costs of bringing them to the proper location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

A reserve is created for obsolete inventories or stocks with low turnover, subject to their expected useful lives and the future expected realizable value.

Cash and cash equivalents

Cash comprises cash on hand, current account and demand bank deposits. Cash equivalents are highly liquid, short-term investments readily convertible into cash, with original maturities of three months or less from the date of purchase and the value subject to light fluctuations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Advances paid**

Advances paid by the Group are recognized at cost less provision for impairment. The amounts of advances for the purchase of an asset are included in its carrying amount when the Group gains control over the asset and it is probable that future economic benefits associated with it will be received by the Group. Other advances are written off to the profit or loss upon receipt of related goods or services. Where there is an evidence that assets, goods or services relating to the advances will not be received, the carrying amount of advances is subject to writing off and relevant impairment loss is recognized in profit and loss.

Advances paid by the Group are classified as non-current assets of the Group if the delivery period of related goods or services exceeds one year or if the advance is paid for the purchase of property, plant and equipment.

VAT on purchases and sales

Value added tax (VAT) arising from the sale of goods is subject to transfer to the tax authorities either at the time of revenue recognition or at the time of receipt of payment from buyers, subject to the regulatory acts of the Republic of Uzbekistan. The tax authorities allow VAT refunds to be made by offsetting against the amount of VAT arrears accrued on electricity and services sold.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets***Initial recognition and measurement***

The Group's financial assets include cash and cash equivalents, short-term and long-term deposits, restricted cash, trade and other receivables, quoted and unquoted financial instruments.

Financial assets at initial recognition are classified respectively as financial assets carried at amortised cost; financial assets carried at fair value through profit or loss; financial assets carried at fair value through other comprehensive income.

A financial asset is recorded at amortised cost if the two criteria are met:

- 1) The purpose of the business model is to hold the financial asset in order to collect contractual cash flows; and
- 2) contractual cash flows are represented only by payments on interest and the principal. The interest is a payment for the time value of money and the credit risk associated with the principal due at a certain period of time.

If at least one of the above criteria is not met, the financial asset is measured at fair value.

The Group's financial assets not carried at amortised cost are stated at fair value.

A financial asset is measured at fair value through other comprehensive income if two criteria are met:

- 1) The purpose of the business model is to hold the financial asset in order to both collect contractual cash flows and through sale of the financial asset; and
- 2) Contractual cash flows are represented only by payments on interest and the principal. The interest is a payment for the time value of money and the credit risk associated with the principal due at a certain period of time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments - initial recognition and subsequent measurement (continued)***Financial assets (continued)**Initial recognition and measurement (continued)*

The Group accounts for financial assets at fair value through profit or loss unless they are carried at amortised cost or at fair value through other comprehensive income.

Subsequent measurement

Subsequently, financial assets are measured at amortized or fair value through other comprehensive income, or through profit or loss, based on the business model of the Group for the management of financial assets. A business model is determined by the Group's management.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- 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 the Group has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises 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.

Recognition of expected credit loss

The Group recognizes the estimated provision for expected credit losses on financial assets measured at amortized cost and fair value through other comprehensive income in an amount equal to expected credit losses for the entire period, if the credit loss has increased significantly since initial recognition. The Group does not reduce the carrying amount of a financial asset at fair value through other comprehensive income but recognizes estimated provision in other comprehensive income.

In determining whether there has been a significant increase in the credit risk of a financial asset since its initial recognition, the Group focuses on changes in the risk of a default occurring over the life of the loan instrument, and not on changes in the amount of expected credit losses.

If the contractual cash flows on a financial asset have been revised or modified and the financial asset has not been derecognised, the Group assesses whether the credit risk of the financial instrument has changed significantly by comparing the following:

- 1) Risk assessment of default as of the reporting date (based on modified contractual terms);
- 2) Risk assessment of default upon initial recognition (based on the initial unmodified contractual terms).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments - initial recognition and subsequent measurement (continued)***Financial assets (continued)**Recognition of expected credit loss (continued)*

If there is no significant increase in credit risk, the Group recognizes an allowance for losses on a financial asset in the amount equal to 12-month expected credit losses with the exception of:

- 1) Acquired or created credit-impaired financial assets;
- 2) Trade receivables or contractual assets arising from transactions that are within the scope of IFRS 15 *Revenue from Contracts with Customers*; and
- 3) Lease receivables.

For financial assets referred to in paragraphs (1) to (3), the Group estimates the provision for losses in the amount of expected credit losses for the entire term.

If in the previous reporting period the Group estimated the estimated provision for losses on a financial instrument in an amount equal to expected credit losses for the entire term, but as of the current reporting date determines that there is no significant increase in credit risk, then at the current reporting date the Group should evaluate the estimated a provision equal to 12-month expected credit losses.

The Group recognizes, as profit or loss from impairment, the amount necessary to adjust the estimated provision for losses to the amount of expected credit losses as at the reporting date.

For acquired or created credit-impaired financial assets, the Group recognizes favourable changes in expected credit losses for the whole term as a recovery of impairment losses, even if the expected credit losses for the whole period are less than the expected credit losses that were included in the estimated cash flows at initial recognition.

Measurement of expected credit loss

The Group estimates expected credit losses for a financial instrument in a manner that reflects:

- 1) An unbiased and probability-weighted amount determined by assessing the range of possible results;
- 2) The time value of money;
- 3) Reasonable and confirmed information about past events, current conditions and projected future economic conditions available at the reporting date.

The maximum period considered in assessing expected credit losses is the maximum period under the contract (including extension options) during which the Group is exposed to credit risk.

For financial instruments that include both a loan and an unused component of the loan obligation, the Group's contractual ability to request repayment of the loan and annual the unused component of the loan obligation does not limit the Group's exposure to credit loss risk by the contractual deadline for notifying. For such financial instruments, the Group estimates credit losses for the entire period of exposure to credit risk, and expected credit losses will not be reduced as a result of the Group's activities in managing credit risks, even if such a period exceeds the maximum period under the contract.

To achieve the goal of recognizing expected credit losses over the entire term arising from a significant increase in credit risk since initial recognition, it may be necessary to assess a significant increase in credit risk on a group basis, for example, by analysing information indicating a significant increase in credit risk for a group or subgroup of financial instruments. This ensures that the Group achieves the goal of recognizing expected credit losses for the entire period in the event of a significant increase in credit risk, even if confirmation of such a significant increase in credit risk at the level of an individual instrument is not yet available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments - initial recognition and subsequent measurement (continued)*****Financial liabilities******Initial recognition and measurement***

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, net of directly attributable transaction costs.

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

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

Trade and other accounts payable

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

Fair value is the price that can be obtained by selling an asset or paid by transferring a liability in a transaction on a voluntary basis in the principal (or most advantageous) market at the valuation date under current market conditions (i.e., the output price), regardless of whether such a price is directly observable or calculated using another valuation method. The principal market (or the most profitable market in the absence of a principal market) should be available to the Group's companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Fair value of financial instruments (continued)**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For the purpose of the highest consistency and comparability of fair value measurement and related disclosures, the fair value hierarchy is used to determine fair value measurement methods and use valuation methods based on relevant observable inputs to the significant extent and minimally use unobservable inputs.

Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of actively traded financial instruments is determined by market quotations of prices for the purchase of shares at the reporting date without transaction costs incurred.

