JOINT STOCK COMPANY "KVARTS"

INTERNATIONAL FINANCIAL REPORTING STANDARDS CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31DECEMBER, 2018

Contents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR DECEMBER 31, 2018

Indicators (thousand UZS)	Note	December 31 2018	December 31 2017
ASSETS			
Long-term assets			
Fixed assets	8	77 915 952	66 639 228
Total long-term assets		**77 915 952**	**66 639 228**
Short-term assets			
Stocks	9	66 542 543	52 234 053
Trade and other receivables	10	17 118 125	10 017 292
Loans issued		121 824 511	130 467 908
Cash and cash equivalents	11	10 551 906	7 660 717
Restricted cash	12	1 640 985	2 459 236
Other current assets		801 438	597 364
Total current assets		**218 479 508**	**203 436 570**
TOTAL ASSETS		**296 395 460**	**270 075 798**
CAPITAL			
Authorized capital	13	83 034 559	78 790 353
Additional capital	13	8 778 742	5 491 582
Retained earnings		128 042 543	124 256 619
Other reserves		58 677 043	19 850 423
TOTAL CAPITAL		**278 532 887**	**228 388 977**
DUTIES			
Long-term duties			
Long-term borrowings	15	-	20 177 330
Total long-term duties		**-**	**20 177 330**
Short-term liabilities			
Trade and other payables	16	13 874 259	18 613 392
Deferred tax liabilities	21	3 988 314	2 896 099
Total current liabilities		**17 862 573**	**21 509 491**
TOTAL OBLIGATIONS		**17 862 573**	**41 686 821**
TOTAL LIABILITY AND CAPITAL		**296 395 460**	**270 075 798**

Approved by the Board and signed on behalf of the Board May 18, 2019

Pulatov A.A. Chairman of the Board	Tursunov K.O. Chief Accountant

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ON FINISHING DECEMBER 31 2018

Indicators (thousand UZS)	**Note**	**2018**	**2017**
Revenue	17	299 923 991	302 853 594
Cost of sales	18	(163 369 994)	(139 919 876)
Gross profit / (loss)		**136 553 997**	**162 933 718**
General and administrative expenses	19	(58 607 854)	(48 369 081)
Other operating income		2 734 224	2 859 967
Operating profit/(loss)		**80 680 367**	**117 424 604**
Financial income	20	17 497 194	28 938 249
Financial expenses	20	(478 953)	(34 950 913)
Profit / (loss) before tax		**97 698 608**	**111 411 940**
Income tax	21	(11 337 166)	(17 116 798)
Profit / (loss) for the year		**86 361 442**	**94 295 142**
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		**86 361 442**	**94 295 142**
Basic and diluted earnings per share (in sums per share)	22	1 791	2 061

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Pulatov A.A.
Chairman of the Board

Tursunov K.O.
Chief Accountant

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR DECEMBER 31, 2018

Indicators (thousand UZS)	Note	Authorized capital	Additional capital	Unallocated capital	Other reserves	Total capital
Balance at December 31, 2017		**78 790 353**	**5 491 582**	**124 256 619**	**19 850 423**	**228 388 977**
Profit for the year		-	-	86 361 442		**86 361 442**
Total comprehensive income for 2018		-	-	86 361 442	-	**86 361 442**
Transactions with founders:						
Dividends declared		-	-	(44 115 872)		**(44 115 872)**
Additional issue		4 244 206	3 287 160			**7 531 366**
Creation of production development fund				(25 585 968)	25 585 968	**-**
Creating an innovative development fund				(8 823 018)	8 823 018	**-**
Deductions to reserve capital				(4 411 509)	4 411 509	**-**
Other adjustments to NPR and other reserves				360 849	6 125	**366 974**
Balance at December 31, 2018		**83 034 559**	**8 778 742**	**128 042 543**	**58 677 043**	**278 532 887**

