National Electric Grid of Uzbekistan JSC

Consolidated financial statements

As at and for the year ended 31 December 2023
with independent auditor's report

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Independent auditor's report

To the Shareholder and Supervisory Board of JSC National Electric Grid of Uzbekistan

Opinion

We have audited the consolidated financial statements of JSC National Electric Grid of Uzbekistan and its subsidiary (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive loss, 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 material accounting policy information.

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 2023 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.

Material uncertainty related to going concern

We draw attention to *Note 2* to the consolidated financial statements, which indicates that the Group incurred a net loss of 9,167,323 million of Uzbek Soum during the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by 15,633,756 million of Uzbek Soum. As stated in *Note 2* to the consolidated financial statements, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Emphasis of matter

We draw attention to Note 2 to the consolidated financial statements which describes the reissuance of the consolidated financial statements for the year ended 31 December 2023, previously issued by the Group, on which we expressed an unmodified opinion in our auditor's report dated 29 June 2024. The previously issued consolidated financial statements for the year ended 31 December 2023 authorized for issue on 29 June 2024 have been revised as disclosed in Note 3. The auditor's report on these revised consolidated financial statements supersedes our previously issued auditor's report. Our opinion is not modified in respect of this matter.

Responsibilities of management and the Supervisory Board for the consolidated financial statements

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

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Tashkent, Uzbekistan

27 June 2025

FE Audit Company "Ernst & Young" LLC

FE Audit Company "Ernst & Young" LLC
Certificate authorizing audit practice No. 66 registered with the Ministry of Finance of the Republic of Uzbekistan.

Engagement partner/
Qualified auditor

Mukhammadyokubkhuja
Sharafitdinkhodjaev

Auditor's qualification certificate authorizing audit practice No. 06392 dated 24.08.2024 issued by "Buxgalterlar va auditorlar imtihon markazi"

General director

Nataliya Kim

Auditor's qualification certificate authorizing audit practice No. 05555 dated 12.07.2018 issued by "Buxgalterlar va auditorlar imtihon markazi"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

In millions of Uzbekistan Soums	Note	31 December 2023*	31 December 2022 (Restated)*
Assets			
Non-current assets			
Property, plant and equipment	5	**7,957,552**	7,052,259
Right-of-use assets	12	**54,464,562**	34,102,831
Investments in associates and joint ventures		**-**	8,019
Advances paid for non-current assets	3	**370,553**	323,375
Deferred tax assets	17	**918,619**	3,354
Other non-current assets		**1,095**	3,816
Total non-current assets		**63,712,381**	41,493,654
Current assets			
Inventory		**125,009**	207,428
Trade and other receivables	6	**3,269,071**	2,075,386
Advances paid		**398,214**	365,694
Income tax prepaid		**-**	2,102
VAT recoverable and other prepaid taxes	7	**190,524**	273,325
Restricted cash	8	**428,856**	553,206
Cash and cash equivalents	8	**239,122**	80,075
Other current assets		**49,599**	40,867
Total current assets		**4,700,395**	3,598,083
Total assets		**68,412,776**	45,091,737
Equity			
Share capital	9	**5,113,389**	5,202,310
Reserve capital		**-**	2,429
Accumulated loss		**(18,406,517)**	(9,605,697)
Equity attributable to the Group's owner		**(13,293,128)**	(4,400,958)
Non-controlling interest		**-**	2,759
Total equity		**(13,293,128)**	(4,398,199)
Liabilities			
Non-current liabilities			
Loans and borrowings	10	**4,020,821**	3,165,647
Lease liabilities	12	**57,347,680**	32,196,067
Deferred tax liabilities	17	**-**	259,500
Other non-current liabilities		**3,252**	-
Total non-current liabilities		**61,371,753**	35,621,214
Current liabilities			
Loans and borrowings	10	**384,647**	311,806
Trade and other accounts payable	11	**12,737,345**	10,617,355
Lease liabilities	12	**4,261,981**	2,353,720
Advances received		**2,817,284**	458,763
Taxes payable other than income tax		**12,041**	8,953
Other current liabilities		**120,853**	118,126
Total current liabilities		**20,334,151**	13,868,723
Total liabilities		**81,705,904**	49,489,937
Total equity and liabilities		**68,412,776**	45,091,737

** Financial statements for year ended 31 December 2023 were reissued as disclosed in Note 3. Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2022, as they reflect the correction of certain errors, as detailed in Note 3.*

O'ZBEKISTON RESPUBLIKASI "O'ZBEKISTON MILLIY ELEKTR TARMOQLARI" AKSIYADORLIK JAMIYATI

Kurbonov F.M
Deputy Chairman of the Management Board for Investments

Kholboev S.N.
Chief Accountant

The explanatory notes on pages 5 to 37 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December 2023

In millions of Uzbekistan Soums	**Notes**	**2023***	2022 (Restated)*
Revenue	13	**30,651,183**	21,119,528
Cost of sales	14	**(31,759,183)**	(23,293,848)
Gross loss		**(1,108,000)**	(2,174,320)
Other operating income		**112,911**	172,642
General and administrative expenses	15	**(306,980)**	(358,451)
(Accrual)/Recovery of provision for expected credit losses	6	**(1,163,018)**	48,163
Operating loss		**(2,465,087)**	(2,311,966)
Share in profit of associates and joint ventures, net		**-**	1,995
Finance income		**30,966**	11,609
Finance costs	16	**(2,230,780)**	(1,178,729)
Foreign exchange loss, net		**(5,677,187)**	(286,125)
Loss before income tax		**(10,342,088)**	(3,763,216)
Income tax benefit/(expense)	17	**1,174,765**	(53,886)
Net loss for the year		**(9,167,323)**	(3,817,102)
Loss attributable to:			
- Owners of the Group		**(9,167,323)**	(3,819,363)
- Non-controlling interest		**–**	2,261
Net loss for the year		**(9,167,323)**	(3,817,102)
Other comprehensive income for the year		**–**	–
Total comprehensive loss for the year		**(9,167,323)**	(3,817,102)
Total comprehensive loss attributable to:			
- Owners of the Group		**(9,167,323)**	(3,819,363)
- Non-controlling interest		**-**	2,261
Total comprehensive loss for the year		**(9,167,323)**	(3,817,102)

** Financial statements for 2023 were reissued as disclosed in Note 3. Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2022, as they reflect the correction of certain errors, as detailed in Note 3.*

O'ZBEKISTON RESPUBLIKASI "O'ZBEKISTON MILLIY ELEKTR TARMOQLARI" AKSIYADORLIK JAMIYATI * O'ZBEKISTON *

Kurbonov F.M
Deputy Chairman of the Management Board for Investments

Kholboev S.N.
Chief Accountant

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to the owner of the Group					
In millions of Uzbekistan Soums	Note	Share capital	Reserve capital	Accumulated loss	Total equity attributable to the owner of the Group	Non-controlling interest	Total equity
Balance at 31 December 2021		**5,202,310**	**2,429**	**(5,786,334)**	**(581,595)**	**498**	**(581,097)**
Net loss for the period (restated) (Note 3)		–	–	(3,819,363)	(3,819,363)	2,261	(3,817,102)
Total comprehensive loss for period		–	–	(3,819,363)	(3,819,363)	2,261	(3,817,102)
Balance at 31 December 2022 (restated)		**5,202,310**	**2,429**	**(9,605,697)**	**(4,400,958)**	**2,759**	**(4,398,199)**
Net loss for the period		–	–	(9,167,323)	(9,167,323)	–	(9,167,323)
Total comprehensive loss for period		–	–	(9,167,323)	(9,167,323)	–	(9,167,323)
Decrease of share capital	9	(88,921)	–	–	(88,921)	–	(88,921)
Disposal of subsidiaries	9	–	–	(134,180)	(134,180)	(2,759)	(136,939)
Transactions with the shareholder	9	–	–	343,668	343,668	–	343,668
Other movements		–	(2,429)	157,015	154,586	–	154,586
Balance at 31 December 2023		**5,113,389**	**–**	**(18,406,517)**	**(13,293,128)**	**–**	**(13,293,128)**

** Financial statements for 2023 were reissued as disclosed in Note 3. Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2022, as they reflect the correction of certain errors, as detailed in Note 3.*

Kurbonov F.M
Deputy Chairman of the Management Board for Investments

O'ZBEKISTON RESPUBLIKASI "O'ZBEKISTON MILLIY ELEKTR TARMOQLARI" AKSIYADORLIK JAMIYATI

Kholboev S.N.
Chief Accountant

The explanatory notes on pages 5 to 37 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

