

# **“Uzbekistan GTL” LLC**

## **Financial Statements**

*For the year ended 31 December 2019  
Together with Independent Auditor's Report*

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## Independent Auditor's Report

To the sole participant and management of «Uzbekistan GTL» Limited Liability Company:

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of «Uzbekistan GTL» Limited Liability Company (the "Company") as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### 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 financial statements section of our report.

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

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

## Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

A handwritten signature in blue ink, appearing to read "Utkir", written over a horizontal line.

Utkir Muhammadiyev  
General Director  
Certificate of auditor No. 05082  
dated 23 February 2013



*Audit Organization "PricewaterhouseCoopers" LLC*  
Audit Organization "PricewaterhouseCoopers" LLC  
30 June 2020  
Tashkent, Uzbekistan

**"Uzbekistan GTL" LLC**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December 2019**

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

	Notes	2019	2018
Other operating expenses	5	(3,198)	(2,229)
Foreign currency translation loss, net	6	(1,030)	(165)
<b>Operating loss</b>		<b>(4,228)</b>	<b>(2,394)</b>
Interest income	7	1,146	255
<b>Loss before income tax</b>		<b>(3,082)</b>	<b>(2,139)</b>
Income tax expense	4	-	-
<b>Loss for the year</b>		<b>(3,082)</b>	<b>(2,139)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(3,082)</b>	<b>(2,139)</b>

Signed and authorised for issue on behalf of the management:

Fakhriddin Abdurasulov

Sayfullo Khakimov

30 June 2020

  
  


General Director

Chief Accountant

**"Uzbekistan GTL" LLC**

**STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2019**

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

	Notes	2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		709	389
Intangible assets		7	190
Prepayments for asset under development	8	18,873	5,411
Asset under development	8	2,315,310	1,583,610
		<b>2,334,899</b>	<b>1,589,600</b>
<b>Current assets</b>			
Inventory		55,706	191
Prepaid finance cost	9	41,214	30,500
Advances paid	10	23,388	4,875
Cash and cash equivalents	11	40,243	13,167
		<b>160,551</b>	<b>48,733</b>
<b>TOTAL ASSETS</b>		<b>2,495,450</b>	<b>1,638,333</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Participant's equity</b>			
Charter capital	12	1,063,933	1,052,433
Accumulated deficit		(65,152)	(62,070)
<b>Total Participants' equity</b>		<b>998,781</b>	<b>990,363</b>
<b>Non-current liabilities</b>			
Borrowings	14	1,345,844	-
		<b>1,345,844</b>	<b>-</b>
<b>Current liabilities</b>			
Trade and other payables	13	85,794	583,925
Borrowings	14	65,031	64,045
		<b>150,825</b>	<b>647,970</b>
<b>TOTAL LIABILITIES</b>		<b>1,496,669</b>	<b>647,970</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,495,450</b>	<b>1,638,333</b>

Signed and authorised for issue on behalf of the management:

Fakhriddin Abdurasulov

Sayfullo Khakimov

30 June 2020

  
  


General Director

Chief Accountant

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2019**

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

	<b>Additional paid in capital</b>	<b>Charter capital</b>	<b>Accumulated deficit</b>	<b>Total Participant's equity</b>
<b>Balance at 31 December 2017</b>	<b>80,000</b>	<b>962,000</b>	<b>(59,931)</b>	<b>982,069</b>
Contributions to charter capital (Note 12)	(80,000)	90,433	-	10,433
Total comprehensive loss for the year	-	-	(2,139)	(2,139)
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>1,052,433</b>	<b>(62,070)</b>	<b>990,363</b>
Contributions to charter capital (Note 12)	-	11,500	-	11,500
Total comprehensive loss for the year	-	-	(3,082)	(3,082)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>1,063,933</b>	<b>(65,152)</b>	<b>998,781</b>



**“Uzbekistan GTL” LLC**

**STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2019**

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

	Notes	2019	2018
<b>Operating activities</b>			
Net loss before income tax		(3,082)	(2,139)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation and amortisation		134	247
Interest income	7	(1,146)	(255)
Foreign exchange translation loss, net	6	1,030	165
Loss on disposal of intangible assets		170	-
Working capital adjustments:			
Increase in Advances paid		(18,513)	(4,267)
Increase in Prepaid finance cost		(13,575)	(13,219)
Increase in Inventory		(55,515)	(15)
(Decrease)/Increase in Trade and other payables		(977)	1,472
<b>Cash used in operating activities</b>		<b>(91,474)</b>	<b>(18,011)</b>
Interest received	7	1,146	255
Income tax paid	4	-	-
<b>Net cash used in operating activities</b>		<b>(90,328)</b>	<b>(17,756)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(441)	-
Purchase of asset under development		(1,210,450)	(201,598)
<b>Net cash used in investing activities</b>		<b>(1,210,891)</b>	<b>(201,598)</b>
<b>Financing activities</b>			
Proceeds from the Participant	12	11,500	10,433
Proceeds from borrowings	14	1,354,637	69,821
Interest paid	14	(36,812)	(1,256)
<b>Net cash from financing activities</b>		<b>1,329,325</b>	<b>78,998</b>
Effect of exchange rate changes on cash and cash equivalents	6	(1,030)	(165)
Increase/(Decrease) in cash and cash equivalents		28,106	(140,356)
Cash and cash equivalents at the beginning of the year		13,167	153,688
<b>Cash and cash equivalents at the end of the year</b>	11	<b>40,243</b>	<b>13,167</b>

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

## **1. Corporate information and operating environment**

### **General background**

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2019 for “Uzbekistan GTL” LLC (hereinafter referred to as the “Company”).