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Chairman of the Board

Tursunov K.O.
Chief Accountant

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDING DECEMBER 31, 2018

Indicators (thousand UZS)	Notes	2018	2017
Cash flow from operating activities:			
Profit / (loss) before tax	22	97 860 759	111 411 940
With adjustment:			
Depreciation and impairment of fixed assets	8	10 837 587	8 867 144
Loss less exchange gains	20	(517 638)	15 559 147
Impairment of trade and other receivables	10	(871 661)	53 276
Loss from financial activities	9	5 000 000	
Inventory impairment	20	3 402 578	2 475 011
Interest expenses	20	478 953	975 771
Interest income		(16 823 818)	(9 545 945)
Unwinding effect	8	21 677	30 749
Profit from disposal of fixed assets	8	(63 942)	(1 023 471)
Other income		(1 561 202)	(1 836 496)
Cash flows from operating activities before changes in working capital:		**97 763 293**	**126 967 126**
(Increase) / decrease in trade and other receivables	10	(6 094 088)	(2 489 878)
(Increase) / decrease in stocks	9	(15 873 576)	(1 836 543)
Increase / (decrease) in trading and other accounts payable	20	(4 804 621)	1 047 617
(Increase) / decrease in other short-term assets		(204 074)	(351 855)
Changes in working capital		**70 786 934**	**123 336 467**
Income tax paid	21	(8 724 720)	(18 400 910)
Interest Received	20	15 119 759	10 575 856
Interest paid	20	(478 953)	(975 771)
Net cash received from / (used in) operating activities		**76 703 020**	**114 535 642**
Cash flows from investing activities			
Acquisition of fixed assets	8	(23 809 887)	(38 688 129)
Proceeds from the sale of fixed assets	8	269 645	(268 182)
Loans issued	8	(100 041 823)	(111 795 822)
Return of loans		103 685 220	52 864 309
Net cash (used in) / from investment activity		**(19 896 845)**	**(97 887 824)**
Cash flows from financial activities			
Dividends paid	14	(43 749 743)	(28 082 399)
Receipt from the issue of additional shares		7 531 366	
Receipt of credits and loans	15	-	18 280 750
Loan and loan repayment	15	(18 957 054)	(17 790 152)
Reducing cash with limited right to use	12	818 251	8 632 010
Net cash from / (used in) financial activities		**(54 357 180)**	**(18 959 791)**
Net increase / (decrease) in cash and their equivalents		**2 448 995**	**(2 311 973)**
Cash and cash equivalents at the beginning of the year	11	7 660 717	9 156 111
The effect of changes in currency exchange rates on cash funds and their equivalents	20	442 194	816 579
Cash and cash equivalents at the end of the year		**10 551 906**	**7 660 717**

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Pulatov A.A.
Chairman of the Board

Tursunov K.O.
Chief Accountant

1 The Group and its operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2018 for Joint-Stock Company «Kvarts» (the «Company») and its subsidiaries LLC «Quvasoy Kvarts Agro» and LLC «Vodiy Tulporlari» (hereinafter referred to as the Subsidiary) (hereinafter collectively referred to as the «Group» or the Group of «Kvarts» JSC).

The Company's registered legal address is: Republic of Uzbekistan, Fergana region 150900. Kuvasay city, st. Mustakillik, 2a.

The production units of the Group are mainly located at the following address: Republic of Uzbekistan, Fergana Region 150 900. Kuvasay city, st. Mustakillik, 2a.

Unless otherwise indicated, the consolidated financial statements are expressed in Uzbek thousand UZS (“thousand UZS”).

The company “KVARTS” JSC was formed by privatisation of the state property in accordance with the order of the State Committee of the Republic of Uzbekistan on state property management and business support No. 26-to-PO dated January 31, 1995.

“KVARTS” JSC was registered in accordance with the legislation of the Republic of Uzbekistan on 5 July 1995 by the Kuvasoy Governor Office No 001 and operates in the Republic of Uzbekistan.

The Company has additionally issued odinary shares based on the Resolution of the General Meeting of Shareholders dated 14 June 2018. After additional issue the share capital amounted to 82 705 204 438 UZS. As at 31 December 2018, ordinary shares of the Group in circulation amounted to 48,224,609 thousand.

The shareholders of the Group and their respective share in the share capital are listed below:

Shareholders	December 31 2018	December 31 2017
Agency for Management of State Assets of the Republic of Uzbekistan	94,78%	75,00%
«O’zqurilishmateriallari» JSC	0,00%	24,91%
Other shareholders	5,22%	0,09%
Total	**100,00%**	**100,00%**

The Group’s main operation is the production of glass products: cans and bottles, polished and colored sheet glass, as well as glasses for the automotive industry in the Republic of Uzbekistan and other goods.

Based on the decision of the Supervisory Board dated July 20, 2013, the Company established the company LLC «Quvasoy Kvarts Agro» with a 100% ownership interest (hereinafter referred to as the “Subsidiary”), registered by the Governor office of Kuvasay Fergana Region on August 12, 2013. The main operation of the Subsidiary is in the field of agriculture, livestock, poultry, horticulture and processing and storage of the resulting products.

According to the decision of the supervisory board dated 21.05.2018 Protocol No. 10 and the decision of the Company's Board dated 25.05.2018 Protocol No. 28 was established a subsidiary of «Vodiy Tulporlari» LLC with a 100% ownership interest (hereinafter referred to as the “Subsidiary”), registered by the State Services Center Kuvasay city of Fergana region on May 29, 2018. The main operation of the subsidiary is horse breeding.

The Group controls the operating and financial activities of the Subsidiaries. The Subsidiaries are consolidated in the consolidated financial statements of the Group.