In millions of Uzbekistan Soums	Notes	2023*	2022 (Restated)*
Cash flow from operating activities			
Loss before income tax		**(10,342,088)**	(3,763,216)
Adjustments for:			
Finance costs	16	**2,230,780**	1,178,729
Foreign exchange loss, net		**5,677,187**	286,125
Accrual/(recovery) of provision for expected credit losses	6	**1,163,018**	(48,163)
Depreciation of property, plant and equipment and right-of-use assets	5,12	**1,927,718**	1,135,214
Share in profit of associates and joint ventures, net		**-**	(1,995)
Finance income		**(30,966)**	(11,608)
Other non-cash operating expenses		**11,585**	18,048
Operating cash flows before changes in working capital		**637,234**	(1,206,866)
Change in trade and other receivables		**(2,355,471)**	641,408
Change in inventory		**82,419**	33,601
Change in other current assets		**(1,047)**	(11,895)
Change in advances paid		**(22,001)**	(224,389)
Change in trade and other payables		**1,891,909**	3,123,393
Change in advances received		**2,358,505**	359,186
Change in other liabilities		**2,728**	56,215
Change in VAT recoverable and other prepaid taxes		**85,889**	(3,043)
Changes in working capital		**2,680,165**	2,767,610
Income taxes paid		**-**	-
Interest paid		**(2,276,572)**	(1,187,625)
Net cash flows from operating activities		**403,593**	1,579,985
Cash flows from investing activities			
Purchase of property, plant and equipment		**(857,575)**	(1,221,744)
Transfers in restricted cash		**124,350**	(299,428)
Net cash flows used in investing activities		**(733,225)**	(1,521,172)
Cash flows from financing activities			
Proceeds from borrowings	10	**812,441**	758,385
Repayment of borrowings	10	**(234,787)**	(257,950)
Repayment of lease liabilities	12	**(139,559)**	(569,805)
Net cash flows used in financing activities		**438,095**	(69,370)
Net change in cash and cash equivalents		**108,463**	(10,557)
Cash and cash equivalents at the beginning of the year	8	**80,075**	90,632
Effect of exchange rate changes on cash and cash equivalents		**50,584**	-
Cash and cash equivalents at the end of the year	8	**239,122**	80,075

** Financial statements for 2023 were reissued as disclosed in Note 3. Certain amounts related to 2022 do not correspond to the consolidated financial statements for year ended 31 December 2022, as they reflect the correction of the errors, as detailed in Note 3.*

Kurbonov F.M
Deputy Chairman of the Management Board for Investments

Kholboev S.N.
Chief Accountant

The explanatory notes on pages 5 to 37 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION

JSC National Electric Grid of Uzbekistan (herein after – "the Company") is a state 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 Further Development and Reform of the Electric Power Industry of the Republic of Uzbekistan*. The Company was registered on 18 April 2019.

The main activities of the Company are operation and development of the main electric networks of the Republic of Uzbekistan, supply of electricity through high voltage lines and implementation of interstate transit, cooperation with the electric power systems of neighboring states.

As of 31 December 2023 and 2022 the Company's shareholder is Ministry of Economy and Finance of the Republic of Uzbekistan (herein after – the Shareholder). Company's ultimate controlling party is the Government of the Republic Uzbekistan.

As of 31 December 2023 and 2022 the Company had interests in the following subsidiaries operating in the Republic of Uzbekistan:

Subsidiaries	Main activity	**31 December 2023 % ownership**	31 December 2022 % ownership
Elektrkommunalqurilish LLC	Construction and repair services	**100%**	100.0%
Uzenergoinjiniring JSC	Design of power supply facilities	**0%**	87.5%
Savdoenergo JSC	Wholesale and retail trade	**0%**	68.9%
Energomahsusavto LLC	Transport services	**0%**	100.0%

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

The head office of the Group is located at the following address: 42, Osiyo st., Tashkent, Republic of Uzbekistan. The main place of business of the Group is the Republic of Uzbekistan. These consolidated financial statements of the Group were approved for issue by the Deputy Chairman of the Management Board for Economics and Finance and the Chief Accountant of the Group on 27 June 2024.

2. BASIS OF PREPARATION

Statement of compliance

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

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

These consolidated financial statements supersede the previously issued consolidated financial statements for the year ended 31 December 2023 which were approved and authorized for issue 29 June 2024 (Note 3).

These revised consolidated financial statements for the year ended 31 December 2023 were approved and authorized for issue by the Management of the Group on 27 June 2025.

Functional and presentation currency

The national currencies of the countries where the Group entities operate are usually the individual group's functional currencies, because they generally reflect the economic substance of the underlying transactions and circumstances of those companies.

The Functional currency of the parent entity of the Group and presentation currency of the Group's financial statements is the national currency of the Republic of Uzbekistan – Uzbek Soum ("UZS"). The consolidated financial statements are presented in millions of Uzbek Soum ("UZS"). All values are rounded to the nearest million, except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Currency exchange rates

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

The exchange rate of the CBU as of 31 December 2023 was 12,338.77 UZS per USD. This rate was used to translate monetary assets and liabilities denominated in US Dollars as of 31 December 2023 (11,225.46 UZS per 1 USD at 31 December 2022). The exchange rate of the Central Bank of Uzbekistan as of 28 June 2024 was 12,555.16 UZS per 1 USD.

Going concern

These consolidated financial statements have been prepared on the basis of going concern principle, which implies a continuation of the normal course business, sale of assets and settlement of obligations in the normal course of business.

The Group incurred a net loss of UZS 9,167,323 million for the year ended 31 December 2023 (2022: UZS 3,817,102 million) and as of that date its current liabilities exceeded current assets by UZS 15,633,756 million (2022: UZS 10,270,639 million).

The Group's ability to pay trade payables, repay borrowed funds and maintain a going concern basis is dependent on the Group raising additional cash in the foreseeable future. As at the date of these consolidated financial statements, management was satisfied with sufficient grounds that the Group would be able to continue as a going concern by raising additional funds from a 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 operating cash flows.

The Group's short-term liabilities are mainly represented by trade payables to related parties, subsidiaries of JSC Thermal Power Plants JSC ("TES JSC"), controlled by the Group's Shareholder, as well as short-term loans and borrowings. Moreover, the repayment of accounts payable is also predetermined by repayment in accordance with Protocol 18 of the Inter-agency Tariff Commission under the Cabinet of Ministers of the Republic of Uzbekistan dated 27 October 2023, in accordance with which the repayment of accounts payable is carried out as funds are received from clients – related parties, subsidiaries of Regional Electric Networks JSC.

In addition, in 2024, it is expected to transfer electricity sales and purchase activities, as well as respective trade receivables and trade payables (as of 31 December 2023) to the newly created company JSC "Uzpowertrade", controlled by the shareholder of the Group.

The ability of the Group to continue as going concern is dependent on the Group obtaining funds from the above-mentioned source in a sufficient amount and in due time.

Although the above facts indicate that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as going concern, the management of the Group has reasonable grounds to conclude that it will be able to manage the inherent uncertainties referred to above and to successfully complete sufficient financing options and realization of programs set out above. Hence, the management considers that the preparation of these consolidated financial statements on a going concern basis is appropriate.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Material accounting policies applied in the preparation of the consolidated statements are described below. These accounting policies have been consistently applied.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary. 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);

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Basis of consolidation (continued)

- 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.

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.

If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- 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

Subsidiaries are entities controlled by the Group. Control is presumed to exist 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. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities. Relevant activities are activities of the investee that significantly affect the investee's return. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

Non-controlling interest represents the non-controlling shareholders' proportionate share of the equity and results of operations of the Group's subsidiaries. This has been calculated based upon the non-controlling interests' ownership percentage of these subsidiaries. The non-controlling interest has been disclosed as a part of equity.

The Group applies a policy of treating transactions with non-controlling shareholders as transactions with equity owners of the Group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of a subsidiary is recorded in equity. Differences between consideration received and carrying value of non-controlling interests sold are also recorded in equity.

The Group derecognises non-controlling interest if non-controlling shareholders have received a mandatory offer to purchase their shares. The difference between the amount of the liability recognised in the consolidated statement of financial position over the carrying value of the derecognised non-controlling interests is charged to retained earnings.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Principles of consolidation (continued)

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains in transactions among the Group entities are eliminated; The Group and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Foreign currency transactions and translation

Transactions in foreign currencies are measured in the respective functional currencies of the Group entities at exchange rates effective at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are remeasured to the entities' functional currencies at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are remeasured to the functional currency at the exchange rate at the date that the fair value was determined. Other non-monetary assets and liabilities measured in a foreign currency are remeasured to the functional currency at the exchange rate at the date of operation. Foreign currency differences arising on remeasurement are recognised in profit and loss.

Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation and accumulated impairment. The cost of self-constructed assets includes cost of materials, direct labour and a proportion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment.