The Company was registered with the Ministry of Justice of the Republic of Uzbekistan on 2 December 2009. The Company conducts its operations in the territory of the Republic of Uzbekistan. From 10 November 2016, the Company was re-named from Joint Venture “Uzbekistan GTL” LLC to “Uzbekistan GTL” LLC. The Company was re-registered with the registration № 008600 on 10 November 2016.

As of 31 December 2019 and 2018 the Company’s immediate and ultimate parent company was Joint-Stock Company “Uzbekneftgaz” (hereinafter referred to as the “UNG”). The ultimate controlling party of the Company is the Government of the Republic of Uzbekistan which owns 100% share in UNG.

### **Registered address**

The Company’s registered legal address is 7B, Fargona yuli Street, 100060, Tashkent, Uzbekistan.

### **Principal activities**

The activity of the Company is focused on the development of synthetic liquid fuel using gas-to-liquid (GTL) technology. The Company is planning to use methane rich gas from the Shurtan Gas Chemical Complex (SGCC) as feedstock for the GTL facility and Sasol’s GTL technology to produce GTL diesel, GTL aviation kerosene, GTL naphtha and liquefied petroleum gas (LPG) in Uzbekistan.

According to approved Baseline Schedule the following phases are considered by the Company for the project implementation:

- FEED Phase 1 – Feasibility study;
- FEED Phase 2 – front-end engineering and design of the GTL Plant;
- EPC Stage – Engineering, Procurement and Construction;
- Commissioning; and
- Start-up.

### **Project progress to date**

FEED Phase 1 was completed on 16 September 2011 and ratified by Circular Resolution of the General Meeting of Participants. On 19 September 2011 an Investment Agreement was signed between the Participants, the Company and the Government of the Republic of Uzbekistan. In addition, on 19 September 2011 Presidential Decree # (ПП-1618) on further measures on implementation of the GTL Project was issued. Issue of the Presidential Decree and conclusion of the Investment Agreement gave occasion to proceed with FEED Phase 2. At the Extraordinary General Meeting of the Participants held on 1 October 2011, the Participants of the Company approved the commencement of FEED Phase 2 with the budget of USD 130,000 thousand as study fee and USD 194,000 thousand as long lead procurement, total investment of USD 324,000 thousand.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

## **1. Corporate information and operating environment (continued)**

### **Project progress to date (continued)**

Since the beginning of FEED Phase 2, steady progress on the project has been achieved, including but not limited to the following results:

- Basic engineering package was completed in February 2013;
- Reactor manufacturing contract was awarded to Hitachi Zosen on 18 October 2012. Since the award, the home fabrication has substantially progressed with the first shipment and last shipment ready for transportation in June 2015 and October 2015, respectively. The reactor is shipped in components and erected onsite. The transportation of the first shipment was dependent on the Notice to Proceed (NTP) decision date;
- Site preparation contract was awarded to Eriell Corporation s.r.o. in December 2013 with the work beginning in January 2014. All major work was completed in September 2015;
- EPC contract was awarded to the consortium of Hyundai Engineering and Construction and Hyundai Engineering on 24 December 2013 pending NTP, which was divided into two parts, namely, “the extended engineering design program (Early Works Package)” and “detailed engineering & execution”. The initial Early Works Package was completed in December 2014 and with the protraction of NTP, a second Early Works Package has been awarded in April 2015;
- On November 30, 2016, Uzbekistan GTL LLC issued the NTP to EPC contractor authorizing the consortia to advance in works on construction of the OLTIN YO'L GTL gas-to-liquids plant. The NTP entails development of detailed design, procurement arrangements and start of construction and installation operations at construction site.

### **Joint Venture Agreement**

On 14 July 2009, UNG, Sasol Sunfuels International Netherlands Cooperatif U.A. (hereinafter referred to as the “Sasol”), Petronas International Corporation Ltd. (hereinafter referred to as the “Petronas”) concluded Joint Venture Agreement (hereinafter referred to as the “JVA”) that determined the corporate framework for implementation of GTL project in Uzbekistan.

In accordance with the JVA Addendum No 3 in 2 April 2015, it was determined that Petronas withdraws from the Company and transfers its participating interest to UNG. The term of 2 April 2015 was subsequently extended until 2 October 2015 by JVA addendum No 4. This addendum is effective from 1 April 2015 and was under execution by all the parties.

On 7 September 2016 UNG notified the Company that it has executed Sales and Purchase Agreement with Sasol, effected payment of purchase price to the designated bank of Sasol, and received confirmation from Sasol of receipt of purchase price, as a result UNG becomes the lawful holder of Sasol's Participating Interest in Company's equity structure. The Sales and Purchase Agreement with Sasol is effective from 31 May 2016 notwithstanding the date on which this agreement is signed and/or date of the payment of transfer price.