For assets and liabilities in the absence of a principal (or most advantageous) market, the corresponding fair value is determined using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, a comparison method with similar instruments for which there are observable market prices, option pricing models, credit models and other relevant valuation models. If an asset or liability measured at fair value has a buyer's price and a seller's price, the price within the supply and demand spread that most accurately represents fair value in the circumstances can be used to measure fair value. It is possible to use average market pricing or other price agreements that are used by market participants as an appropriate means to measure fair value within the supply and demand spread. Some financial instruments are carried at fair value using valuation techniques due to the absence of current market transactions or observable market data. Fair value is determined using a valuation model that has been tested based on prices or inputs on actual market transactions, and the Group's most reasonable assumptions about internal models. The models are adjusted to reflect the difference between the buy and sell quotes to reflect the costs of closing positions, the credit spread and the counterparty's liquidity spread, as well as the limitations of the model. Also, the profit or loss calculated at the first recognition of such financial instruments (the "first day" profit or loss) is attributed to deferred periods and is recognized only when the initial data becomes observable, or when the instrument is derecognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Fair value of financial instruments (continued)**

Discounted cash flow methods of estimating future cash flows and calculation of discount rates are based on management's most reasonable estimates in respect of the assumptions that market participants would use in setting the price of an asset or liability. For cash flows and discount rates, only factors relating to the asset or liability being assessed are considered. The use of different pricing models and assumptions may result in significantly different estimates of fair value.

The book value of floating rate deposits and overnight deposits in credit institutions is their fair value. The book value represents the deposit amount and accrued interest. The fair value of fixed-rate deposits is calculated using the discounted cash flow methods. The expected cash flows are discounted using market rates for similar instruments at the recognition date.

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from main (most profitable) markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow methods and/or mathematical models. 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. Judgments include considerations of liquidity risk, credit risk, input data for models such as volatility, discount rates, and assumptions about the early repayment and the default on asset-backed securities.

When reviewing discounted cash flows, the calculation of future cash flows and discount rates is based on current market data and rates applicable to financial instruments with similar indicators of interest income, loan quality and maturity. When calculating future cash flows, factors such as economic conditions (including country-specific risks), the level of concentration in specific industries, the type of instruments or currency, market liquidity and counterparty financial conditions are taken into account. Risk-free interest rates and credit risk have an impact on discount rates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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 or CGU's recoverable amount is the higher of an asset's or (CGU's) fair value less costs of disposal and an asset's or (CGU's) value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted prices for publicly traded shares or other available fair value indicators.

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 are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flow after the fifth year.

Impairment losses of continuing operations (including inventory impairment) are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of non-financial assets (continued)**

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

Employee benefits*Pension obligations and other post-employment benefits*

In the normal course of business, the Group pays contributions to the off-budget pension fund of the Republic of Uzbekistan for the pension provision of its employees. Mandatory contributions to the state pension fund are expensed as incurred. The costs associated with the payment of additional pensions and other benefits to employees after retirement are included in labor costs, employee benefits and payroll taxes as part of profit and loss.

Short-term benefits

Obligations to pay short-term employee benefits are not discounted and are expensed in profit and loss as the relevant service is rendered.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Reserves are determined by discounting estimated future cash flows at a pre-tax rate reflecting the current market assessment of the time value of money and the risks inherent in this obligation.

Share capital*Dividends*

Dividends are recognised as a liability and deducted from equity only if they are approved by the shareholders. Dividends are disclosed in the consolidated financial statements when they are declared after the reporting date but before the financial statements are authorised for issue.

Revenue

Revenue is recognized when it is probable that the Group will receive the corresponding economic benefits and it is possible to estimate the amount of revenue fairly accurately, regardless of when the payment is made. Revenue is reflected in the amount of compensation to which the Group expects to be entitled in exchange for the transfer of promised goods or services to the buyer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, as a result of price concessions. The Group reflects revenue using the expected cost method. Revenue from the sale of electricity is reflected in profit and loss upon delivery of electricity. Where applicable, revenue is calculated as per tariffs and subject to the relevant restrictions established by legislation and regulatory authorities. The amounts of revenue are shown without VAT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)*Finance income*

Financial income includes interest income on invested funds, dividend income and income from foreign exchange differences, net. Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognized when it is declared and when it is probable that economic benefits will be obtained.

Finance costs

Finance costs mainly include interest expenses on loans and borrowings, expenses related to discounting reserves and negative exchange differences, net. All loan and borrowing costs are recorded in the consolidated statement of comprehensive income using the effective interest method, except when they relate directly to the acquisition of the underlying asset. The upfront fee is included in interest expenses.

Income tax expense*Current income tax expense*

Current income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Deferred tax (continued)**

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference 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 the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in the statement of comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of any outflow in settlement is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Adoption of new and revised standards**

IFRS and amendments to the current IFRS that were issued and become effective on 1 January 2020 and did not have an impact on the consolidated financial statements of the Group.

- Amendments to IAS 1 and IAS 8 *Definition of Material*.
- Amendments to IFRS 3 *Business Combinations*.
- Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*.

IFRSs and IFRIC interpretations issued but not yet effective

New standards, amendments and interpretations issued but not yet effective up to the date of issuance of the interim consolidated financial statements are listed below. The Group intends to adopt these standards, amendments, and interpretations if applicable, as they become effective.

IFRS 17 Insurance Contracts

IFRS 17 is effective for annual periods beginning on or after 1 January 2021, and comparative information is required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable for the Group.

Amendments to IAS 1 Presentation of Financial Statements named Classification of Liabilities as Current or Non-current

These amendments are effective for annual periods beginning on or after 1 January 2023 and are applied retrospectively.

Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework

These amendments are effective for annual periods beginning on or after 1 January 2022 and are applied prospectively.

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

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

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

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

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

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

The Group has not early adopted new standards and amendments that have been issued but are not yet effective.

The Group is currently analysing the impact of these standards on its consolidated financial statements and plans to start applying the new standards from the required effective date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below: Assumptions and estimates are based on the Group's initial data, which it had at the time of preparation of the consolidated financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions while they occur.

Pooling of interest

In accordance with the Decree of the President of the Republic of Uzbekistan dated March 27, 2019 No. PP-4249 "On the Strategy for the Further Development and Reformation of the Electric Power Industry in the Republic of Uzbekistan" in 2019 Uzbekenergo JSC was reorganized by creating the National Electric Grid of Uzbekistan JSC that superseded two discontinued companies: Uzelectroset and Energosotish branch of Uzbekenergo JSC.

During 2019 and 2020, according to the acts of acceptance and transfer, the assets and liabilities of Uzelectroset and the Energosotish branch of Uzbekenergo JSC were transferred to the National Electric Grid of Uzbekistan JSC by way of a contribution to the share capital.

Since this transaction represents business combination of entities under common control (entities under control of the Group's shareholder), it was accounted for using the pooling of interest method in accordance with the Group's accounting policy, which states that purchase of businesses from entities under the common control is accounted for using the pooling of interest method.

The assets and liabilities of the discontinued entities under common control are recorded in these consolidated financial statements at their carrying amounts in the statements of the transferring entity (the Predecessor) at the date of the transfer. Any difference between the carrying amount of the Predecessor net assets and the share capital contribution is accounted for in these consolidated financial statements as an adjustment to equity.

Useful life 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. 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*. These estimates may have a material impact on the carrying amount of property, plant and equipment and on depreciation recognised in the consolidated statement of comprehensive income. The useful life of property, plant and equipment used in the accrual of depreciation of property, plant and equipment differs from the terms of use of property, plant and equipment according to National Accounting Standards (hereinafter referred to as "NAS") adopted in the Republic of Uzbekistan.

Provision for expected credit losses on receivables

The provision for expected credit losses on receivables is created based on the Group's assessment of the possibility of debt collection from specific customers. If there is a decrease in the creditworthiness of any of the major customers or the actual losses from non-fulfilment of obligations by debtors exceed the Group's estimates, the actual results may differ from these estimates.