2 Economic environment in which the Group operates

The markets of developing countries, including Uzbekistan, are subject to economic, political, social, judicial and legislative risks other than those of more developed markets. The future direction of Uzbekistan’s development is strongly influenced by the fiscal and monetary policies adopted by the government, along with the development of the legal, regulatory and political environment. The management of the Group monitors current changes in the economic situation, political and economic transformations in the Republic of Uzbekistan, including the application of current and future legislation and tax regulations that have a significant impact on the financial markets of the Republic of Uzbekistan and the economy as a whole. The Group's management is not in a position to predict all changes that could affect the construction materials and food industry and, accordingly, the degree of their influence, if any, on the future financial position of the Group and its operating results.

The following main economic indicators were observed in Uzbekistan in 2018:

- Inflation - 14.3% (2017 - 14.4%);
- GDP growth - 5.1% (2017 - 7.4%);
- Refinancing rate of the Central Bank of the Republic of Uzbekistan - 16.0% (2017 - 14.0%)

The products of the Group are mainly sold domestically. The main consumers of glass containers are entities of canneries, winery and vodka production industry. Sheet glass is mainly used in construction and for further processing. Tempered glass is in demand in the automotive industry and in the production of consumer goods.

«KVARTS» JSC Group is a monopolist in the domestic market of construction glass and satisfies more than 60% of the needs in the Republic of Uzbekistan, makes up more than 95% in glass cans and up to 50% in glass bottles.

Competitors for the production of glass containers in Uzbekistan are: JSC «Gazalkent Oyna», JSC «Kampali», JSC «Asl Oyna», JSC «Uzmetkombinat», LLC «Karakalpaksteklotara». In free eco-zone «Jizzak», a large plant for the production of sheet glass is being built.

3 Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated. (refer to Notes 5). The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in Note 5.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Consolidated financial statements. Subsidiaries are those investees, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition (consolidation) of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Acquisition and sale of non-controlling interests. The Group applies an economic unit model to account for transactions with non-controlling interests that do not result in a loss of control. If there is any difference between the consideration transferred and the book value of the acquired non-controlling interest, it is recorded as an equity transaction directly in equity. The Group recognizes the difference between the consideration received for the sale of a non-controlling interest and its carrying amount as a capital transaction in the statement of changes in equity.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The functional currency of the Group is Uzbek Sum ("UZS") in which this Group operates. The group presents consolidated financial statements in thousands of Uzbek UZS ("thousand UZS"), unless otherwise indicated.

Monetary assets and liabilities are translated into the functional currency of the Group at the official exchange rate of the Central Bank of the Republic of Uzbekistan ("Central Bank of Uzbekistan") at the end of the relevant reporting period.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the Central bank of Uzbekistan are recognised in consolidated profit or loss. Recalculation at the end of the year is not carried out for non-monetary balance sheet items, measured at historical cost.

The official rate of exchange used for translating foreign currency balances was as follows:

as of December 31, 2018 - 8,339.55 UZS for 1 USD

as of December 31, 2017 - 8,120.07 UZS for 1 USD

as of December 31, 2016 - 3,231.48 UZS for 1 USD

Financial reporting taking into account the effects of hyperinflation.

In accordance with IAS 29, consolidated financial statements prepared in the currency of a country with a hyperinflationary economy must be presented in units of measure effective at the reporting date.

The Republic of Uzbekistan has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29. As part of the Group's transition to IFRS, non-monetary assets, non-monetary liabilities and equity items arising from transactions prior to 1 January 2006 were restated in accordance with IAS 29 for the changes in the general purchasing power of the UZS from the dates of the transactions until 31 December 2006. The amounts expressed in the measuring unit current as at 31 December 2005 are treated as the basis for the carrying amounts in these consolidated financial statements. As the characteristics of the economic environment of the Republic of Uzbekistan indicate that hyperinflation has ceased, transactions after 1 January 2006 are not subject to restatement in accordance with the provisions of IAS 29.

The amounts of adjustments were calculated based on translation factors based on consumer price indices of the Republic of Uzbekistan (CPI), published by the State Statistics Committee.

Property, plant and equipment are stated at cost, taking into account the necessary amendments to the purchasing power equivalent of the UZS as of December 31, 2005, for long-term assets acquired before January 1, 2006, less accumulated depreciation of Property, plant and equipment and provision for impairment, where required.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

At the end of each reporting period 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 of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Land and construction in progress are not subject to depreciation. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, namely:

	Useful life (years)
Building and facilities	1 - 25
Cars and equipment	1 - 22
Furniture and Office equipment	1 - 8
Transport facilities	1 - 10
Other	1 - 10

The residual value of an asset is the estimated amount that the Group 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 and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Due to their insignificance, the residual value of Property, plant and equipmentfor the reporting period were ignored when calculating depreciation.