After purchasing of Participating Interest from Petronas and Sasol, UNG became the sole Participant of the Company.

### **Operating environment**

The Uzbekistan economy displays characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Also, the banking sector in Uzbekistan is particularly impacted by local political, legislative, fiscal and regulatory developments. The largest Uzbek banks are state-controlled and act as an arm of Government to develop the country's economy. The Government distributes funds from the country's budget, which flow through the banks to various government agencies, and other state and privately owned entities.

Economic stability in Uzbekistan is largely dependent upon the effectiveness of economic measures undertaken by the Government, together with other legal, regulatory and political developments, all of which are beyond the Company's control.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

## **1. Corporate information and operating environment (continued)**

### **Operating environment (continued)**

The Company's financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations which greatly impact Uzbek financial markets and the economy overall.

Uzbekistan experienced following key economic indicators in 2018:

- Inflation: 15.2% (2018: 14.3%);
- GDP growth: 5.5% (2018: 5.1%);
- Central Bank refinancing rate: 16% (2018: 16%).
- Official exchange rates: 31 December 2019: USD 1 = UZS 9,507.56 (31 December 2018: USD 1 = UZS 8,339.55).

## **2. Basis of preparation**

The accompanying financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accompanying financial statements have been prepared on a historical cost basis, except where IFRS require otherwise as described in the accounting policies in Note 4. The financial statements are presented in USD and all values are rounded to the nearest thousand except when otherwise indicated.

## **3. Significant accounting judgments, estimates and assumptions**

The preparation of the accompanying financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities at the date of the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates are based on information available as of the date of the financial statements. However, actual outcomes can differ from these estimates and it is possible that these differences may have a material effect on the financial statements.

### **Judgments**

In the process of applying the Company's accounting policies, management have made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

#### *Contingencies*

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

#### *Taxation*

The Republic of Uzbekistan tax legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant national authorities. Tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As of 31 December 2019, management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax positions will be sustained.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

### **3. Significant accounting judgments, estimates and assumptions (continued)**

#### **Estimates and assumptions**

##### *Useful lives of property, plant and equipment.*

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

##### *Capitalisation of development costs – intangible asset under development*

Recognition of intangible assets arising from capitalisation of development costs (or from the development phase of an internal project) is made on the basis of a number of estimates in respect to the Company's ability to demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development (requires approval from the board to commit sufficient resources to complete the project).

##### *Capitalisation of asset under development*

The Company incurred costs (as man-hours, travel, etc.) that are related to both, general administration operations, which should be expensed, and related to construction related activities, which should be capitalised as asset under development. These costs cannot be fully capitalised or fully expensed. To allocate these costs as capitalised and expensed, the Company used judgement and estimated the allocation percentage based on ratio of total expenses in total costs.

##### *Determination of functional currency*

The functional currency is the currency of the primary economic environment in which the entity operates (Note 4). The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash.

The Company's management considers various factors in determining its functional currency:

- the currency that mainly influences sales prices for goods and services,
- the currency that mainly influences material and other costs of providing goods,
- the currency in which the Company's finances are denominated, as well as other factors as required by International Accounting Standard 21 The Effects of Changes in Foreign Exchange Rates.

Overall, the factors relevant for determination of functional currency provide mixed evidence. Primary indicators are mixed while secondary indicators are generally in favour of USD. According to IAS 21, when indicators are mixed and the functional currency is not obvious, management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Management of the Company believes that USD provides more faithful presentation of the financial statements.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

#### **4. Significant accounting policies**

##### **Foreign currency transactions**

The functional currency of the Company was Uzbekistan Soums (“UZS”) until the last quarter of 2011 which reflected the economic substance of the underlying events and circumstances of the entity at the time. Starting from the last quarter of 2011, the functional currency of the Company has changed from UZS to USD. The change in functional currency was due to the signing a number of key agreements, which were denominated and to be settled in USD. Signing of these agreements was treated as a change in circumstances surrounding the Company’s operating environment and the functional currency in accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”. However, management has decided to implement the functional currency change with effect from 1 January 2012, assessing that effect of change would not be material to the financial statement of the Company. Accordingly, commencing 1 January 2012, the Company has changed its functional currency to USD.

The Company applied the translation procedures applicable to the new functional currency prospectively from the date of the change. Accordingly, all items in the balance sheet as of 1 January 2012 have been translated into USD using the exchange rate as of that date, i.e. USD 1 = UZS 1,795. The resulting translated amounts for non-monetary items are treated as their historical cost.

The financial statements of the Company are presented in USD, which is also the functional currency of the Company.

##### *Transactions and balances denominated in foreign currencies*

Transactions in foreign currencies are initially recorded by the Company at their respective functional rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions.

##### **Property, plant and equipment**

Property, plant and equipment is recorded at the purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and impairment loss. Such cost includes the cost of replacing part of plant and equipment when that cost is incurred, if the recognition criteria are met.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as an expense (impairment loss) in the statement of comprehensive income.

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

	<b>Number of Years</b>
Furniture and office equipment	<u>5 – 7</u>
Vehicles	5

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted as appropriate at each financial year-end.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

#### **4. Significant accounting policies (continued)**

##### **Intangible assets other than goodwill**

The Company's intangible assets other than goodwill have definite useful lives and primarily include mainly capitalised computer software, patents, trademarks and licences.