If the Group determines that there is no objective evidence of a decrease in the value of a particular receivable, regardless of the amount, such receivables will be included in the category of debtors with similar credit risk exposures, and the total receivables in this category are tested for impairment. These characteristics are related to the assessment of future cash flows generated by groups of such assets, which depend on the ability of debtors to repay all amounts due in accordance with contractual terms related to the assets being assessed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Provision for expected credit losses on receivables (continued)**

Future cash flows for a group of debtors collectively assessed for impairment are determined based on contractual asset generated cash flows and the Group's management's experience in assessing possible overdue debt repayment as a result of past loss-related events, as well as with respect to the possibility of recovery of overdue debt. The Group corrects the historical data of potential losses using information in a forward-looking statement. For example, if economic conditions are expected to worsen next year, which may lead to an increase in the number of defaults in a particular sector, historical rates will be adjusted. Historical rates are updated at each reporting date and potential changes in forward-looking estimates are analysed (*Note 6*).

Fair value measurement

The fair value of an asset or a liability is measured by the Group using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. In developing assumptions, the Group identifies common characteristics that distinguish market participants by considering factors specific to all of the following: (a) asset or liability; (b) the principal (or most advantageous) market for the asset or liability; and (c) market participants with whom the entity would enter into a transaction in this market.

In the absence of a principal (or most advantageous) market for an asset or liability, the assessment of the fair value of acquired companies and financial instruments is subject to management's judgment based on the application of appropriate valuation models. In determining fair value, valuation methods are often used, which are based on the most reasonable estimates of management regarding future cash flows, existing market conditions and the choice of a similar item being evaluated (including the determination of inputs, such as liquidation risk, credit risk, volatility). A change in any of these conditions may lead to a significant adjustment in the fair value of financial instruments and acquired companies.

Impairment of non-current assets

Management engaged an independent appraiser to assess the recoverable amount of its non-current assets as at 31 December 2020 and 2019.

The recoverable amount of CGU has been estimated using a DCF model. The discount rate was derived from the after-tax weighted average cost of capital. The weighted average cost of capital takes into account the risks associated with financing activities at the expense of equity and borrowings. The cost of equity reflects the risks inherent in equity investments, while the cost of financing from borrowings is the rate at which it is possible to attract borrowed funds to finance its activities. CAPM (Capital Asset Pricing Model) was used to calculate the cost of equity in Uzbek soums. For the analysis, the beta coefficient and the capital structure were adopted based on the values of large peers operating in the electricity transportation industry.

The business plans approved on an annual basis, are a primary source of information for cash flow projections. They contain forecasts for electric energy sales volumes, revenues, costs and capital expenditures. Various assumptions such as tariffs for electricity transmission, costs inflation rates take into account existing prices, other macroeconomic factors and historical trends and fluctuations. The estimated cash flows up to 31 December 2031 were based on forecasts subject to the current laws of the Republic of Uzbekistan, together with management's current assessment of probable changes in operational and capital expenditures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Impairment of non-current assets (continued)**

The fair value less the cost of disposal of non-current assets was adopted as the recoverable amount of property, plant and equipment. The Group's non-current assets consist mainly of assets of national energy networks, which represent a single asset class according to IFRS 13, based on the nature, characteristics and risks inherent in the asset. Input data for determining the fair value of property, plant and equipment refer to Level 3 in the fair value hierarchy (unobservable inputs). As at 31 December 2020 and 2019, the recoverable amount exceeded the carrying amount of non-current assets and amounted to UZS 7,939,189 million and UZS 5,608,975 million, respectively.

The significant assumptions used to estimate the recoverable amount of non-current assets are summarized below, together with a quantitative sensitivity analysis as at 31 December 2020:

Key assumptions	Value	Recoverable amount sensitivity to key assumptions
Discounting rate (WACC)	18.7%	Increase/(decrease) in discount rates by 1% will lead to a decrease/(increase) in the cost by 200,645 million Uzbek soums / (224,160 million Uzbek soums)
Long-term growth rate	5%	Increase/(decrease) in the long-term growth rate by 1% will lead to a decrease/(increase) in the cost by 215,363 million Uzbek soums / (185,988 million Uzbek soums)
Electricity transmission (in million kWh)	55,954	Increase/(decrease) in electricity transmission by 10% will lead to a decrease/(increase) in the cost by 154,543 million Uzbek soums / (3,044 million Uzbek soums)
Electricity transmission tariff, soum/kWh*	43.9	Increase/(decrease) in the electricity transmission tariff by 10% will lead to a decrease/(increase) in the cost by 3,169,343 million Uzbek soums / (3,169,343 million Uzbek soums)

The tariff for electricity transportation was estimated with a view to the transition to the RAB (regulated asset base) from 2023, according to the Decree of the Cabinet of Ministers of the Republic of Uzbekistan No. 310 dated 13 April 2019 (as amended on 26 June 2020). RAB involves the implementation of regulated activities in which the electricity transmission tariff is based on the carrying amount of property, plant and equipment related to the implementation of the regulated activities defined in accordance with National Accounting Standards of the Republic of Uzbekistan.

Forward-looking data on key assumptions used in estimating recoverable amount as at 31 December 2020:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Electricity transmission, in million kWh	55,954	59,448	62,942	66,436	72,351	78,266	84,181	90,095	96,010	101,925	101,925
Electricity transmission tariff, soum/kWh	43,9	49,4	74,0	74,0	74,0	72,7	73,6	73,6	75,3	75,3	75,3

Forward-looking data on key assumptions used in estimating recoverable amount as at 31 December 2019:

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Electricity transmission, in million kWh	52,463	55,217	58,738	62,259	65,780	71,708	77,636	83,564	89,493	95,421	101,349	101,349
Electricity transmission tariff, soum/kWh	37,1	31,9	38,0	73,7	73,7	73,7	74,1	74,1	74,1	76,3	76,3	76,3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. PROPERTY, PLANT AND EQUIPMENT**

<i>In millions of Uzbek soums</i>	Buildings and constructions	Transfer devices, machinery and equipment	Vehicles	Other PPE	Construction-in-progress	Total
Cost at						
1 January 2019 (unaudited)	291,522	3,898,451	29,423	6,096	474,150	4,699,642
Additions	–	–	–	–	712,240	712,240
Transfers	(46,923)	208,854	48,596	6,155	(216,682)	–
Disposals	(2,086)	(11,587)	(750)	(1,204)	(54,374)	(70,001)
31 December 2019	242,513	4,095,718	77,269	11,047	915,334	5,341,881
Additions	–	–	–	–	1,335,022	1,335,022
Transfers	19,177	1,011,946	50,632	3,000	(1,084,755)	–
Disposals	(6,321)	(13,037)	(1,281)	(2)	(49,819)	(70,460)
31 December 2020	255,369	5,094,627	126,620	14,045	1,115,782	6,606,443
Accumulated depreciation as at 1 January 2019 (unaudited)	(20,658)	(262,284)	(6,430)	(2,613)	–	(291,985)
Amortization charges	(18,884)	(266,891)	(8,357)	(1,321)	–	(295,453)
Disposals	207	1,880	147	144	–	2,378
31 December 2019	(39,335)	(527,295)	(14,640)	(3,790)	–	(585,060)
Amortization charges	(21,044)	(311,157)	(8,317)	(2,455)	–	(342,973)
Disposals	1,792	3,683	1,008	1	–	6,484
31 December 2020	(58,587)	(834,769)	(21,949)	(6,244)	–	(921,549)
Carrying amount as at						
31 December 2020	196,782	4,259,858	104,671	7,801	1,115,782	5,684,894
31 December 2019	203,178	3,568,423	62,629	7,257	915,334	4,756,821
1 January 2019 (unaudited)	270,864	3,636,167	22,993	3,483	474,150	4,407,657

As at 31 December 2020, the cost of fully depreciated operated property, plant and equipment amounted to 205,012 million Uzbek soums (31 December 2019: 22,106 million Uzbek soums).