Renewals and improvements are capitalised. The costs of regular repair and maintenance are expensed as incurred. Gains and losses arising from the disposal of property, plant and equipment are included in profit and loss as incurred.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised to the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it increases future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognised in profit and loss as incurred.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation commences from the time an asset is completed and ready for use. The useful lives are reviewed at each financial year-end and, if expectations differ from previous estimates, changes are recognised prospectively. The useful lives, in years, of assets by type of facility are as follows:

	Useful life (years)
Buildings	10-50
Transmission facilities and equipment	5-50
Vehicles	4-28
Other fixed assets	3-20
Capitalised leasehold improvements	Lower of economic useful life or lease term

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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 in the year the asset is derecognized.

Leases

Right-of-use assets and Lease liabilities are capitalised at the commencement of the lease at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability. Finance charges are recognised in finance costs in the consolidated statement of comprehensive loss. Right-of-use asset is depreciated over the lease term.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made for obsolete or slow-moving inventories, taking into account their expected use and future net realisable value.

Cash and cash equivalents

Cash comprises cash in hand and cash deposited on demand at banks. Cash equivalents comprise short-term, highly liquid investments that are readily convertible into cash and have an original maturity of three months or less from the date of acquisition and are subject to insignificant changes in value.

Advances paid

Advances paid by the Group are carried at cost less provision for impairment. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are recognised in profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of prepayment is written down as impairment loss in profit and loss.

Advances paid by the Group are classified as non-current assets when the goods or services relating to the prepayment are to be delivered beyond one year period or when they relate to acquisition of property, plant and equipment.

Value added tax on purchase and sales

Value added tax (VAT) related to sales is payable to tax authorities either upon revenue recognition or at the time of collection of receivables from customers, depending on statutory regulations of the Republic of Uzbekistan. Tax authorities permit settlement of VAT on a net basis.

Financial instruments– initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in 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, other financial assets, trade and other accounts receivable, quoted and unquoted financial instruments.

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

A financial asset is measured at amortized cost if two criteria are met:

1) The purpose of the business model is to hold a financial asset to receive all contractual cash flows; and

2) Contractual cash flows are represented only by interest payments and principal debt. The fee is a payment for the time value of money and the credit risk associated with the principal debt to maturity in 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 amortized cost are stated at fair value.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments‒ initial recognition and subsequent measurement (continued)

Financial assets (continued)

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. The business model is determined by the management of the Group.

Recognition of expected credit loss

The Group recognizes the estimated provision for expected credit losses on financial assets measured at amortized cost 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 terms and conditions of the cash flows of a financial asset stipulated by the agreement have been revised or modified and the recognition of the financial asset has not been terminated, 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).

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 trade receivables arising from transactions that are within the scope of IFRS 15 *Revenue from Contracts with Customers*; 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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments− initial recognition and subsequent measurement (continued)

Financial assets (continued)

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.

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, and lease liability.

Subsequent measurement

The 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 or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Trade and other payables

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

Lease liabilities

At the commencement date of the lease, lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The principal market (or the most advantageous market in the absence of principle market) must be accessible to by the Group.

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 economic best 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.

To achieve greater consistency and comparability of fair value measurements and related disclosures the fair value hierarchy is followed up to define fair value estimation methods and apply relevant observable inputs and minimise the use of 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. The 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.

Fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities in the principal market for the asset or liability, at the close of business on the reporting date, with no adjustment made for the transaction costs.

For assets and liabilities where there is no principal (or most advantageous) market, respective fair value is determined using appropriate valuation techniques. Valuation techniques include discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models. If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances can be used to measure at fair value. It is possible to use mid-market pricing conventions that are used by market participants as an expedient for fair value measurement within a bid-ask spread. Certain financial instruments are recorded at fair value using valuation techniques because current market transactions or observable market data are not available. Their fair value is determined using a valuation model that is tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate internal model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (Day 1 profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

For discounted cash flow techniques, estimated future cash flows and discount rates are based on management's best estimates of assumptions that market participants would use when pricing the asset or liability. Cash flows and discount rates used take into account only the factors attributable to the asset or liability being measured. The use of different pricing models and assumptions could produce materially different estimates of fair values.

Fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit plus interest accrued. Fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at prevailing market rates for similar instruments at the recognition date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair value of financial instruments (continued)

Where fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from the principal (or most advantageous) markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity risk, credit risk, and model inputs such as volatility and discount rates, prepayment rates and default rate assumptions for asset backed securities.

For discounted cash flows analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. Changes in these assumptions affect fair value of financial instruments.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. 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 to sell, 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 share prices for publicly traded companies or other available fair value indicators.

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

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

For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU'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 recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus.

Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and revenue can be reliably measured, regardless of when the payment is made. Revenue is recognised in the amount of the consideration to which the Group will be entitled in exchange for the goods or services that will be transferred to the customer. The consideration set in the contract with the customer may contain fixed and variable amounts as a result of price concession. The Group recognises revenue using the expected value method. Revenue from sale of electricity is recognised in profit and loss on delivery of electricity. Where applicable, revenue is based on rates and related restrictions established by law and regulating authorities. Revenue amounts are presented exclusive of VAT.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Finance income

Finance income comprises interest income on funds invested, accretion income, dividend income and foreign currency gains, net. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the dividends are declared and an inflow of economic benefits is probable.

Finance costs

Finance expenses primarily include interest expense on borrowings, unwinding of discount on provisions and foreign currency losses, net. All borrowing costs are recognised in the consolidated statement of comprehensive income using the effective interest method unless directly attributable to acquisition of a qualifying asset. Commission fee for opening of credit lines is included into interest expense.

Income tax expense

Current income tax

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, when 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.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised 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:

- Where 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 interests 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. Unrecognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Income tax expense (continued)

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 other 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 asset. 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 in the consolidated financial statements unless the possibility of any outflow in settlement is remote.

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

New accounting pronouncements and revised standards

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise specified). The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects.

IFRS 17 is based on a general model, supplemented by:

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

The new standard had no impact on the Group’s consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

New accounting pronouncements and revised standards (continued)

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

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

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules.

Standards issued but not yet effective

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Standards issued but not yet effective (continued)

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:

Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Correction of errors

In 2022 the Group incorrectly measured and presented right-of-use assets and lease liabilities related to leases denominated in foreign currency. As a result of this error, right-of-use assets and lease liabilities as at 31 December 2023 and 2022 and cost of sales and foreign exchange loss for 2023 and 2022 were understated, finance costs for 2023 and 2022 were overstated.

To correct error identified the Group has revised the previously issued consolidated financial statements for the year ended 31 December 2023 and has restated comparative information for 2022. These reissued consolidated financial statements for 2023 supersede the previously issued consolidated financial statements.

The consolidated statement of financial position

The effect of the correction of error on the consolidated statement of financial position as of 31 December 2022 is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Correction of errors (continued)

In millions of Uzbekistan Soums	**31 December 2022 As previously reported**	**Correction of error**	**31 December 2022 As revised**
Assets			
Non-current assets			
Right-of-use assets	**15,124,237**	18,978,594	**34,102,831**
Total non-current assets	**22,515,060**	18,978,594	**41,493,654**
Total assets	**26,113,143**	18,978,594	**45,091,737**
Equity			
Accumulated loss	**(9,556,335)**	(49,362)	**(9,605,697)**
Equity attributable to the Group's owner	**(4,351,596)**	(49,362)	**(4,400,958)**
Total equity	**(4,348,837)**	(49,362)	**(4,398,199)**
Liabilities			
Non-current liabilities			
Lease liabilities	**12,599,173**	19,596,894	**32,196,067**
Deferred tax liabilities	**268,211**	(8,711)	**259,500**
Total non-current liabilities	**16,033,031**	19,588,183	**35,621,214**
Current liabilities			
Lease liabilities	**2,913,946**	(560,226)	**2,353,720**
Total current liabilities	**14,428,949**	(560,226)	**13,868,723**
Total liabilities	**30,461,980**	19,027,957	**49,489,937**
Total equity and liabilities	**26,113,143**	18,978,594	**45,091,737**

The effect of correction of the consolidated statement of financial position as of 31 December 2023 is as follows:

In millions of Uzbekistan Soums	**31 December 2023 As previously reported**	**Correction of error**	**31 December 2023 As revised**
Assets			
Non-current assets			
Right-of-use assets	**36,263,136**	18,201,427	**54,464,563**
Deferred tax assets	**27,341**	891,278	**918,619**
Total non-current assets	**44,619,677**	18,201,427	**63,712,381**
Total assets	**49,320,072**	18,201,427	**68,412,776**
Equity			
Accumulated loss	**(13,355,942)**	(5,050,575)	**(18,406,517)**
Equity attributable to the Group's owner	**(8,242,553)**	(5,050,575)	**(13,293,128)**
Total equity	**(8,242,553)**	(5,050,575)	**(13,293,128)**
Lease liabilities	**32,238,414**	25,109,266	**57,347,680**
Total non-current liabilities	**36,262,487**	25,109,266	**61,371,753**
Current liabilities			
Lease liabilities	**5,227,968**	(965,987)	**4,261,981**
Total current liabilities	**21,300,138**	(965,987)	**20,334,151**
Total liabilities	**57,562,625**	24,143,279	**81,705,904**
Total equity and liabilities	**49,320,072**	19,092,704	**68,412,776**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Correction of errors (continued)