Acquired computer software licences, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets, consisting mainly of software licensed, are amortised using the straight-line method over their useful lives of 5 years.

##### **Impairment of non-financial assets**

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

##### **Treatment of specific costs related to capital projects**

In principle, a capital project can be divided into two phases. The first phase consists of the research, identification of and selection of the most appropriate solution to meet the requirement. All costs incurred during this period do not meet the recognition criteria and thus are expensed immediately.

The second phase of the capital project is the development of the selected alternative, engineering, construction and testing of the project. Costs incurred during this phase are capitalised up to the date the asset is ready for its intended use.

Costs can only be capitalised to a project if:

- it is probable that the expected future benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

The costs capitalised to the project must be directly associated with the cost of developing the asset under construction and would only be costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs related to training and travelling would therefore have to be evaluated. The records of the cost being considered for capitalisation should be explanatory enough to substantiate the capitalisation to a specific project. In very rare circumstances can training be capitalised to projects.

Where external service providers are employed the invoices should be detailed enough to be able to identify which costs are associated with which aspect of the project, as well as which costs can be capitalised.

The following guidance is an indication of the type of costs that qualify for capitalisation and those that, even during the project phase, should be expensed:

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

#### **4. Significant accounting policies (continued)**

##### **Treatment of specific costs related to capital projects (continued)**

*Product development costs* - New plants have certain product ranges that could potentially be produced. The evaluation and selection of the products that will be produced by the specific plant (including marketing feasibility studies) cannot be directly attributed to the construction of the plant and must therefore be expensed. Once the list of products to be produced by the plant has been established, the costs incurred to optimise the production and the product development expenses incurred thereafter qualify for capitalisation.

*Practical approach* – the Company has identified the products that will be produced. The Company incurred costs associated with change of product specification, to satisfy the local requirements, these costs were capitalised.

*Marketing costs* - Marketing costs (including feasibility studies) relate to the generation of income and cannot be directly attributed to the construction of the asset. Accordingly, all marketing costs are expensed.

*Practical approach* - All marketing costs were expensed.

*Training costs* - Training costs are not recognised as part of the cost of an item of property, plant and equipment. If the asset is installed by a third party and training is part of the total contract price, then a part of the total price should be allocated to training and expensed as incurred. General training costs must be expensed in the period it is incurred.

*Practical approach* - All training costs were expensed.

*Manpower and travel costs* - To the extent that costs of employees or contractors can be specifically allocated to the construction of an item of property, plant and equipment or tangible assets under construction, these costs are capitalised. The cost of employee benefits, including share-based payments, that are incurred for employees working directly on the construction or acquisition of the asset are capitalised to the asset.

General management and administrative manpower costs must be expensed with the exception of the project management administration costs which are capitalised. Where a contractor is appointed to carry out the ongoing duties of an employee assigned to a project, the contractor's costs do not qualify for capitalisation.

All travelling during the first phase of the capital project (feasibility study) must be expensed. Travelling costs incurred directly as a result of the construction of the plant are capitalised.

*Practical approach* - The Company capitalised manpower and travel costs that can be specifically allocated to the construction of the plant and project management. For manpower, travel and related costs that include both, construction and/or project management, and the general management, but which cannot be specifically allocated, the company estimated the percentage, according to which part of the costs were capitalised and the rest expensed. The estimate was based on the share of costs specifically attributable to construction in total costs.

##### *Internally generated intangible assets*

To assess whether an internally generated intangible asset meets the criteria for recognition, the Company classifies the generation of the asset into a research phase and a development phase.

If the Company cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the Company treats the expenditure on that project as if it were incurred in the research phase only and therefore expensed as incurred in the statement of comprehensive income. Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established. This means that the Company intends and be able to complete the intangible asset and either uses it or sells it and be able to demonstrate how the asset will generate future economic benefits.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when it first meets the recognition criteria of an internally generated intangible asset or intangible asset under construction. It comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.



*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

#### **4. Significant accounting policies (continued)**

**Financial instruments – key measurement terms.** Financial instruments are carried at amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses (“ECL”). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

**Financial instruments – initial recognition.**

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

**Financial assets – classification and subsequent measurement – measurement categories**

The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

**Financial assets – classification and subsequent measurement – business model**

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

#### **4. Significant accounting policies (continued)**

##### **Financial assets – classification and subsequent measurement – cash flow characteristics**

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

##### **Financial assets – reclassification**

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

##### **Financial assets impairment – credit loss allowance for ECL**

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Company measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses. Note 16 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

##### **Financial assets – write-off**

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

##### **Financial assets – derecognition**

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

##### **Financial liabilities – measurement categories**

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

#### **4. Significant accounting policies (continued)**

##### **Financial liabilities – derecognition**

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

##### **Financial liabilities designated at FVTPL**

The Company may designate certain liabilities at FVTPL at initial recognition.

Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

##### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, term deposits held at local banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

##### **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

##### **Inventories**

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

#### **4. Significant accounting policies (continued)**

##### **Prepayments**

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to 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 the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

##### **Charter capital**

The Company participant's ownership interest is classified as equity since the Company has an unconditional right to refuse redemption of the member's interest, based on its charter and local legislation.