Construction-in-progress

The construction-in-progress is mainly represented by equipment and construction and installation works for the implementation of the project "Construction of 220 kV Takhiyatash - PS Khorazm – Sarimai", "Reconstruction of 500 kV Sirdarya TPP-PS Lochin", "Construction of 500 kV Chodak-Turakurgan TPP" and "Electrification of the Pap-Namangan-Andijan railway line".

Capitalisation of borrowing costs

During the year ended 31 December 2020, the Group capitalized the borrowing costs which amounted to 16,261 million Uzbek soums at an average rate of 0.86-1.29% (for the year ended 31 December 2019: 6,448 million Uzbek soums at an average rate of 1.43-2.87%) (Note 10).

6. TRADE AND OTHER ACCOUNTS RECEIVABLE

<i>In millions of Uzbek soums</i>	31 December 2020	31 December 2019	1 January 2019 (unaudited)
Trade accounts receivables	3,913,395	2,870,010	2,649,738
Less: provision for expected credit losses	(1,782,610)	(1,585,885)	(1,486,039)
	2,130,785	1,284,125	1,163,699

Trade accounts receivable mainly included accounts receivable of enterprises of territorial electric networks as at 31 December 2020 in the amount of 3,786,434 million Uzbek soums (as at 31 December 2019: 2,832,094 million Uzbek soums and as at 1 January 2019: 2,573,387 million Uzbek soums).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)**

Set out below is the information about trade receivables by type of currency:

<i>In millions of Uzbek soums</i>	31 December 2020	31 December 2019	1 January 2019 (unaudited)
In Uzbek soums	2,032,246	1,277,889	1,158,133
In US Dollars	98,539	6,236	5,566
Total	2,130,785	1,284,125	1,163,699

Movement in the provision for expected credit losses is as follows:

<i>In millions of Uzbek soums</i>	2020	2019
At 1 January	1,585,885	1,486,039
Charge	196,725	99,920
Reversal	–	(74)
At 31 December	1,782,610	1,585,885

Set out below is the information about the credit risk exposure on the Group's trade receivables from enterprises of territorial electric networks using a provision matrix:

	Trade receivables					
	Total	Current	Past due			
			1-30 days	31-60 days	61-90 days	More than 91 days
31 December 2020						
ECL rate		29.2%	45.4%	63.0%	77.4%	100.0%
Estimated total gross carrying value at default	3.786.434	1.629.798	949.874	559.703	570.966	76.093
ECL	(1.777.735)	(475.979)	(431.186)	(352.750)	(441.727)	(76.093)
	2.008.699	1.153.819	518.688	206.953	129.239	–
31 December 2019						
ECL rate		42.0%	55.0%	65.8%	82.0%	100.0%
Estimated total gross carrying value at default	2.832.094	1.245.428	634.018	465.486	476.297	10.865
ECL	(1.579.270)	(522.501)	(348.886)	(306.312)	(390.706)	(10.865)
	1.252.824	722.927	285.132	159.174	85.591	–
1 January 2019 (unaudited)						
ECL rate		26.6%	44.1%	54.5%	77.4%	100.0%
Estimated total gross carrying value at default	2,573,387	784,463	383,429	345,052	633,368	427,075
ECL	(1,482,914)	(208,651)	(169,063)	(188,120)	(490,005)	(427,075)
	1,090,473	575,812	214,366	156,932	143,363	–

As at 31 December 2020, the ECL provision on accounts receivable from enterprises of territorial electric networks amounted to 1,777,735 million Uzbek soums (as at 31 December 2019: 1,579,270 million Uzbek soums and as at 1 January 2019: 1,482,914 million Uzbek soums).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. TAXES PREPAID OTHER THAN INCOME TAX**

<i>In millions of Uzbek soums</i>	31 December 2020	31 December 2019	1 January 2019 (unaudited)
Value added tax	155,508	60,495	–
Land tax	1,445	253	56
Property tax	1,161	2,872	289
Other taxes and payments	3,564	674	168
	161,678	64,294	513

8. CASH AND CASH EQUIVALENTS

<i>In millions of Uzbek soums</i>	31 December 2020	31 December 2019	1 January 2019 (unaudited)
Cash at current bank accounts			
Bank balances payable on demand, US dollars	160,705	33,851	–
Bank balances payable on demand, Uzbek soums	137,966	19,934	7,827
Total cash and cash equivalents	298,671	53,785	7,827

During 2020 and 2019, no interest was charged on cash balances kept in current bank accounts.

9. EQUITY

<i>In millions of Uzbek soums</i>	31 December 2020	31 December 2019
Number of issued common shares (pieces)	48,922,852,685	4,740,547,884
Share capital	4,892,285	474,055

The share capital of the parent company was originally formed in April 2019 and amounted to 474.055 million Uzbek soums.

In April 2020, the parent company additionally issued 44,182,304,801 common shares at a par value of 100 soums, totalling 4,418,230 million Uzbek soums. According to the Decree of the President PP-4249 dated 27 March 2019, the shares were paid due to the difference between the carrying amount and market value of state assets transferred to the share capital of the parent company in the amount of 4,418,231 million Uzbek soums. At the end of the reporting period, the total share capital is 4,892,285 million Uzbek soums.

Dividends

On 28 September 2020, the Group announced the payment of dividends for 2019 in the amount of 0.358 soums per share in the amount of 17,465 million Uzbek soums. Dividends paid to the sole shareholder are reflected in the financing activities of the consolidated statement of cash flows in the amount of 17,465 million Uzbek soums.

Transactions with the Shareholder

In 2019, transactions with the shareholder were mainly represented by operations due to the reorganization of Uzbekenergo JSC. During the year ended 31 December 2019, loans and borrowings totaling 1,837,355 million Uzbek soums were renegotiated from Uzbekenergo JSC to National Electric Grid of Uzbekistan JSC, and this transaction was recognized in equity as a transaction with the shareholder. The Group also reflected the difference between the nominal and fair value of the loan received from the Ministry of Finance of the Republic of Uzbekistan in the amount of 55.064 million Uzbek soums in equity as a transaction with the shareholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. EQUITY (continued)****Transactions with the Shareholder (continued)**

In 2020, transactions with the shareholder were mainly represented by operations to receive substations and other property, plant and equipment of the Navoi Metallurgical Combine in the amount of 309,565 million Uzbek soums free of charge, to reimburse expenses from the State Budget for the construction of external electric lines in the Sergeli district in the amount of 118,106 million Uzbek soums, funding of the electrification of the Pap-Namangan-Andijan railway line in the amount of 50,959 million Uzbek soums. Also, in May 2020, the Group signed an additional agreement with the Ministry of Finance of the Republic of Uzbekistan on rescheduling the debt repayment dates and extending the loan until 28 February 2022. As a result of the change in the maturity of the loan, the difference between the nominal amount and the fair value of the liability in the amount of 41,373 million Uzbek soums was recognized in equity as a transaction with the shareholder.

Reserve fund

The reserve capital is created by joint-stock companies, joint ventures and other economic entities who are required to create a reserve capital by the current legislation of the Republic of Uzbekistan and the constituent documents. According to the Law of the Republic of Uzbekistan "On Joint-Stock Companies and Protection of Shareholders' Rights", a reserve fund is created for joint-stock companies in the amount prescribed by the company's charter, but not less than 15% of its authorized capital. It is created by mandatory annual deductions from net profit (at least 5%) until it reaches the amount established by the charter.