The consolidated statement of profit or loss

The effect of restatement on the consolidated statement of comprehensive loss for the year ended 31 December 2022 is as follows:

In millions of Uzbekistan Soums	**2022 As previously reported**	**Correction of error**	**2022 As revised**
Cost of sales	**(22,843,254)**	(450,594)	**(23,293,848)**
Gross loss	**(1,723,726)**	(450,594)	**(2,174,320)**
Operating loss	**(1,861,372)**	(450,594)	**(2,311,966)**
Finance costs	**(1,771,868)**	593,139	**(1,178,729)**
Foreign exchange loss, net	**(85,506)**	(200,619)	**(286,125)**
Loss before income tax	**(3,705,143)**	(58,073)	**(3,763,216)**
Income tax benefit/(expense)	**(62,597)**	8,711	**(53,886)**
Net loss for the year	**(3,767,740)**	(49,362)	**(3,817,102)**
Loss attributable to:			
- Owners of the Group	**(3,770,001)**	(49,362)	**(3,819,363)**
Net loss for the year	**(3,767,740)**	(49,362)	**(3,817,102)**
Total comprehensive loss for the year	**(3,767,740)**	(49,362)	**(3,817,102)**

The effect of correction of the consolidated statement of comprehensive loss for the year ended 31 December 2023 is as follows:

In millions of Uzbekistan Soums	**2023 As previously reported**	**Correction of error**	**2023 As revised**
Cost of sales	**(28,746,948)**	(3,012,234)	**(31,759,183)**
Gross profit/(loss)	**1,904,235**	(3,012,234)	**(1,108,000)**
Operating profit/(loss)	**547,148**	(3,012,234)	**(2,465,087)**
Finance costs	**(3,172,186)**	941,406	**(2,230,780)**
Foreign exchange loss, net	**(1,864,236)**	(3,812,951)	**(5,677,187)**
Loss before income tax	**(4,458,308)**	(5,883,779)	**(10,342,088)**
Income tax benefit	**292,199**	882,566	**1,174,765**
Net loss for the year	**(4,166,109)**	(5,001,213)	**(9,167,323)**
Total comprehensive loss for the year	**(4,166,109)**	(5,001,213)	**(9,167,323)**

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Correction of errors (continued)

The consolidated statement of cash flow

The effect of above-mentioned correction on the consolidated statement of cash flows for the year ended 31 December 2022 is as follows:

In millions of Uzbekistan Soums	**2022 As previously reported**	**Correction of error**	**2022 As revised**
Cash flow from operating activities			
Loss before income tax	**(3,705,143)**	(58,073)	**(3,763,216)**
Adjustments for:			
Finance costs	**1,771,868**	(593,139)	**1,178,729**
Foreign exchange loss, net	**85,506**	200,619	**286,125**
Depreciation of property, plant and equipment and right-of-use assets	**684,621**	450,593	**1,135,214**
Interest paid	**(65,430)**	(1,122,195)	**(1,187,625)**
Net cash flows from operating activities	**2,702,180**	(1,122,195)	**1,579,985**
Cash flows from financing activities			
Repayment of lease liabilities	**(1,692,000)**	1,122,195	**(569,805)**
Net cash flows used in financing activities	**(1,191,565)**	1,122,195	**(69,370)**

The effect of above-mentioned correction on the consolidated statement of cash flows for the year ended 31 December 2023 is as follows:

In millions of Uzbekistan Soums	**2023 As previously reported**	**Correction of error**	**2023 As revised**
Cash flow from operating activities			
Loss before income tax	**(4,458,308)**	(5,883,780)	**(10,342,088)**
Adjustments for:			
Finance costs	**3,172,186**	(941,406)	**2,230,780**
Foreign exchange loss, net	**1,864,236**	3,812,951	**5,677,187**
Depreciation of property, plant and equipment and right-of-use assets	**1,150,550**	777,168	**1,927,718**
Operating cash flows before changes in working capital	**2,868,845**	(2,231,611)	**637,234**
Changes in working capital	**4,915,231**	(2,235,067)	**2,680,165**
Interest paid	**(176,611)**	(2,099,961)	**(2,276,572)**
Net cash flows from operating activities	**4,738,620**	(4,335,028)	**403,593**
Cash flows from financing activities			
Repayment of lease liabilities	**(4,474,587)**	4,335,028	**(139,559)**
Net cash flows used in financing activities	**(3,896,933)**	4,335,028	**438,095**

Presentation of disclosures

In these consolidated financial statements the Group has updated certain information disclosed in Notes to the consolidated financial statements for the year ended 31 December 2022 to reflect the corrections of error disclosed in Note 3 (Notes 12, 14, 16, 17).

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 disclosures, and the disclosure of contingent liabilities and assets. 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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses on trade accounts receivable

The provision for impairment of accounts receivable is based on the Group's assessment of the collectability of specific customer accounts. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates.

If the Group determines that no objective evidence exists that impairment has occurred for an individually assessed accounts receivable, whether significant or not, it includes the accounts receivable in a group of accounts receivable with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of accounts receivable that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management to the extent of which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. The Group adjusts the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year, which can lead to an increased number of defaults in the specific sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed *(Note 6)*.

Determination of the lease component in renewable energy purchase agreements

During 2019-2023 Group has entered into long-term contracts for the purchase of electricity produced at power plants using renewable energy sources (hereinafter referred to as "RES power stations") and conventional sources. According to these agreements, the Group has the right to receive almost all economic benefits from the use of an energy plant during the period of use, defined as the 25-year period of validity of purchase agreements. Group contracts with private thermal power plants, assumes provision of fuel (natural gas) by the Group. The Group purchases the entire amount of electricity produced at all these energy plants. Renewable energy purchase agreements provide for tariffs ranging from 1,791 to 3.5 US Dollar cents each kWh of electricity generated at renewable energy plants. The Group pays conventional private power plants for the electricity generation services using each contracts tariff (between 0.636 and 2.0 US Dollar cents each kWh of electricity generated).

Therefore, the Group's management determined that renewable energy purchase agreements contain a lease component in accordance with IFRS 16. However, the Group's management cannot reliably estimate the amount of electricity due to high fluctuations in the volumes of production that will be generated at each specific power plant (solar and wind), as the nature of the renewable energy business depends to a large extent on external factors such as weather conditions. Accordingly, the management of the Group was not able to reliably assess lease liability (and, accordingly, right of use asset).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Determination of the lease component in renewable energy purchase agreements (continued)

The thermal power purchase agreements contain "take or pay" clause and stipulate the expected hours of operation of each thermal power plant and overall capacity of the thermal power plant. Therefore, the Group's management can make a reliable estimate of the electricity production volumes and assess the lease liability along with right-of-use asset. During 2022-2023 thermal power plants were put into exploitation and the Group recognized right-of-use assets and lease liabilities in the amount of UZS 54,464,562 million and UZS 61,609,661 million, respectively, as at 31 December 2023 *(Note 12)*.

Impairment of non-current assets

In 2023 the Group incurred net losses of 9,167,323 million of Uzbek Soum and identified indications of impairment of its non-current assets. The management updated the assessment of the recoverable amount of its non-current assets as at 31 December 2023.

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 2023 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.

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 2023, the recoverable amount exceeded the carrying amount of non-current assets.