Charter capital is represented by monetary contributions at fair value from the Company's participant, and is equal to the amount registered in the foundation documents of the Company. Increase or decrease of the charter capital can only be made based on participant's decision after introducing respective changes to the foundation documents of the Company.

##### **Additional paid in capital**

Additional paid in capital is comprised of contributions from participant to the Company's charter capital, which were not yet formally registered with relevant regulatory state authorities at the end of a reporting period.

##### **Trade and other payables**

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

##### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

##### **Capitalisation of borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

#### **4. Significant accounting policies (continued)**

##### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

##### **Retirement and other benefit obligations**

The Company does not have any pension arrangements separate from the State pension system of the Republic of Uzbekistan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The Company has no post-retirement benefits or other compensated benefits requiring accrual.

##### **Taxes**

Starting from 1 October 2011, the Company operates under general taxation regime and the Company is obliged to assess and pay the Corporate Income Tax and other taxes and contributions to budget.

##### *Exemption from taxes*

According to the Presidential Resolution (ПП- 1618) dated 19 September 2011, as well as resultant Resolution of Cabinet of Ministers #343 dated 27 December 2011 (together referred as the “Resolutions”), as part of the measures taken by the Government for facilitation of the GTL project implementation, the Company became exempt from customs payments on purchased technical resources and equipment, VAT on imported services/works rendered as part of project implementation, Corporate Income Tax, Infrastructure Development tax, Property tax as well as Withholding tax since incorporation date for a period of ten years from the date that production commences. The production commencement date is expected to be in 2020.

##### *Deferred income tax*

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Since the Company received exemption on Corporate Income Tax according to the Resolutions, no deferred income tax has been recognised up to 2019.

##### *Payroll taxes*

The Company accrues and pays the Unified Social Payment assessed on total payroll at the rate of 25% and withholds from employees’ income Individual Income Tax and other mandatory contributions to the State Pension Funds.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

#### **4. Significant accounting policies (continued)**

##### **Adoption of new or revised standards and interpretations**

The following new and amended standards became effective for the Company from 1 January 2019, but did not have any material impact on the Company:

- IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).
- IFRIC 23 “Uncertainty over Income Tax Treatments” (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

##### **New Accounting Pronouncements**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Company has not early adopted.

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).*** These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Company does not expect a material impact of the amendments on its financial statements.

***IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).*** IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Company does not expect a material impact of the amendments on its financial statements.

***Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).*** The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)

#### 4. Significant accounting policies (continued)

**Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).** The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term ‘outputs’ is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a ‘concentration test’. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Company will apply them and assess their impact from 1 January 2020.

**Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).** The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS.

In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company is currently assessing the impact of the amendments on its financial statements.

**Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).** The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates (‘IBORs’). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be ‘highly probable’. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Company is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company’s financial statements.

**“Uzbekistan GTL” LLC**

**Notes to the financial statements**

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

**5. Other operating expenses**

Other operating expenses consist of the following:

	<b>2019</b>	<b>2018</b>
Payroll and related charges	1,143	628
Insurance fees	808	818
Rental expenses	233	345
Depreciation	135	247
Other	879	191
	<b>3,198</b>	<b>2,229</b>

Included in payroll and related charges pension fund contributions of USD 50 thousand for the year ended 31 December 2018.

**6. Foreign currency translation loss, net**

Net foreign currency translation loss originated mainly from revaluation of cash and cash equivalents.

**7. Interest income**

The Company earned interest of USD 1,146 thousand (2018: USD 255 thousand) on its current deposit accounts at local banks.

**8. Asset under development**

As at 31 December asset under development consist of the following capitalised cost:

	<b>2019</b>	<b>2018</b>
Cost capitalised relating to property, plant and equipment	2,266,915	1,535,215
Cost capitalised relating to intangible assets	48,395	48,395
	<b>2,315,310</b>	<b>1,583,610</b>

Prepayments for asset under development consist of advances paid to the contractors of EPC Consortium.

**9. Prepaid finance costs**

Prepaid finance costs consist of capitalised expenses related to the raising of the loan, including costs of legal and financial advisors, consultants and other.

<b>Prepaid finance costs at 1 January 2018</b>	<b>23,409</b>
Additions	13,219
Netted against the borrowing	(6,128)
<b>Prepaid finance costs at 31 December 2018</b>	<b>30,500</b>
Additions	67,785
Netted against the borrowing	(57,071)
<b>Prepaid finance costs at 31 December 2019</b>	<b>41,214</b>

**10. Advances paid**

Advances paid consist of prepaid expenses and advances paid for rent, professional services, education and other services.



**“Uzbekistan GTL” LLC****Notes to the financial statements**

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

**11. Cash and cash equivalents**

At 31 December cash and cash equivalents consist of the following:

	<b>2019</b>	<b>2018</b>
Cash at bank in USD	28,320	5,974
Cash at bank in UZS	11,923	7,193
	<b>40,243</b>	<b>13,167</b>

As at 31 December 2019 and 2018, cash and cash equivalents were neither past due nor impaired with S&P B+, B-, B, Moody's B2, B3 and Fitch B rated local banks and S&P B rated a foreign bank.