10. LOANS AND BORROWINGS

<i>In millions of Uzbek soums</i>	31 December 2020	31 December 2019	1 January 2019 (unaudited)
Local financial institutions			
Ministry of Finance of the Republic of Uzbekistan	209,509	287,366	–
Capital Bank JSCB	8,526	7,535	4,883
Uzpromstroybank JSCB	7,232	11,667	–
Asakabank JSCB	–	–	3,979
Agrobank JSCB	–	–	387
Development Fund Bureau of Compulsory Enforcement	–	36,619	–
Total local financial institutions	225,267	343,187	9,249
International financial institutions			
International Bank for Reconstruction and Development (IBRD)	898,580	874,900	–
Asian Development Bank (ADB)	511,006	342,218	–
International Development Association	448,390	241,457	–
Eximbank of China (via Uzpromstroybank JSCB)	279,298	274,548	–
Islamic Development Bank (IDB)	176,209	213,101	–
Total international financial institutions	2,313,483	1,946,224	–
Total loans and borrowings	2,538,750	2,289,411	9,249
Less: the amount to be repaid within 12 months from the reporting date	1,206,428	462,898	7,086
Amounts to be repaid after more than 12 months	1,332,322	1,826,513	2,163

Ministry of Finance of the Republic of Uzbekistan

In 2019, the Group attracted loans from the Ministry of Finance of the Republic of Uzbekistan ("RUZ") to repay accounts payable to TES JSC in the amount of 325,300 million Uzbek soums at an interest rate of 2% with an original maturity of 28 February 2021. On initial recognition, the loans were recognized at the fair value of 270,325 million Uzbek soums determined by discounting future cash flows at the rate of 22.35%, which is the best estimate of the market discount rate by the Group management. The difference between the amount received and the fair value of the liability in the amount of 55,064 million Uzbek soums was recognized in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. LOANS AND BORROWINGS (continued)**Ministry of Finance of the Republic of Uzbekistan (continued)**

In May 2020, the Group signed an additional agreement with the Ministry of Finance of the Republic of Uzbekistan to change the maturities and extend the loan until 28 February 2022. As a result of the change in the maturity of the loan, the difference between the nominal amount and the fair value of the liability in the amount of 41,373 million Uzbek soums was recognized in equity as a transaction with the shareholder.

The following loans and borrowings were re-registered from Uzbekenergo JSC to National Electric Grids of Uzbekistan JSC as a result of the reorganization of Uzbekenergo JSC:

International Bank for Reconstruction and Development (IBRD)

In 2011, for the implementation of "Construction of a 500kV overhead line Sogdiana-Talimarjan TPP with an outdoor switchgear-500kV at Talimarjan TPP", loans were attracted from the IBRD via the Ministry of Finance of the Republic of Uzbekistan ("MF of the RUz") in the amount of 110,000 thousand US dollars. This credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR interbank six-month rate plus fixed spread of 0.2% is payable semi-annually. One-time commission is 0.25% of the total loan amount. The loan will be fully repaid in 2036. As at 31 December 2020, the outstanding balance of the loan amounted to 75,418 thousand US dollars (equivalent of 790,174 million Uzbek soums) (2019: 81,229 thousand US dollars (equivalent of 772,289 million Uzbek soums)).

In 2015, for the implementation of the "Construction of the electrified railway line "Angren-Pap", a credit line was opened in the amount of 35,000 thousand US dollars provided by the IBRD via the Ministry of Finance of the Republic of Uzbekistan. The loan bears interest at 6-month interbank LIBOR plus variable spread. This credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. The loan will be fully repaid in 2039. As at 31 December 2020, the outstanding balance of the loan amounted to 10,347 thousand US dollars (equivalent of 108,406 million Uzbek soums) (2019: 10,626 thousand US dollars (equivalent of 101,026 million Uzbek soums)).

Eximbank of China (via Uzpromstroybank JSCB)

In 2012, borrowings were attracted from Eximbank of China via Uzpromstroybank JSCB for the purpose of supplying equipment and materials within the framework of the project "Construction of 500 kV overhead power line Syrdarya TPP-N-Angren TPP" in the amount of 33,019 thousand US dollars with an interest rate of 3%. The credit line is secured by a guarantee of shares of Syrdarya PG JSC. The loan will be fully repaid in 2032. As at 31 December 2020, the outstanding balance of the loan amounted to 26,658 thousand US dollars (equivalent of 279,298 million Uzbek soums) (2019: 28,877 thousand US dollars (equivalent of 274,548 million Uzbek soums)).

Asian Development Bank (ADB)

In 2013, borrowings were attracted from the Asian Development Bank for the project "Construction of a solar photoelectric station with a capacity of 100 MW in the Samarkand region" in the amount of 71,616 thousand Special Drawing Rights (SDR) with an interest rate of 2%, 0.5% per annum margin of the Ministry of Finance of the Republic of Uzbekistan. This credit line facility is secured by a guarantee of the Government of the Republic of Uzbekistan. The loan will be fully repaid in 2038. As at 31 December 2020, the outstanding balance of the loan amounted to 469 thousand SDR (equivalent of 7,078 million Uzbek soums) (2019: This loan was re-registered from Uzbekenergo JSC to National Electric Grids of Uzbekistan JSC in 2020).

In 2016, for the implementation of the project "Construction of a 220 kV power transmission line at Takhiatash TPP - SS Khorezm - Sarymai settlement (Khorezm region)", borrowings were attracted from the Asian Development Bank in the amount of 150,000 thousand US dollars. The loan bears interest at 6-month interbank LIBOR plus 0.6 per annum margin. This credit line facility is secured by a guarantee of the Government of the Republic of Uzbekistan. The loan will be fully repaid in 2040. As at 31 December 2020, the outstanding balance of the loan amounted to 48,099 thousand US dollars (equivalent of 503,927 million Uzbek soums) (2019: 45,723 thousand US dollars (equivalent of 504,146 million Uzbek soums)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**10. LOANS AND BORROWINGS (continued)****International Development Association (IDA) (continued)**

In 2017, two loans were obtained from IDA through the Ministry of Finance of the Republic of Uzbekistan for the implementation of the project "Modernization and reconstruction of substations of trunk networks":

- in the amount of USD 39,160 thousand with an interest rate of 1.25% plus basic adjustment. This credit line facility is secured by a guarantee of the Government of the Republic of Uzbekistan. The loan will be fully repaid in 2041. As at 31 December 2020, the outstanding balance of the loan amounted to USD 37,320 thousand (equivalent of 395,191 million Uzbek soums) (2019: 22,805 thousand US dollars (equivalent of 216,821 million Uzbek soums);
- in the amount of 18,840 thousand US dollars with an interest rate of 1.43%. This credit line facility is secured by a guarantee of the Government of the Republic of Uzbekistan. The loan will be fully repaid in 2041. As at 31 December 2020, the outstanding balance of the loan amounted to USD 5,081 thousand (equivalent of 53,237 million Uzbek soums) (2019: 2,446 thousand US dollars (equivalent of 23,254 million UZS);

In 2004, the following funds were raised from the Islamic Development Bank under leasing agreements:

- for consulting services, materials for 500 kV power transmission lines Construction of 500 kV overhead power lines at Syrdarya TPP-Sogdiana substation (II chain) in the amount of 5,957 thousand Islamic dinars with an interest rate of 5.74%. This credit line facility is secured by a guarantee of the Government of the Republic of Uzbekistan. The loan will be fully repaid in 2023. As at 31 December 2020, the total outstanding balance of the loan was 1,673 thousand Islamic dinars (equivalent of 25,248 million Uzbek soums).
- for the equipment of the 500 kV substation Construction of the 500 kV overhead line Syrdarya TPP-Substation Sogdiana (II chain) in the amount of 9,693 thousand Islamic dinars with an interest rate of 4.69%. This credit line facility is secured by a guarantee of the Government of the Republic of Uzbekistan. The loan will be fully repaid in 2023. As at 31 December 2020, the total outstanding balance of the loan was 2,912 thousand Islamic dinars (equivalent of 43,937 million Uzbek soums).