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 2023:

Key assumptions	Value	Recoverable amount sensitivity to key assumptions
Discounting rate (WACC)	16.80%	Increase/(decrease) in discount rates by 1% will not lead to impairment
Long-term growth rate	5%	Increase/(decrease) in the long-term growth rate by 1% will not lead to impairment
Electricity transmission (in million kWh)	71,943	Increase/(decrease) in electricity transmission by 10% will not lead to impairment
Electricity transmission tariff, soum/kWh*	65	Increase/(decrease) in the electricity transmission tariff by 5% will not lead to impairment

** The tariff for electricity transportation was estimated with a view to the transition to the RAB (regulated asset base) from 2024, 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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

In millions of Uzbekistan Soums	**Buildings and premises**	**Machinery and equipment**	**Vehicles**	**Others**	**Construction in progress**	**Total**
Cost at						
1 January 2022	**294,178**	**5,685,601**	**124,823**	**14,248**	**1,353,456**	**7,472,306**
Additions	81,764	–	–	–	1,026,768	**1,108,532**
Transfer	86,899	935,419	(17,725)	(2,120)	(1,002,473)	**–**
Disposals	(17,828)	(25,398)	(443)	(5,535)	–	**(49,204)**
As at 31 December 2022	**445,013**	**6,595,622**	**106,655**	**6,593**	**1,377,751**	**8,531,634**
Additions	–	–	–	–	1,367,071	**1,367,071**
Transfer	46,903	1,059,790	3,215	1,376	(1,111,284)	**–**
Disposals	(5,153)	(11,537)	(20)	(49)	212	**(16,547)**
As at 31 December 2023	**486,763**	**7,643,875**	**109,850**	**7,920**	**1,633,750**	**9,882,158**
Accumulated depreciation						
1 January 2022	**(74,907)**	**(1,069,556)**	**(26,808)**	**(7,507)**	**–**	**(1,178,778)**
Depreciation charge	(7,856)	(295,393)	(7,984)	(10)	–	**(311,243)**
Disposals	3,187	6,337	130	992	–	**10,646**
As at 31 December 2022	**(79,576)**	**(1,358,612)**	**(34,662)**	**(6,525)**	**–**	**(1,479,375)**
Depreciation charge	(26,790)	(410,740)	(20,334)	(324)	–	**(458,188)**
Disposals	1,687	11,114	59	97	–	**12,957**
As at 31 December 2023	**(104,679)**	**(1,758,238)**	**(54,937)**	**(6,752)**	**–**	**(1,924,606)**
Carrying value						
As at 31 December 2022	**365,437**	**5,237,010**	**71,993**	**68**	**1,377,751**	**7,052,259**
As at 31 December 2023	**382,084**	**5,885,637**	**54,913**	**1,168**	**1,633,750**	**7,957,552**

As at 31 December 2023, the historical cost of fully depreciated property, plant and equipment in use is UZS 302,655 million (2022: UZS 259,094 million).

Construction in progress

Construction in progress is mainly represented by the construction and installation work for the implementation of the following major projects:

- “Construction of 220 kV Substation «Zafarobod» and two 220 kV OHL Syrdarya TPP - Substation «Zafarobod» in the Jizzakh region”;
- “Modernization and reconstruction of main power substations and renewal of 220 and 500 kV OHL in 40 substations throughout the country”;
- “Construction of 220/110/10 kV Substation “Yulduz” and two 220 kV OHL in Andijan region”;
- “Construction of 500 kV OHL to connect the power substation of the private partnership company “Akwa Power” located in Syrdarya region to main electrical lines”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. TRADE AND OTHER RECEIVABLES

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Trade accounts receivable	**6,830,088**	4,473,385
Less: provision for expected credit losses	**(3,561,017)**	(2,397,999)
	3,269,071	**2,075,386**

Trade receivables are mainly consisted of receivables from regional power grid enterprises at 31 December 2023 in the amount of UZS 6,721,168 million (31 December 2022: UZS 4,461,559 million).

Below is information on trade receivables by currency:

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
In UZS	**3,178,473**	2,028,802
In USD	**90,598**	46,584
	3,269,071	**2,075,386**

Movements in the provision for expected credit losses are presented as follows:

In millions of Uzbekistan Soums	**2023**	**2022**
As of 1 January	**2,397,999**	**2,446,162**
Accrual	**1,163,018**	330,449
Recoveries	**-**	(378,612)
As of 31 December	**3,561,017**	**2,397,999**

Information about the Group's exposure to credit risk in respect of trade receivables from regional companies of electricity networks is presented below using a provision matrix:

		Trade accounts receivable				
			Days past due			
In millions of Uzbekistan Soums	**Total**	**Current**	**1-30 days**	**31-60 days**	**61-90 days**	**Above 91 days**
31 December 2023						
Percentage of expected credit losses		**26.9%**	**44.7%**	**59.8%**	**74.3%**	**100.0%**
Estimated total gross carrying amount in case of default	**6,830,088**	**2,835,208**	**1,507,274**	**692,793**	**327,087**	**1,467,726**
Expected credit losses	**(3,561,017)**	**(762,266)**	**(673,906)**	**(414,055)**	**(243,064)**	**(1,467,726)**
	3,269,071	**2,072,942**	**833,368**	**278,738**	**84,023**	**-**
31 December 2022						
Percentage of expected credit losses		23.8%	41.1%	55.9%	72.5%	100.0%
Estimated total gross carrying amount in case of default	**4,473,385**	1,410,495	1,047,789	644,610	360,492	1,009,999
Expected credit losses	**(2,397,999)**	(335,344)	(430,650)	(360,486)	(261,520)	(1,009,999)
	2,075,386	**1,075,151**	**617,139**	**284,124**	**98,972**	**-**

As at 31 December 2023, the provision for expected credit losses on debts from regional companies of electricity networks amounted to UZS 3,561,017 million (31 December 2022: UZS 2,397,999 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. VAT RECOVERABLE AND OTHER PREPAID TAXES

In millions of Uzbekistan Soums	**31 December 2023**	31 December 2022
VAT	**184,184**	267,091
Property tax	**2,149**	1,890
Land tax	**1,355**	1,888
Others	**2,836**	2,456
Total VAT recoverable and other prepaid taxes	**190,524**	273,325

8. CASH AND CASH EQUIVALENTS

In millions of Uzbekistan Soums	**31 December 2023**	31 December 2022
Cash at current bank accounts		
Bank balances payable on demand – USD	**133,212**	2,798
Bank balances payable on demand – UZS	**105,910**	77,277
Total cash and cash equivalents	**239,122**	80,075

During 2023 and 2022, no interest was charged on cash balances on current accounts.

Restricted cash

Group signed a number of contracts with private electricity producers and deposited cash into special bank accounts in the amount of UZS 428,856 million (2022: UZS 553,206 million) as a guarantee for payment under these contracts.

9. EQUITY

In millions of Uzbekistan Soums	**31 December 2023**	31 December 2022
Number of outstanding shares	**51,133,887,615**	52,023,111,103
Nominal and paid-in amount	**5,113,389**	5,202,310

Decrease of share capital

During 2023, the authorized capital of the Group was decreased by UZS 88,921 million, as a result of the transfer of certain fixed assets to the Agency for management of State Assets of the Republic of Uzbekistan. According to the Order of the Shareholder from 30 May 2023, the Group reduced its share capital by reducing the number of ordinary shares to 51,133,887,615 units at a par value of 100 UZS. As at 31 December 2023, the total value of the authorized capital of the Group was UZS 5,113,389 million.

Disposal of subsidiaries

In 2023 according to the Order of the Shareholder dated 17 June 2023, a number of subsidiary entities of the Group (JSC “Savdoenergo”, JSC “Uzenergoinjiniring”, “Gridcon” LLC) with the total net assets of UZS 134,180 million were transferred to the Agency for management of State Assets of the Republic of Uzbekistan.

Transactions with the Shareholder

In 2023, based on the Presidential Decree №4249 dated 27 March 2019, the Group received Substation “Sogdiana” with a 500 kV outdoor switchgear from the subsidiary company of JSC TES "Talimarjon" Thermal Power Plant at the fair value of UZS 343,668 million.

10. LOANS AND BORROWINGS

In millions of Uzbekistan Soums	**31 December 2023**	31 December 2022
Domestic financial institutions		
Ministry of Finance of the Republic of Uzbekistan	**124,094**	28,515
UzPromStroyBank	**6,327**	-
Kapital Bank JSCB	**-**	239
Total domestic financial institutions	**130,421**	28,754
International financial institutions		
International bank for reconstruction and development (“IBRD”)	**1,669,367**	1,540,855
Asian Development Bank (“ADB”)	**1,183,888**	773,195
International Development Association (IDA)	**908,928**	634,293
European Bank for Reconstruction and Development (“EBRD”)	**266,134**	200,878
Eximbank of China	**246,730**	249,409
Islamic Development Bank (“IDB”)	-	50,069
Total international financial institutions	**4,275,047**	3,448,699
Total loans and borrowings	**4,405,468**	3,477,453
Less: the amount due to be paid within 12 months from the reporting date	**384,647**	311,806
Amounts due more than 12 months	**4,020,821**	3,165,647

Ministry of Finance of the Republic of Uzbekistan

In 2023, the Group received two loans from the Ministry of Economy and Finance of the Republic of Uzbekistan for the construction of high-voltage lines, a power substation and power plants in the total amount of UZS 154,200 million at interest rates of 5%-14% with a maturity date of 20 October 2026 and 20 September 2028 respectively and aimed.

In 2022, the Group attracted loans from the Ministry of Economy and Finance of the Republic of Uzbekistan for the construction of high-voltage lines, in the amount of UZS 21,000 million at an interest rate of 5% with a maturity of 20 September 2025.