**12. Charter capital**

The registered amount of the Company's charter capital at 31 December 2019 is USD 1,056,433 thousand (2018: USD 1,052,433 thousand). According to the Resolutions of the Sole Participant dated 30 April 2019, 7 October 2019, 13 November 2019 and 30 December 2019 the charter capital of the Company was increased from USD 1,052,433 thousand up to USD 1,063,933 thousand. At 31 December 2019, the revised charter capital has been fully paid up and registered with the regulatory state authorities.

**13. Trade and other payables**

Accounts payable are financial, non-interest bearing and are normally settled on 90 day's terms. Trade and other payables mainly include payables for asset under development in the amount of USD 84,386 thousand as at 31 December 2019 (2018: USD 581,540 thousand).

	<b>2019</b>	<b>2018</b>
Trade and other payables in USD	84,990	583,575
Trade and other payables in UZS	804	350
	<b>85,794</b>	<b>583,925</b>

**14. Borrowings**

On 3 November 2017 the Company entered into loan financing agreement with Gazprombank JSC amounting to USD 120,000 thousand to finance construction of the plant. As of 31 December 2019 the Company utilised USD 78,746 thousand (2018: USD 46,800). The loan principal is repayable until 15 June 2031. The interest rate on the loans ranges between Libor + 1.86% to Libor + 4.85% per annum.

On 26 December 2017 the Company entered into loan financing agreement with State Specialized Russian Export-Import Bank JSC amounting to USD 100,000 thousand to finance construction of the plant. As of 31 December 2019 the Company utilised USD 32,412 thousand (2018: USD 23,021 thousand). The loan principal is repayable until 15 June 2031. The interest rate on the loans ranges between Libor + 1.86% to Libor + 4.85% per annum.

On 24 April 2019 the Company entered into loan financing agreement with China Development Bank, Xinjiang Branch amounting to USD 1,200,000 thousand to finance construction of the plant. As of 31 December 2019 the Company utilised USD 768,254 thousand. The loan principal is repayable until 15 June 2031. The interest rate on the loans is aggregate of Libor for relevant period and 3.5% per annum.

On 24 April 2019 the Company entered into K-SURE Covered facility agreement with Credit Suisse AG, MUFG Bank Ltd., Brussels Branch of Sumitomo Mitsui Banking Corporation, Mizuho Bank Ltd. amounting to USD 280,000 thousand to finance construction of the plant. As of 31 December 2019 the Company utilised USD 155,056 thousand. The loan principal is repayable until 15 December 2031. The interest rate on the loans is aggregate of Libor for relevant period and 1.15% per annum.

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**Notes to the financial statements**

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

**14. Borrowings (continued)**

On 24 April 2019 the Company entered into KEXIM facilities agreement with Export-Import Bank Korea as KEXIM Direct Lender amounting to USD 500,000 thousand and with Credit Suisse AG, MUFG Bank Ltd., Brussels Branch of Sumitomo Mitsui Banking Corporation, Mizuho Bank Ltd., Woori Bank as Original KEXIM Covered Lenders amounting to USD 100,000 thousand to finance construction of the plant. As of 31 December 2019 the Company utilised USD 389,990 thousand. The loan principal is repayable until 15 December 2031. The interest rate on the loans is aggregate of Libor for relevant period and 3.61% per annum and Libor for relevant period and 1.15% per annum.

The Company’s borrowings are denominated in USD and measured at fair value at initial recognition and subsequently carried at amortised cost calculated using effective interest rate.

In accordance with Common Terms Agreement (the “CTA”) and and Facility Agreements between the Company and lenders, if the aggregate total commitments under the Other Facility Agreements are less than USD 2,400,000 thousand by 31 December 2018, it will cause the occurrence of Individual Facility Event of Default. As the Company did not comply with this requirement as of 31 December 2018 and no waivers were obtained as of the reporting date, borrowings were classified as current liabilities in statement of financial position.

In February 2019, the Company obtained Amendment and Waiver Letter from the lenders for reduction of the aggregate total commitments under the Other Facility Agreements and extension of deadline for the requirement until 31 March 2019. As of the date of issuance of the financial statements for the year ended 31 December 2018, the Company complied with this requirement and resolved the event of default.

The table below sets out an analysis of liabilities from financing activities and the movements in the Group’s liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

		<b>Liabilities from financing activities</b>
	<b>Notes</b>	<b>Borrowings</b>
<b>Liabilities from financing activities at 31 December 2017</b>		<b>-</b>
<i>Cash flows:</i>		
Proceeds from issue		69,821
Interest repayment		(1,256)
<i>Non-cash movements:</i>		
Interest accrual		1,608
Prepaid finance costs netted against the borrowing	9	(6,128)
<b>Liabilities from financing activities at 31 December 2018</b>		<b>64,045</b>
<i>Cash flows:</i>		
Proceeds from issue		1,354,637
Interest repayment		(36,812)
<i>Non-cash movements:</i>		
Interest accrual		31,866
Prepaid finance costs netted against the borrowing	9	(57,071)
Other non-cash movements		54,210
<b>Liabilities from financing activities at 31 December 2019</b>		<b>1,410,875</b>

Other-non cash movements include prepaid finance costs, such as guarantee premiums, upfront fees and insurance premiums that were deducted from loan utilisation amount by lenders.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

## 15. Balances and transactions with related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

### *Key management*

Key management personnel consist of five employees of the Company. Compensation of key management personnel equalled to USD 141 thousand (2018 – USD 158 thousand) and the cost incurred through salaries and related cost. Included in key management compensation are statutory pension contributions of USD 13 thousand for the year ended 31 December 2018.