In 2008, a credit line was opened from the Islamic Development Bank in the amount of 42,000 thousand US dollars with an interest rate of 2.96% for the implementation of the project "Construction of 500 kV OHTL Guzar-SS Surkhan". This credit line facility is secured by a guarantee of the Government of the Republic of Uzbekistan. The loan will be fully repaid in 2023. The balance of the principal debt as at 31 December 2020 amounted to 10,215 thousand US dollars (equivalent of 107,024 million Uzbek soums) (2019: 12,735 thousand US dollars (equivalent of 121,078 million Uzbek soums)).

<i>In millions of Uzbek soums</i>	31 December 2020	31 December 2019	1 January 2019 (unaudited)
Long-term portion of loans and borrowings			
Term loans:			
- in USD	1,174,451	1,629,196	-
- in UZS	38,898	37,030	2,163
- in SDR	5,309	4,446	-
Finance lease receivables	-	-	-
- in USD	72,157	98,727	-
- in Islamic dinar	41,507	57,114	-
Total long-term portion of loans and borrowings	1,332,322	1,826,513	2,163
Current portion of loans and borrowings			
Current portion of long-term loans and borrowings			
- in UZS	171,224	251,140	-
- in USD	955,745	97,079	3,979
- in SDR	1,770	2,402	-
Finance lease receivables			
- in USD	34,867	33,284	-
- in Islamic dinar	27,678	23,977	-
Term loans:			
- in UZS	15,144	55,016	3,107
Total current portion of loans and borrowings	1,206,428	462,898	7,086
Total loans and borrowings	2,538,750	2,289,411	9,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**10. LOANS AND BORROWINGS (continued)****International Development Association (IDA) continued**

The minimum lease payments under finance lease contracts are as follows:

<i>In millions of Uzbek soums</i>	Maturities under 1 year	Maturities between 1 and 5 years	Total
Minimum lease payments as at 31 December 2020	67,350	118,986	186,336
Less future expenses for debt service	(4,806)	(5,321)	(10,127)
Present value of minimum lease payments as at 31 December 2020	62,544	113,665	176,209
Minimum lease payments as at 31 December 2019	63,123	166,361	229,484
Less future expenses for debt service	(5,863)	(10,520)	(16,383)
Present value of minimum lease payments as at 31 December 2019	57,260	155,841	213,101

The table below presents the effective interest rate on loans and borrowings:

	2020	2019
Effective interest rate on loans and borrowings:		
- in USD	0.85-3.025%	0.85-3.025%
- SDR	2.5%	2.5%
- in UZS	22.00-23.00%	19.00-22.35%
Finance lease arrears:		
- in USD	2.96%	2.96%
- in UZS	4.69-5.74%	4.69-5.74%

The Group is required to comply with certain conditions, mainly related to loans and borrowings. As at 31 December 2020 and 2019, the Group complied with the terms and conditions of the loan agreements, except that the Group did not provide the IBRD with consolidated financial statements by the deadline specified in the loan agreements, as a result, all amounts due to the IBRD were classified as current.

Changes in liabilities resulting from financing activities:

<i>In millions of Uzbek soums</i>	31 December 2019	Additions	Repayment	Reclassificati on	Other	31 December 2020
Non-current portion	1,826,513	385,522	(354,631)	(735,115)	210,033	1,332,322
Current portion	462,898	36,192	(27,778)	735,115	1	1,206,428
	2,289,411	421,714	(382,409)	-	210,034	2,538,750

<i>In millions of Uzbek soums</i>	1 January 2019	Additions	Re- registration of loans and borrowings with Uzbek- energo JSC	Repayment	Reclassificatio n	Other	31 December 2019
Non-current portion	2,163	490,417	1,715,355	(66,618)	(406,146)	91,342	1,826,513
Current portion	7,086	20,000	122,000	(92,333)	406,146	(1)	462,898
	9,249	510,417	1,837,355	(158,951)	-	91,341	2,289,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**11. TRADE AND OTHER PAYABLES**

<i>In millions of Uzbek soums</i>	31 December 2020	31 December 2019	1 January 2019 (unaudited)
Accounts payable for electricity purchased	3,459,081	2,199,367	731,091
Accounts payable for construction and installation work and equipment	100,078	69,830	22,762
Accounts payable to Uzbekenergo JSC	–	159,158	1,888,387
Other current payables	253,633	66,491	4,393
Total trade and other accounts payable	3,812,792	2,494,846	2,646,633

Below is information about accounts payable by types of currency:

<i>In millions of Uzbek soums</i>	31 December 2020	31 December 2019	1 January 2019 (unaudited)
In Uzbek soums	3,624,314	2,424,154	2,645,014
In US Dollars	188,478	70,692	1,619
Total	3,812,792	2,494,846	2,646,633

12. TAXES PAYABLE OTHER THAN INCOME TAX

<i>In millions of Uzbek soums</i>	31 December 2020	31 December 2019	1 January 2019 (unaudited)
Value added tax	11,608	23,150	3,720
Unified social payment	2,669	4,796	3,564
Individual income tax	1,899	1,926	1,499
Tax on non-resident income	1,336	–	–
Pension fund	123	113	1,190
Land tax	106	312	37
Property tax	4	882	31,483
Other taxes and payments	490	235	1,000
Total taxes payable other than income tax	18,235	31,414	42,493

13. REVENUE

<i>In millions of Uzbek soums</i>	2020	2019
Sale of electric power	17,956,873	13,490,651
- Domestic sales	16,598,779	12,980,764
- Export sales	1,358,094	509,887
Electricity transmission services	55,804	–
Electricity transit services	10,282	7,369
Other	50,255	52,164
Total	18,073,214	13,550,184

<i>In millions of Uzbek soums</i>	2020	2019
Timing of revenue recognition		
Point in time	17,956,873	13,490,651
Over time	116,341	59,533
Total revenue	18,073,214	13,550,184

Since September 2020, the Group began to provide services for the transmission of electrical energy to Novo-Angrenskaya TES JSC, which directly entered into an agreement for the sale of electricity with a mining and metallurgical plant. The tariff for the transportation of electricity amounted to 49.4 soums per 1 kW, which was established by the protocol of the interagency tariff commission No. 5 as of 29 July 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**14. COST OF SALES**

<i>In millions of Uzbek soums</i>	2020	2019
Electricity purchase expenses	16,493,763	12,582,417
Technical losses of electric energy	415,319	307,719
Depreciation of property, plant and equipment and amortisation of intangible assets	257,696	53,026
Payroll and related expenses	99,537	118,014
Repair and maintenance expenses	51,168	4,766
Taxes	22,159	14,684
Materials	22,131	7,474
Other	32,438	29,168
Total	17,394,211	13,117,268

15. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In millions of Uzbek soums</i>	2020	2019
Payroll and related expenses	119,597	106,497
Frequency regulation services	26,580	8,042
Bank services	19,683	12,371
Depreciation and amortisation	6,503	22,019
Consulting services	8,212	50
Materials	3,369	3,603
Other	56,195	49,746
Total	240,139	202,328

16. INCOME TAX**a) Components of income tax expenses**

The income tax expenses comprise the following components:

<i>In millions of Uzbek soums</i>	2020	2019
Current income tax	3,901	4,387
Deferred income tax	80,709	(17,484)
Income tax expense/(benefit) for the year	84,610	(13,097)

b) Reconciliation of income tax expense to profit and loss multiplied by the applicable tax rate

The current income tax rate applied to the Company's profits is 15% (2019: 12%).

The following is a reconciliation of the theoretical and actual income tax expenses.

<i>In millions of Uzbek soums</i>	2020	2019
Loss before tax	(28,279)	(42,600)
Theoretical amount of income tax benefit at the statutory rate of 15% (2019: 12%)	(4,242)	(5,112)
Tax effect		
Change in tax rate	52,974	–
Other permanent differences	35,878	(7,985)
Income tax expense/(benefit) for the year	84,610	(13,097)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**16. INCOME TAX (continued)****c) Deferred taxes broken down by types of temporary differences**

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. For the purposes of calculating deferred taxes, the revaluation of property, plant and equipment in accordance with the National Accounting Standards of the Republic of Uzbekistan is excluded from the tax base of property, plant and equipment due to the fact that this amount is subject to taxable income upon disposal of the fixed asset.