International Bank for Reconstruction and Development (“IBRD”)

In 2011, for the implementation of “Construction of a 500kV overhead line at the Sogdiana-Talimarjan TPP with an outdoor switchgear-500kV at Talimarjan TPP”, loans were attracted from the IBRD through the Ministry of Economy and Finance of the Republic of Uzbekistan in the amount of USD 110,000 thousand. The credit line is secured by a guarantee of the Government of the Republic of Uzbekistan. Loan interest is charged at 6-month interbank LIBOR plus variable spread, 0.2% per annum margin of the Ministry of Economy and Finance of the Republic of Uzbekistan. One-time commission is 0.25% of the total loan amount. The loan will be fully repaid in 2036. As at 31 December 2023, the outstanding balance of the loan was USD 62,910 thousand (UZS 776,236 million equivalent in UZS) (2022: USD 67,949 thousand (UZS 762,722 million equivalent in UZS)).

In 2015, for the implementation of the “Construction of the electrified railway line “Angren-Pap”, a credit line was opened in the amount of USD 35,000 thousand, provided by the IBRD through the Ministry of Economy and Finance the Republic of Uzbekistan. The loan bears interest at 6-month interbank LIBOR plus variable spread. The credit line is secured by a guarantee of the Government of the Republic of Uzbekistan. The loan will be fully repaid in 2039. As at 31 December 2023, the outstanding balance of the loan was USD 8,907 thousand (UZS 109,897 million equivalent in UZS) (2022: USD 9,218 thousand (UZS 103,471 million equivalent in UZS)).

In 2017, for implementation of the modernization and reconstruction of power substations of backbone networks, the loan agreement was signed with the IBRD through the Ministry of Economy and Finance of the Republic of Uzbekistan in the amount of USD 92,000 thousand. The credit line is secured by a guarantee of the Government of the Republic of Uzbekistan. Loan interest is charged at 6-month interbank LIBOR plus variable spread. One-time commission is 0.25% of the total loan amount. During 2023, the Group increase its loan under the agreement in the amount of USD 8,805 thousand (UZS 103,288 million equivalent in UZS). The loan will be fully repaid in 2041. As at 31 December 2023, the outstanding balance of the loan was USD 63,478 thousand (UZS 783,234 million equivalent in UZS) (2022: USD 53,721 thousand (UZS 603,050 million equivalent in UZS)).

10. LOANS AND BORROWINGS (continued)

Asian Development Bank ("ADB")

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)", credit funds were attracted from ADB in the amount of USD 150,000 thousand. The loan bears interest at 6-month interbank LIBOR plus 0.6 per annum margin. The credit line is secured by a guarantee of the Government of the Republic of Uzbekistan. The project was completed on 30 June 2021. Unused part of the loan obtained for the project in the amount of USD 65,700 thousand were approved to be used for the implementation of a new project: "Construction of a 220 kV Substation "Zafarabad" and "Reconstruction of transmission line "Guzar-Regar". During 2023, the Group increase its loan under the agreement in the amount of USD 29,862 thousand (UZS 352,372 million equivalent in UZS). The loan will be fully repaid in 2040. As at 31 December 2023, the outstanding balance of the loan was USD 95,949 thousand (UZS 1,183,888 million equivalent in UZS) (2022: USD 68,847 thousand (UZS 773,195 million equivalent in UZS)).

International Development Association ("IDA")

In 2017, the following two loans were received from IDA through the Ministry of Economy and Finance of the Republic of Uzbekistan for the implementation of the project "Modernization and reconstruction of power substations of backbone networks":

- In the amount of USD 39,160 thousand with an interest rate of 1.25% plus basic adjustment. The credit line 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 2023, the outstanding balance of the loan was USD 36,868 thousand (UZS 454,910 million equivalent in UZS) (2022: USD 37,868 thousand (UZS 425,083 million equivalent in UZS));
- In the amount of USD 18,840 thousand with an interest rate of 1.43%. The credit line is secured by a guarantee of the Government of the Republic of Uzbekistan. During 2022, the Group received funds in the amount of USD 5,654 thousand (UZS 62,477 million equivalent in UZS). The loan will be fully repaid in 2041. As at 31 December 2023, the outstanding balance of the loan was USD 17,695 thousand (UZS 218,339 million UZS equivalent) (2022: USD 18,666 thousand (UZS 209,210 million equivalent in UZS)).

In 2022, for the implementation of "Modernization and reconstruction of power substations of backbone networks", the credit line agreement was signed with the IBRD through the Ministry of Economy and Finance of the Republic of Uzbekistan in the amount of USD 380,000 thousand. The credit line is secured by a guarantee of the Government of the Republic of Uzbekistan. Loan interest is charged at 1.25% and 0.5% per annum margin of the Ministry of Economy and Finance of the Republic of Uzbekistan. The loan will be fully repaid in 2051. During 2023 the Group increased the loan under the agreement in the amount of USD 12,980 thousand (UZS 152,265 million equivalent in UZS). As at 31 December 2023, the outstanding balance of the loan was USD 19,101 thousand (UZS 235,679 million equivalent in UZS) (2022: USD 6,379 thousand (UZS 71,612 million equivalent in UZS)).

European Bank for Reconstruction and Development ("EBRD")

In 2018, for the implementation of the project "Construction of a high voltage transmission and related equipment (500/220 kV Muruntau power substation) in Uzbekistan" a loan agreement was signed with EBRD through the Ministry of Economy and Finance of the Republic of Uzbekistan in the amount of USD 82,500 thousand. The credit line is secured by a guarantee of the Government of the Republic of Uzbekistan. Loan interest is charged at 6-month interbank LIBOR plus 1.0% per annum margin and 1.0% per annum margin of the Ministry of Economy and Finance of the Republic of Uzbekistan. One-time commission is 1.0% of the total loan amount. During 2023, the Group received funds under the agreement in the amount of USD 927 thousand (UZS 10,869 million equivalent in UZS). The loan will be fully repaid in 2033. As at 31 December 2023, the outstanding balance of the loan was USD 9,755 thousand (UZS 120,368 million equivalent in UZS) (2022: USD 8,013 thousand (UZS 89,950 million equivalent in UZS)).

In 2019, for the implementation of the project "Construction of a 500 kW high-voltage transmission line in Navoi Region of the Republic of Uzbekistan" a loan agreement was signed with EBRD through the Ministry of Economy and Finance of the Republic of Uzbekistan in the amount of USD 96,100 thousand. The credit line is secured by a guarantee of the Government of the Republic of Uzbekistan. Loan interest is charged at 6-month interbank LIBOR plus 1.0% per annum margin and 0.5% per annum margin of the Ministry of Finance of the Republic of Uzbekistan. One-time commission is 1.0% of the total loan amount. The loan will be fully repaid in 2037. During 2023, the Group received funds in the amount of USD 2,341 thousand (UZS 27,462 million equivalent in UZS). As at 31 December 2023, the outstanding balance of the loan was USD 11,814 thousand (UZS 145,766 million equivalent in UZS) (2022: USD 9,882 thousand (UZS 110,928 million equivalent in UZS));

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. LOANS AND BORROWINGS (continued)

Eximbank of China (through Uzpromstroybank JSCB)

In 2012, credit funds were attracted from Eximbank of the PRC through JSCB Uzpromstroybank aimed for the supply of equipment and materials within the framework of the project "Construction of 500 kV HV-line Syrdarya TPP Novo-Angrenskaya TPP" in the amount of USD 33,019 thousand with an interest rate of 3%. The credit line is secured by a guarantee of a share in Syrdarya TCEN JSC. The loan will be fully repaid in 2032. As at 31 December 2023, the outstanding balance of the loan was USD 20,000 thousand (UZS 246,730 million equivalent in UZS) (2022: USD 22,252 thousand (UZS 249,409 million equivalent in UZS)).

In millions of Uzbekistan Soums	**31 December 2023**	31 December 2022
Non-current		
Term loans		
- In USD	**3,903,637**	3,139,111
- In UZS	**110,899**	20,307
- in SDR	**6,285**	6,229
Total non-current loans and borrowings	**4,020,821**	3,165,647
Current		
Current part of non-current borrowing:		
- In UZS	**56,879**	8,447
- in USD	**327,378**	289,480
- in SDR	**390**	205
- in Islamic Dinar	**-**	13,674
Total current loans and borrowings	**384,647**	311,806
Total loans and borrowings	**4,405,468**	3,477,453

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

	2023	2022
Effective interest rate of loans and borrowings		
- in USD	**0.15%-3%**	0.20%-3.41%
- in SDR	**2%**	2.05%
- in UZS	**5%-14%**	21.00%-23.00%

The Group is required to comply with certain conditions, mainly related to loans and borrowings. As of 31 December 2023 and 2022, the Group complied with the terms and conditions of the loan agreements.