The following tables show the transactions which have been entered into with related parties for the relevant financial periods:

	<b>Purchases from the related parties</b>	<b>Payables to the related parties</b>
<b>2019</b>		
<i>Entities under Parent's control</i>		
UzLITI	34	-
Shurtan gas and chemical complex	1	1
Gissarneftegaz	1	-
	<b>36</b>	<b>1</b>
<b>2018</b>		
<i>Entities under Parent's control</i>		
Shurtan gas and chemical complex	2	-
	<b>2</b>	<b>-</b>

The Government of the Republic of Uzbekistan has control over the Company. The Company decided to apply the exemption from disclosure of individually insignificant transactions and balances with the government and parties that are related to the entity because the Government of the Republic of Uzbekistan has control, joint control or significant influence over such party. The Company purchases from a large number of government related entities. Such purchases are individually insignificant and are generally entered into on an arm's length basis. Transactions with the state also include taxes which are also individually insignificant.

### *Commitments with related parties*

As discussed in Note 18, the Company concluded a number agreements with its related parties.

## 16. Financial risk management objectives and policies

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

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### Notes to the financial statements

(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)

#### 16. Financial risk management objectives and policies (continued)

The Company's principal financial liabilities comprise accounts payable and other current liabilities, which arise directly from its operations and borrowings attracted to finance the construction. The Company has financial assets represented by cash and cash equivalents, which arise from contributions made by the Participants to the charter capital and borrowings.

The Company is exposed to market risk, credit risk and liquidity risk. Management reviews and agrees policies for mitigating each of these risks which are summarised below.

##### Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

##### Foreign currency risk

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored monthly. The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2019			At 31 December 2018		
	Monetary assets	Monetary liabilities	Net balance sheet position	Monetary assets	Monetary liabilities	Net balance sheet position
UZS	11,923	804	11,119	7,193	350	6,843
<b>Total</b>	<b>11,923</b>	<b>804</b>	<b>11,119</b>	<b>7,193</b>	<b>350</b>	<b>6,843</b>

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Company entities, with all other variables held constant:

Increase / decrease in foreign exchange rate	Effect on loss before tax (gain/loss)	
	2019	2018
UZS strengthening by 14% (2018: 3%)	(1,557)	(201)
UZS weakening by 14% (2018: 3%)	1,557	201

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Company.

##### Credit risk

The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

##### Liquidity risk

The Company is at start-up phase and depends on financing from the Participant and borrowings from lenders. Management believes that the Company is capable of sustaining its ongoing operations by means of contributions and borrowings that will be available from the Participants and lenders.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

## **16. Financial risk management objectives and policies (continued)**

Accounts payable and other current liabilities are expected to be settled within one year from the reporting date. Therefore, their carrying amounts at 31 December 2019 and 2018, approximate their undiscounted contractual maturities.

### *Capital Management*

Capital includes the contribution of the Participant to the charter capital. The Company performs its activities on the basis of budget approved by Participant for each stage of the Project until start of the production in 2020.

### *Fair value*

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a level three measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value at 31 December 2019 and 31 December 2018. Cash and cash equivalents are categorised at level two and trade and other payables are categorised at level three. The fair value of cash and cash equivalents and trade and other payables was estimated to be equal to their carrying amount.

The fair values in level two and level three of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

### **Financial assets carried at amortised cost**

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

### **Liabilities carried at amortised cost**

The fair value of liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

## **17. Presentation of financial instruments by measurement category**

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently.

As of 31 December 2019 and 31 December 2018, all of the Company’s financial assets and financial liabilities were carried at AC.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

## **18. Commitments**

### **Legal proceedings**

From time to time and in the normal course of business, claims against the Company may be received. Management is not aware of any existing or potential claims that could significantly affect these financial statements.

### **Tax contingencies**

Uzbek tax, currency and customs legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. As a result, the Company may be assessed additional taxes, penalties and interest. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Company's management believes its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained. Accordingly, at 31 December 2019 and 2018 no provision for potential tax liabilities had been recorded. In addition, the Company estimates that it has no potential obligations from exposure to other than remote tax risks.

### **Environmental matters**

The enforcement of environmental regulation in the Republic of Uzbekistan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

### **Contractual commitments**

On 19 September 2011, Presidential Decree No ПП-1618 on further realization of the GTL Project has been issued. According to the Decree the increase and change in the structure of the charter capital of the Company (Note 12), Investment Agreement and Gas Purchase and Sales Agreement have been approved.

On 19 September 2011, the Investment Agreement was signed between the Participants, the Company and Government of Uzbekistan. According to the agreement, the Government has committed to provide preferences to the Participants and the Company and arrange proper conditions for GTL project in the Republic of Uzbekistan including provision of land usage rights 136.12 hectares of area for the GTL plant free of charge, other than an annual rent payment not exceeding the maximum amount of land tax.