The tax effects of the movement of temporary differences are detailed below:

<i>In millions of Uzbek soums</i>	1 January 2020	Recorded in profit and loss	31 December 2020
Property, plant and equipment	(408,543)	(151,452)	(559,995)
Trade and other receivables	190,314	62,584	252,898
Other current assets	2,282	(421)	1,861
Loans and borrowings	2,519	6,766	9,285
Other liabilities	1,531	1,814	3,345
Net deferred tax liabilities	(211,897)	(80,709)	(292,606)

<i>In millions of Uzbek soums</i>	1 January 2019 (unaudited)	Recorded in profit and loss	31 December 2019
Property and equipment	(411,372)	2,829	(408,543)
Trade and other receivables	178,325	11,989	190,314
Other current assets	2,730	(448)	2,282
Loans and borrowings	–	2,519	2,519
Other liabilities	936	595	1,531
Net deferred tax liabilities	(229,381)	17,484	(211,897)

17. RELATED PARTY TRANSACTIONS AND SETTLEMENTS

The parties are generally considered to be related if they are under common control, or one party has the ability to control the other party or can significantly influence or exercise joint control over the other party's financial and business decisions. In consideration of relationships with each of the possible related parties, attention is directed to the economic substance of the relationships, not merely the legal form.

Balances on related party transactions as at 31 December 2020 are presented below:

<i>In millions of Uzbek soums</i>	Sole shareholder	Associates	Entities under common control	Total
Loans and borrowings	209,509	–	7,232	216,741
Trade and other receivables	–	–	2,035,510	2,035,510
Prepayment to suppliers	–	313	74,895	75,208
Trade accounts payable	–	735	3,520,768	3,521,503
Contractual commitments	–	–	41,863	41,863
Other liabilities	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. RELATED PARTY TRANSACTIONS AND SETTLEMENTS (continued)**

Balances on related party transactions as at 31 December 2019 are presented below:

<i>In millions of Uzbek soums</i>	Sole shareholder	Associates	Entities under common control	Total
Loans and borrowings	–	–	335,652	335,652
Trade receivables	–	–	1,278,707	1,278,707
Prepayment to suppliers	–	–	156,496	156,496
Trade and other accounts payable	–	–	2,223,892	2,223,892
Contractual commitments	–	–	18,221	18,221
Other liabilities	–	145	–	145

Balances on related party transactions as at 1 January 2019 (unaudited) are presented below:

<i>In millions of Uzbek soums</i>	Sole shareholder	Associates	Entities under common control	Total	Total on consolidated statement of financial position
Trade and other receivables	–	–	1,160,454	1,160,454	1,163,699
Prepayment to suppliers	–	–	787,009	787,009	791,308
Trade and other accounts payable	–	–	1,181,007	1,181,007	1,921,023
Contractual commitments	–	–	328,254	328,254	330,313

The following are the items of income from transactions with related parties:

<i>In millions of Uzbek soums</i>	2020	2019
Revenue from sales	16,598,779	13,063,930
Cost of sales	(15,501,095)	(12,509,103)

The table below summarizes the key management remuneration:

<i>In millions of Uzbek soums</i>	2020	2019
Short-term payments		
Salary	607	332
Short-term bonus payments	714	352
Unified social payment	157	167

Short-term bonuses are payable in full within 12 months after the end of the period in which the related services are rendered by management.

The key management consists of members of the management board of the parent company. The management board consisted of six members in 2020 (2019: four members).

18. FINANCIAL RISK MANAGEMENT

The risk management function of the Company is carried out in relation to financial, operational and legal risks. Financial risk includes market risk (foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. Operational and legal risk management should ensure the proper functioning of the internal policies and procedures of the Company in order to minimize these risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. FINANCIAL RISK MANAGEMENT (continued)**

Information on financial instruments by categories is presented below:

31 December 2020	Financial assets at amortised cost	Securities	Total
Assets as per consolidated statement of financial position			
Equity instruments	–	910	910
Trade and other accounts receivable	2,130,785	–	2,130,785
Cash and cash equivalents	298,671	–	298,671
Total assets	2,429,456	910	2,430,366

31 December 2020	Financial liabilities at amortised cost	Lease liabilities	Total
Liabilities as per consolidated statement of financial position			
Loans and borrowings (except for lease liabilities)	2,362,541	–	2,362,541
Lease liabilities	–	176,209	176,209
Trade accounts payable	3,812,792	–	3,812,792
Total liabilities	6,175,333	176,209	6,351,542

31 December 2019	Financial assets at amortised cost	Securities	Total
Assets as per consolidated statement of financial position			
Equity instruments	–	878	878
Trade and other accounts receivable	1,284,125	–	1,284,125
Cash and cash equivalents	53,785	–	53,785
Total assets	1,337,910	878	1,338,788

31 December 2019	Financial liabilities at amortised cost	Lease liabilities	Total
Liabilities as per consolidated statement of financial position			
Loans and borrowings (except for lease liabilities)	2,076,310	–	2,076,310
Lease liabilities	–	213,101	213,101
Trade accounts payable	2,494,846	–	2,494,846
Total liabilities	4,571,156	213,101	4,784,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. FINANCIAL RISK MANAGEMENT (continued)**

1 January 2019 (unaudited)	Financial assets at amortised cost	Securities	Total
-------------------------------	---------------------------------------	------------	-------

Assets as per consolidated statement of financial position

Equity instruments	–	772	772
Trade and other accounts receivable	1,163,699	–	1,163,699
Cash and cash equivalents	7,827	–	7,827
Total assets	1,171,526	772	1,172,298

1 January 2019 (unaudited)	Financial liabilities at amortised cost	Lease liabilities	Total
-------------------------------	--	-------------------	-------

Liabilities as per consolidated statement of financial position

Loans and borrowings (except for lease liabilities)	9,249	–	9,249
Trade accounts payable	2,646,633	–	2,646,633
Total liabilities	2,655,882	–	2,655,882

Foreign currency risk

The table below summarizes the Group's exposure to changes in foreign exchange rates at the end of the reporting period.

The analysis below includes only financial assets and liabilities. The Group believes that investments in equity instruments and non-monetary assets will not give rise to a significant foreign exchange risk.

<i>In millions of Uzbek soums</i>	Financial assets	Financial liabilities	Net position
At 31 December 2020			
Uzbek soums	2,177,083	(3,849,580)	(1,672,497)
US Dollar	252,373	(2,425,698)	(2,173,325)
Islamic dinar / SDR	–	(69,185)	(69,185)
Total	2,429,456	(6,344,463)	(3,915,007)
At 31 December 2019			
Uzbek soums	712,015	(2,767,340)	(2,055,325)
US Dollar	625,895	(1,928,978)	(1,303,083)
Islamic dinar / SDR	–	(81,091)	(81,091)
Total	1,337,910	(4,777,409)	(3,439,499)
At 1 January 2019 (unaudited)			
Uzbek soums	1,171,526	(2,652,100)	(1,480,574)
US Dollar	–	(1,619)	(1,619)
Islamic dinar / SDR	–	–	–
Total	1,171,526	(2,653,719)	(1,482,193)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. FINANCIAL RISK MANAGEMENT (continued)****Credit risk**

The Group is exposed to credit risk, namely the risk that one party to a financial instrument will cause a financial loss to another party as a result of failure to discharge an obligation. Exposure to a credit risk arises from the sale of products on credit terms and other transactions with counterparties that give rise to financial assets.