Changes in liabilities arising from financing activities:

In millions of Uzbekistan Soums	**31 December 2022**	**Proceeds**	**Repayments**	**Reclas-sifications**	**Other ***	**31 December 2023**
Long-term loans and borrowings	**3,165,647**	812,441	–	(297,676)	340,409	**4,020,821**
Short term loans and borrowings	**311,806**	–	(234,787)	297,676	9,952	**384,647**
Total	**3,477,453**	**812,441**	**(234,787)**	**–**	**350,361**	**4,405,468**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. LOANS AND BORROWINGS (continued)

In millions of Uzbekistan Soums	**31 December 2021**	**Proceeds**	**Repayments**	**Reclas-sifications**	**Other ***	**31 December 2022**
Long-term loans and borrowings	**2,579,310**	758,385	–	(240,703)	68,655	**3,165,647**
Short term loans and borrowings	**288,165**	–	(257,950)	240,703	40,888	**311,806**
Total	**2,867,475**	**758,385**	**(257,950)**	**–**	**109,543**	**3,477,453**

* Other column includes the effect of accrued but not yet paid interest on interest-bearing borrowings and net foreign exchange loss. The Group classifies interest paid as cash flows from operating activities.

11. TRADE AND OTHER ACCOUNTS PAYABLE

In millions of Uzbekistan Soums	**31 December 2023**	31 December 2022
Accounts payable for purchased power	**12,434,665**	10,264,513
Accounts payable for purchased gas	**–**	212,780
Accounts payable for construction works and supplied equipment	**252,450**	44,704
Other accounts payable	**50,230**	95,358
Total trade and other payables	**12,737,345**	10,617,355

Below is information about accounts payable by currency:

In millions of Uzbekistan Soums	**31 December 2023**	31 December 2022
UZS	**12,304,366**	10,394,048
USD	**429,565**	219,554
Euro	**3,414**	3,753
Total	**12,737,345**	10,617,355

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

In millions of Uzbekistan Soums	**2023**	2022
As of 1 January	**34,102,831**	–
Additions	**21,831,261**	34,918,973
Depreciation expense	**(1,469,530)**	(816,142)
As of 31 December	**54,464,562**	34,102,831

Set out below are the carrying amounts of lease liabilities and the movements during the period:

In millions of Uzbekistan Soums	**2023**	2022
As of 1 January	**34,549,787**	–
Additions	**21,831,261**	34,533,603
Interest accrual	**2,099,961**	1,122,195
Payments	**(2,239,521)**	(1,306,630)
Foreign exchange effect	**5,368,173**	200,619
As of 31 December	**61,609,661**	34,549,787

The maturity analysis of lease liabilities is disclosed in *Note 19*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The following are the amounts recognised in the consolidated statement of comprehensive loss:

In millions of Uzbekistan Soums	**2023**	2022
Depreciation expense of right-of-use assets	**1,469,530**	816,142
Interest expense on lease liabilties	**2,099,961**	1,122,195
Total amount recognized in profit or loss	**3,569,491**	1,938,337

13. REVENUE

In millions of Uzbekistan Soums	**2023**	2022
Sales of electricity	**30,548,864**	20,868,248
- Domestic sales	**29,473,098**	20,075,328
- Export sales	**1,075,766**	792,920
Electricity transmission services	**-**	153,022
Electricity transit services	**102,319**	47,184
Other	**-**	51,074
Total revenue	**30,651,183**	21,119,528

In millions of Uzbekistan Soums	**2023**	2022
Revenue recognition terms		
At a given point in time	**30,548,864**	20,868,248
Over a period of time	**102,319**	251,280
Total revenue	**30,651,183**	21,119,528

14. COST OF SALES

In millions of Uzbekistan Soums	**2023**	2022
Cost of purchased electricity	**26,335,105**	21,187,753
Cost of purchased gas	**2,235,066**	-
Depreciation and amortisation	**1,920,758**	1,108,235
Technological loss of electrical energy	**886,895**	689,990
Payroll and related expenses	**261,649**	160,279
Taxes	**77,186**	83,134
Repair and technical maintenance	**16,478**	15,733
Materials	**8,838**	7,183
Other	**17,208**	41,541
Total	**31,759,183**	23,293,848

15. GENERAL AND ADMINISTRATIVE EXPENSES

In millions of Uzbekistan Soums	**2023**	2022
Payroll and related expenses	**120,061**	168,363
Materials	**83,672**	33,746
Bank commissions	**38,785**	19,750
Frequency regulation services	**12,345**	38,426
Consulting services	**10,448**	19,439
Depreciation and amortisation	**6,960**	7,831
Other	**34,709**	70,896
Total	**306,980**	358,451

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. FINANCE COSTS

In millions of Uzbekistan Soums	**2023**	2022
Interest on lease liabilities	**2,099,961**	1,122,195
Interest on borrowings	**130,819**	56,534
Total	**2,230,780**	1,178,729

17. INCOME TAX

a) Components of income tax expense

Income tax expense comprises the following components:

in millions of Uzbekistan Soums	**2023**	2022
Current income tax	**-**	483
Deferred income tax	**(1,174,765)**	53,403
Income tax expense/(benefit) for the year	**(1,174,765)**	53,886

17. INCOME TAX (continued)

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

The current income tax rate applied to the Group's profits is 15% (2022: 15%).

The following is a reconciliation of the estimated and actual income tax expense.

In millions of Uzbekistan Soums	**2023**	2022
Loss before income tax	**10,342,088**	3,763,216
Theoretical tax benefit at statutory rate 15%	**(1,551,313)**	(564,482)
Unrecognised tax loss	**431,558**	647,175
Other permanent differences	**(55,010)**	(28,807)
Income tax (benefit)/expense for the year	**(1,174,765)**	53,886

c) Deferred taxes by type of temporary differences

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

The tax effect of the movement on temporary differences is detailed below:

In millions of Uzbekistan Soums	**1 January 2023**	**Credited to profit or loss**	**31 December 2023**
Property, plant and equipment	(633,864)	(30,269)	(664,133)
Tax losses carried forward	955,417	431,558	1,386,975
Right-of-use assets and lease liabilities	2,428	1,069,337	1,071,765
Trade and other receivables	359,699	174,453	534,152
Other current assets	(1,278)	(36,833)	(38,111)
Borrowings	16,243	(3,727)	12,516
Other liabilities	626	1,804	2,430
Less: unrecognized deferred tax assets	(955,417)	(431,558)	(1,386,975)
Net deferred tax liability	**(256,146)**	**1,174,765**	**918,619**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. INCOME TAX (continued)

In millions of Uzbekistan Soums	1 January 2022	Credited to profit or loss	31 December 2022
Property, plant and equipment	(593,800)	(40,064)	(633,864)
Tax losses carried forward	308,242	647,175	955,417
Right-of-use assets and lease liabilities	–	2,428	2,428
Trade and other receivables	366,924	(7,225)	359,699
Other current assets	3,441	(4,719)	(1,278)
Borrowings	17,780	(1,537)	16,243
Other liabilities	2,912	(2,286)	626
Less: unrecognized deferred tax assets	**(308,242)**	**(647,175)**	**(955,417)**
Net deferred tax liability	**(202,743)**	**(53,403)**	**(256,146)**

18. RELATED PARTY TRANSACTIONS

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 business decisions. When considering the relationship with each of the possible related parties, the economic content of the relationship is taken into account, not just its legal form.

Balances due from related parties as at 31 December 2023 are presented below:

In millions of Uzbekistan Soums	Shareholder	Entities under common control of the Shareholder	Total
Trade and other receivables	–	6,721,168	**6,721,168**
Provision for expected credit losses		(3,561,017)	**(3,561,017)**
Advances paid	40,961	–	**40,961**
Trade and other accounts payable	–	(12,347,930)	**(12,347,930)**
Loans and borrowings	(124,094)	–	**(124,094)**
Advances received	–	(2,755,449)	**(2,755,449)**

Balances due from related parties as at 31 December 2022 are presented below:

In millions of Uzbekistan Soums	Shareholder	Entities under common control of the Shareholder	Total
Trade and other receivables	–	4,342,745	**4,342,745**
Provision for expected credit losses on trade receivables		(2,397,999)	**2,397,999**
Advances paid	22,290	–	**22,290**
Trade and other accounts payable	–	(10,284,376	**(10,284,376)**
Loans and borrowings	(28,515)	–	**(28,515)**
Advances received	–	(428,251	**(428,251)**

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

In millions of Uzbekistan Soums	**2023**	2022
Revenue	**29,473,098**	20,075,328
Cost of sales	**(26,335,105)**	(21,187,753)

18. RELATED PARTY TRANSACTIONS (continued)

The table below summarizes the remuneration for key management:

In millions of Uzbekistan Soums	**2023**	2022
Short-term benefits		
Salaries	**953**	807
Bonuses	**1,973**	1,112
Social security costs	**348**	222

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

The main management consists of members of the management board of the parent company. The Board consisted of six members in 2023 (2022: six members).