On 19 September 2011, the Company together with SASOL and PETRONAS concluded the Gas Sale and Purchase Agreement with UNG to purchase a maximum daily quantity of methane rich gas and pipeline gas within the next 25 years beginning on the production commencement date. According to the agreement, the methane rich gas and pipeline gas will be purchased at fixed price during the first 10 years. The agreement became ineffective from the date of PETRONAS and SASOL withdrawal from the Company. The new agreement between the Company and UNG was ratified and signed on 22 November 2018.

On 19 September 2011, the Company together with the SASOL and PETRONAS concluded the Product Off-take Agreement with UNG, to sell to the latter, an agreed amount of GTL products within the next 25 years beginning on the production commencement date. The prices in respect of the GTL Diesel and Kerosene will be calculated by reference to the price per Barrel for Brent crude oil FOB and the price for GTL Liquefied petroleum gas will be based on the weighted average of the Butane Saudi Contract Price per Barrel, both quoted by Platts. The agreement became ineffective from the date of PETRONAS and SASOL withdrawal from the Company. The new agreement between the Company and UNG was ratified and signed on 22 November 2018. The agreement is concluded on the same subject matter with minor changes in terms.

*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

## **18. Commitments (continued)**

On 19 September 2011, the Company concluded the Engineering Services Agreement with Sasol Technology (Pty) Ltd. (subsidiary of the Sasol Limited) to purchase services on provision of the Engineering Design Package to the Company. Total amount of the agreement will be a maximum of USD 57,500 thousand. As of 31 December 2019 the outstanding commitment on this contract was USD 31,118 thousand (2018: USD 32,408 thousand).

On 19 September 2011, the Company concluded the Licence Agreement with Sasol Technology (Pty) Ltd. to purchase the licence for GTL patent rights amounting to USD 80,000 thousand for an indefinite period, unless terminated in accordance with terms of the Licence Agreement. As of 31 December 2019 the outstanding commitment on this contract was USD 31,605 thousand (2018: USD 31,605 thousand).

On 19 September 2011, the Company concluded the Reactor Services Agreement with Sasol Technology (Pty) Ltd. to purchase services on provision of the Mechanical Package to the manufacturer of LTFT Reactors amounting to USD 16,500 thousand. As of 31 December 2018 the outstanding commitment on this contract was USD 10,565 thousand (2018: USD 11,585 thousand).

On 19 September 2011, the Company concluded the Catalyst Supply Agreement with Sasol Cobalt Catalyst Manufacturing (Pty) Ltd. (subsidiary of the Sasol Limited) to purchase agreed amount of Sasol LTFT Catalyst within the next 25 years beginning on the production commencement date.

On 18 October 2012, the Company signed an agreement “HITACHI ZOOSSEN CORPORATION” for the supply of the LTFT reactor for USD 78,695 thousand. On 31 March 2014 this contract was novated to Hyundai Engineering and Construction Co., Ltd. and Hyundai Engineering Co., Ltd. (EPC contractor).

On 25 November 2013 the Company signed site preparation agreement with Eriell Corporation s.r.o. for USD 45,618 thousand. On 14 March 2014, this agreement was also novated to the Company’s EPC contractor.

On 24 December 2013 the Company signed EPC contract for work relating to the Engineering, Procurement, and Construction of the plant with consortium of Hyundai Engineering & Construction and Hyundai Engineering with the condition for EPC contractor to enter the required novation agreements (LTFT reactor agreement and site preparation agreement) to make the EPC contract effective. The contract amount was USD 3,101,205 thousand. The novation agreements were signed in March 2014 and consequently make the effective date of the EPC contracts as 1 April 2014.

On 16 November 2016 Enter Engineering Pte. Ltd became part of EPC Consortium, after the Company successfully negotiated the EPC contract cost in the amount of USD 2,634,000 thousand. As of 31 December 2019, the outstanding commitment on this contract was USD 576,917 thousand (2018: USD 1,113,592).

## **19. Events after the reporting period**

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first few months of 2020 the virus had spread globally, and its negative impact has gained momentum. While this is still an evolving situation at the time of issuing these financial statements, it appears that the negative impact on global trade and on the Company may be more severe than originally expected.

The management of the Company monitors the situation carefully on a daily basis, focusing mainly on cash flow management and budget fulfilment.

- Cash flow management. As of 31 December 2019, the Company has signed loan financing agreements with the lenders for the amount of USD 2,300 million and utilized part of these loans is USD 1,411 million. During the January-May 2020 the Company additionally utilized USD 248 million. The management of the Company believes it will be at minimum sufficient to continue its operations within 2020 as budgeted. Besides that, on 24 April 2020 the Company signed Sponsor Support Undertaking with UNG to provide financing to fund the ongoing activities;
- Budget fulfilment. Despite COVID-19, the Company and its main contractors, engaged in construction of the plant continue their activities both on field sides as well as from offices remotely.

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**Notes to the financial statements**

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*(Amounts presented are in thousands of United States Dollars, unless otherwise indicated)*

**19. Events after the reporting period (continued)**

The success of the management will depend on further developments in national and world economies and actions taken by respective governments. So far there is no significant impact on ability of the Company to continue its business in a normal manner.