The Group's maximal credit risk on assets categories:

<i>In millions of Uzbek soums</i>	31 December 2020	31 December 2019	1 January 2019 (unaudited)
Investments available for sale	910	878	772
Other long-term receivables	2,523	2,728	15,780
Trade and other receivables	2,130,785	1,284,125	1,163,699
Cash and cash equivalents	298,671	53,785	7,827
Restricted cash	13,169	482	–
Total risks relating to balance sheet items	2,446,058	1,341,998	1,188,078

The table below presents the movement in the financial performance and equity as a result of possible changes in exchange rates at the end of the reporting period for the functional currency of the Group, with all other variables held constant:

<i>In millions of Uzbek soums</i>	31 December 2020 Effect on profit or loss	31 December 2019 Effect on profit or loss	1 January 2019 (unaudited) Effect on profit or loss
Strengthening of the US dollar by 10.0% (2019: 15.0%, 2018: 5%)	(217,238)	(195,462)	(81)
Weakening of the US dollar by 10.0% (2019: 15.0%, 2018: 5%)	217,238	195,462	81
Strengthening of SDR by 15.0% (2019: 15.0%, 2018: 2%)	(10,378)	(12,164)	–
Weakening of SDR by 15.0% (2019: 15.0%, 2018: 2%)	10,378	12,164	–

The risk was calculated only for monetary assets and liabilities in currencies other than the functional currency of the Group. The expected deviations are based on possible changes in exchange rates based on the analysis of trends in the recent period.

Market risk

The Company is exposed to market risks. Market risks are associated with open positions on: a) foreign currencies, b) interest-bearing assets and liabilities, and c) equity instruments, which are subject to the risk of general and specific market movements.

The effect of a market risk presented below is based on a change in one factor with all other variables held constant. In practice, this is hardly possible and changes in several factors can be correlated - for example, changes in interest rates and exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loans and borrowings with floating interest rates. To manage this risk, the Group constantly analyses the movement of interest rates. To mitigate this risk, measures are taken to maintain an optimal ratio of loans and borrowings with fixed and floating rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. FINANCIAL RISK MANAGEMENT (continued)****Interest rate risk (continued)**

The following is the expected impact on profit / (loss) for the reporting period due to changes in the basis points (“bp”) of the floating interest rate, under otherwise equal conditions:

	31 December 2020	31 December 2019
<i>In millions of Uzbek soums</i>	Estimated effect on profit/(loss)	Estimated effect on profit/(loss)
Increase by 200 bp	(23,843)	(21,301)
Decrease by 200 bp	23,843	21,301

Liquidity risk

Liquidity risk is the risk that the Company will face the difficulties in discharging financial liabilities. The Company is exposed to the risk due to the daily need to use available cash. Liquidity risk is managed by the Company's finance department.

The following table presents a maturity analysis of the Group's financial liabilities based on the contractual maturities of the respective liabilities.

<i>In millions of Uzbek soums</i>	Notes	Up to 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2020					
Liabilities					
Trade payables	11	3,812,792	–	–	3,812,792
Loans and borrowings	10	358,588	666,830	1,638,796	2,664,214
Total future payments, including future principal and interest payments		4,171,380	666,830	1,638,796	6,477,006
At 31 December 2019					
Liabilities					
Trade payables	11	2,494,846	–	–	2,494,846
Loans and borrowings	10	355,492	1,008,217	1,524,727	2,888,436
Total future payments, including future principal and interest payments		2,850,338	1,008,217	1,524,727	5,383,282
At 1 January 2019 (unaudited)					
Liabilities					
Trade payables	11	2,646,633	–	–	2,646,633
Loans and borrowings	10	9,603	–	–	9,603
Total future payments, including future principal and interest payments		2,656,284	–	–	2,656,284

The Group strives to maintain a stable funding base, consisting primarily of borrowed funds, payables from core activities and other payables. Financial assets of the Group include cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. FINANCIAL RISK MANAGEMENT (continued)****Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1: prices in active markets for identical assets or liabilities (without any adjustments).
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below discloses the measurement hierarchy for assets and liabilities of the Group at the fair value.

Liabilities for which fair values are disclosed

<i>In millions of Uzbek soums</i>	31 December 2020	Level 1	Level 2	Level 3
Financial liabilities				
Loans and borrowings (Note 10)	2,538,750	–	2,538,750	–

<i>In millions of Uzbek soums</i>	31 December 2019	Level 1	Level 2	Level 3
Financial liabilities				
Loans and borrowings (Note 10)	2,289,411	–	2,289,411	–

For the years ended 31 December 2020 and 31 December 2019, there were no transfers between Levels 1, 2 and 3 of the financial instruments' fair value.

Fair value of financial instruments

As at 31 December 2020 and 31 December 2019 the management assessed that the fair value of financial instruments of the Group, such as trade accounts receivable and payable, cash and cash equivalents, cash restricted in use, approximates their carrying amounts largely due to the short-term maturities of these instruments. Loans and borrowings of the Group are stated at amortized costs which approximate their fair values.

19. CONTINGENCIES**Business environment**

Despite the improvements in the economic environment of the Republic of Uzbekistan in recent years, the country's economy displays some characteristic features inherent in emerging markets. These characteristics include, among others, low liquidity in the debt and equity markets and the continuing development of the legislative framework, including the legislative framework in the energy sector. In addition, the economy of Uzbekistan is particularly susceptible to the influence of political, legal, financial and regulatory transformations in the Republic of Uzbekistan.

The prospects of economic stability in the Republic of Uzbekistan largely depend on the effectiveness of economic measures taken by the Government, as well as the development of the legislative and regulatory framework and the political situation, which are beyond the control of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. CONTINGENT LIABILITIES (continued)**Operating environment (continued)**

The Group's financial condition and performance results will continue to be influenced by political and economic transformations in the Republic of Uzbekistan, including the application of current and future legislation and tax regulations, which have a significant impact on the financial markets of the Republic of Uzbekistan and the economy as a whole. The Group believes that the general conditions of an emerging market are no more significant than those faced by similar companies in Uzbekistan.

The following main economic indicators were observed in Uzbekistan in 2020:

- official inflation for 2020: 11,1% (2019: 15.2%);
- official foreign exchange rate: 31 December 2020: 1 US dollar = 10,476.92 UZS (31 December 2019: 1 US dollar = 9,507.56 UZS);
- GDP growth 1.6% (2019: 5.5%);
- refinancing rate of the Central Bank - 14% (2019: 16.0%).

Contractual commitments

In order to implement the program to ensure the stable operation of the energy system, the Group entered into contracts with contractors as part of the implementation of the following investment projects: Modernization and reconstruction of substations of trunk networks, Construction of 220 kV transmission lines Takhiatash TPP - SS "Khorezm" - the settlement of Sarymai, Construction of 500 kV transmission line "Surkhan-Puli-Khumri", Construction of external power supply facilities for traction substations of an electrified railway line under construction at the site Pap-Namangan-Andijan ", Construction of 220 kV line in the dims of 500 kV 177 km from Navoi TPP to the 220 kV switching point" Besopan "and others.

In 2019 and 2020, the Group entered into a number of long-term contracts for the purchase of the entire volume of electricity with producers using renewable energy sources.

20. SUBSEQUENT EVENTS

In March 2021, a draft Presidential Resolution on the organization of the Electricity Market Regulator of the Republic of Uzbekistan was developed together with experts from international financial institutions. The main functions of this authority include regulation, licensing and control of the competitive electricity market. In addition, on the basis of this project, it is proposed to establish Uzpowertrade JSC, which will act as a single buyer of electricity and deal with the export and import of electricity. The project also provides for the transfer of trade receivables and payables and other assets associated with the function of a single buyer of electricity from the parent company for the account of Uzpowertrade JSC by reducing the government share in the parent's charter capital for the purpose of forming the charter capital of the newly established company.