19. FINANCIAL RISK MANAGEMENT

The risk management function of the Group 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 Group in order to minimize these risks.

Market risk

The Group is exposed to market risks. Market risks are associated with open positions in: 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 market risk presented below is based on a change in one factor while all other variables remain unchanged. In practice, this is hardly possible and changes in several factors can be correlated - for example, changes in interest rates and exchange rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities. Also, the Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

In millions of Uzbekistan Soums	**Increase/(decrease) in the exchange rate in absolute terms (UZS)**	**Increase/(decrease) in exchange rate**	**Effect on profit before tax**
At 31 December 2023			
USD	1,887/(1,887)	16,81%/(16,81%)	792,215/(79,215)
At 31 December 2022			
USD	325/(2,168)	3%/(20%)	115,553/(770,352)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables *(Note 6*) and cash and cash equivalents (*Note 8*). The Group's exposure and the creditworthiness of its counterparties are controlled constantly. The maximum exposure to the credit risk is represented by the carrying value of each financial asset (*Notes 6 and 8*).

19. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Book value of financial assets recognized in consolidated financial statements of the Group less impairment allowance reflects the maximal extent of the Group's credit risk.

The following table shows the balance of cash and cash equivalents and restricted cash placed in banks at the reporting date using the credit rating agency "Standard & Poor's" and "Fitch" less accrued provisions:

In millions of Uzbekistan Soums	Location	Rating 2023	Rating 2022	31 December 2023	31 December 2022
JSC UzPSB	Uzbekistan	**BB-/stable**	BB-/stable	**412,288**	350,540
JSC Microkreditbank	Uzbekistan	**BB-/stable**	BB-/stable	**251,255**	225,918
JSCB Kapitalbank	Uzbekistan	**B-/stable**	B-/stable	**-**	32,630
Central Bank of Uzbekistan	Uzbekistan	**BB-/stable**	BB-/stable	**3,158**	22,683
JSC MB Ipotekabank	Uzbekistan	**BB-/stable**	BB-/stable	**1,271**	815
JSC Trustbank	Uzbekistan	**B/stable**	B/stable	**6**	695
				667,978	**633,281**

Interest rate risk

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

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 analyzes the movement of interest rates. In order to reduce the impact of this risk, measures are taken to maintain an optimal ratio of loans and borrowings with fixed and floating rates.

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, ceteris paribus:

In millions of Uzbekistan Soums	31 December 2023 Impact on profit or loss	31 December 2022 Impact on profit or loss
Higher 397 Basis points	**(123,575)**	(56,369)
Lower 397 Basis points	**123,575**	56,369

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to risk due to the daily need to use available cash. Liquidity risk is managed by the Group'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.

In millions of Uzbekistan Soums	Note	Up to 1 year	From 1 to 5 years	More than 5 years	Total
As at 31 December 2023					
Liabilities					
Trade and other accounts payable	11	**12,737,345**	**-**	**-**	**12,737,345**
Loans and borrowings	10	**438,518**	**1,468,033**	**2,902,334**	**4,808,885**
Lease liabilities		**4,261,981**	**35,530,824**	**114,231,348**	**154,024,153**
Total future payments, including future principal and interest payments		**17,437,844**	**36,998,857**	**117,133,682**	**171,570,383**

19. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

As at 31 December 2022					
Liabilities					
Trade and other accounts payable	11	10,617,355	–	–	**10,617,355**
Loans and borrowings	10	449,147	922,556	2,334,992	**3,706,695**
Lease liabilities		2,913,947	12,415,871	47,180,308	**62,510,126**
Total future payments, including future principal and interest payments		**13,980,449**	**13,338,427**	**49,515,300**	**76,834,176**

The Group strives to maintain a stable funding base, consisting primarily of borrowed funds, payables from core activities and other payables. The Group's liquidity portfolio includes cash and cash equivalents.

Fair value hierarchy

The Group uses the following hierarchy to determine and disclose fair values of financial instruments by valuation model:

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

The table below shows the hierarchy of sources of measurements of the Group's assets and liabilities at fair value:

In millions of Uzbekistan Soums	**31 December 2023**	**Level 1**	**Level 2**	**Level 3**
Assets for which fair values are disclosed				
Cash and cash equivalents	**239,122**	239,122	-	-
Restricted cash	**428,856**	428,856	-	-
Trade and other receivables	**3,269,071**	-	-	3,269,071
Other current assets	**49,599**			49,599
Liabilities for which fair values are disclosed				
Trade and other accounts payable	**12,737,345**	-	-	12,737,345
Loans and borrowings	**4,408,720**	-	3,090,803	1,317,917
Lease liabilities	**37,466,382**	-	-	37,466,382
Other current liabilities	**120,853**	-	-	120,853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy (continued)

In millions of Uzbekistan Soums	**31 December 2022**	**Level 1**	**Level 2**	**Level 3**
Assets for which fair values are disclosed				
Cash and cash equivalents	**80,075**	80,075	–	–
Restricted cash	**553,206**	553,206	–	–
Trade and other receivables	**2,075,386**	–	–	2,075,386
Other current assets	**40,867**			40,867
Liabilities for which fair values are disclosed				
Trade and other accounts payable	**10,617,355**	–	–	10,617,355
Loans and borrowings	**3,477,453**	–	1,670,121	1,807,332
Lease liabilities	**15,513,119**	–	–	15,513,119
Other current liabilities	**118,125**	–	–	118,125

For the years ended 31 December 2023 and 31 December 2022, there were no transitions between Levels 1, 2 and 3 of the fair value of financial instruments.

Fair value of financial instruments

At 31 December 2023 and 31 December 2022, management has determined that the fair value of the Group's financial instruments, such as trade receivables and payables, cash and cash equivalents, and restricted cash, approximates their carrying amount, principally due to the short maturity of these instruments. The loans and borrowings of the Group are carried at amortized cost, which approximates their fair value.

20. CONTINGENT LIABILITIES

Business environment

Despite the improvements in the economic situation of the Republic of Uzbekistan in recent years, the country's economy displays some characteristics inherent in emerging markets. These characteristics include, among others, low liquidity in the debt and equity markets and the continuing development of the legal 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 for economic stability in the Republic of Uzbekistan largely depend on the effectiveness of economic measures taken by the Government, as well as on the development of the legislative and regulatory framework and the political situation, which are beyond the control of the Group.

Influence of domestic political and geopolitical events in the world

The Group's financial condition and results of operations 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.

Many countries have imposed, and continue to impose, new sanctions on specified Russian entities and individuals. Sanctions have also been imposed on Belarus. The situation, together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources, will directly impact entities that have significant operations or exposures in, or to, Russia, Belarus or Ukraine. However, the war and its direct and indirect consequences may impact entities other than those with direct interests in the involved countries.

For the purpose of managing the country risk, the Group controls transactions with counterparties within the limits set, which are reviewed regularly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. CONTINGENT LIABILITIES (continued)

Inflation and the current economic environment

The impact of the macroeconomic and geopolitical environment has exacerbated inflationary pressures in almost all economies around the world. High and rising energy prices are having a negative impact on the cost of other goods and services, resulting in significant consumer-price increases in many countries.

Prices of many commodities, including food, remain high. In 2023 the inflation rate reached 8.77% in Uzbekistan.

Due to the growing geopolitical tensions, since August 2023, there has been a significant increase in volatility in the stock and currency markets, as well as a significant volatility of UZS against US dollar.

On 16 March 2023, the Central Bank of Uzbekistan made a decision to decrease the refinancing rate from 15% to 14% per annum.

The Group continues to assess the effect of these events and changes in economic conditions on its operations, financial position, and financial performance.

Contractual obligations

For the purpose of implementing 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 power substations of trunk grids, Construction of a 220 kV power substation "Zafarabad" and two linear cells at the "Sydarya TPP", Construction of a 220 kV line in the size of 500 kV 177 km from Navoi TPP to 220 kV Besopan switching point and Construction of a high voltage transmission and related equipment (500/220 kV “Muruntau” substation)

In 2020-2023, 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.

21. EVENTS AFTER REPORTING DATE

In May 2024, the Ministry of Economics and Finance of the Republic of Uzbekistan issued a resolution on transfer of electricity sales and purchase activities, as well as respective trade receivable and trade payable balances to the newly created company JSC “Uzpowertrade”, controlled by the shareholder of the Group.

In March 2024, the Group received a new loan from the Ministry of Economy and Finance of the Republic of Uzbekistan in the amount of UZS 295,000 million at an interest rate 7% per annum repayable in March 2026 for the construction and reconstruction of electric stations.

Additionally, subsequent to the reporting date, the Group received funds under the existing loan agreements with International Development Association, Asian Development Bank and European Bank for Reconstruction and Development in the total amount of UZS 931,453 million.