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 Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are 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.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the averege cost (AVEGO). The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Biological assets. Biological assets of the Group consist of unharvested crops (plant crops) and livestock (cows and horses). Bearer livestock is classified as non-current assets; consumable livestock and unharvested crops are classified as current assets in the consolidated statement of financial position.

Financial instruments are carried at amortized cost. Below is a description of these assessment methods.

Amortized cost ("AC") 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 consolidated 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 gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments (for example, where they are tied to the LIBOR rate) 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. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial assets of the Company, namely:

• loans and receivables,

• cash and cash equivalents

• restricted cash, financial assets available for sale

are all measured at amortized cost.

Financial liabilities are classified into the following accounting categories: trade and other payables, and borrowing. Financial liabilities are carried at amortized cost.

Financial instruments at fair value through profit or loss (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.

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.

Classification and subsequent measurement of financial assets: measurement categories. The Group classifies financial assets in the following measurement categories: measured at fair value through profit or loss, at fair value through other comprehensive income (FVOCI) and measured at amortized cost. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Classification and subsequent measurement of financial assets: business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group'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.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Group in determining the business models for its financial assets.

Classification and subsequent measurement of financial assets: 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 Group 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 Group 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. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

Reclassification of financial assets. 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 Group 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 Group 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 consolidated 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 consolidated 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 Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group 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.

Modification of financial assets. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, excluding those that the Group intends to sell in the near future.

Cash and cash equivalents include cash on hand, deposits in bank accounts on demand and other short-term highly liquid investments with an initial maturity of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method.

Restricted cash balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Cash balances with restrictions on exchange or use to settle obligations that are valid for at least twelve months after the reporting date are included in other non-current assets.

Trade and other receivables are initially recorded at fair value and then at amortized cost calculated using the effective interest method.

Impairment losses are recognized in profit or loss as they arise as a result of one or more events leading to a loss that occurred after the initial recognition of a financial asset and affect the amount or timing of estimated future cash flows associated with the financial asset or group of financial assets that can be assessed with reasonable reliability. If the Group does not have objective evidence of impairment for an individually assessed financial asset (regardless of its materiality), this asset is included in a group of financial assets with similar credit risk characteristics and is assessed together for impairment. The main factors that the Group takes into account when considering the impairment of a financial asset are its overdue status and the possibility of implementing collateral, if any.

The following are the other main criteria on the basis of which the presence of objective evidence of impairment loss is determined:

- the counterparty is experiencing significant financial difficulties, as evidenced by the financial information about the counterparty held by the Group;

- the counterparty is considering the possibility of declaring bankruptcy or financial reorganization;

- there is an adverse change in the payment status of the counterparty, due to changes in the national or local economic conditions that affect the counterparty.

Impairment losses are always recognized by creating a reserve in such an amount as to bring the asset's book value to the present value of the expected cash flows (which does not include future credit losses that have not yet been incurred) discounted using the original effective interest rate on this asset.

It should be taken into account that the assessment of losses includes a subjective factor. The management of the Group believes that the reserve against expected credit losses is sufficient to cover the losses incurred, although it is possible that during certain periods the Group may incur losses that are large compared with the expected credit losses.

If in a subsequent period the amount of the impairment loss decreases and this decrease can be objectively attributed to an event occurring after the impairment was recognized (such as, for example, an increase in the debtor’s credit rating), then the previously recognized impairment loss is reversed by adjusting the allowance created through profit or loss for year.

Assets that cannot be sold, and for which all necessary procedures have been completed for full or partial recovery, and the final amount of the loss is determined, are written off at the expense of the established provision for impairment after one year. Subsequent recoveries of amounts previously written off are credited to the impairment loss account in profit or loss for the year.

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.

Derecognition of financial liabilities. 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 Group 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. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. 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 classified as at fair value through profit or loss. The Group 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.

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

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

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Tax payables are the amount that is expected to be paid to the tax authorities (reimbursed by the tax authorities) in respect of the taxable base for the current and previous periods.

The Group is a taxpayer of generally taxes system.

Income tax. Income taxes have been provided for in the consolidated financial statements in accordance with legislation of the Republic of Uzbekistan enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income (VAT and excise tax) are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance expenses and other gains/(losses), net, respectively.

Value Added Tax. The value added tax relating to sales is payable to the budget at the date of supply of goods or services to customers. VAT paid on purchases of goods and services is generally refundable by offset against VAT charged on sales revenue upon receipt of the seller's invoice. Tax authorities allow VAT payments on a net basis. VAT payable and VAT paid is disclosed in the statement of financial position in expanded form as part of assets and liabilities. When creating a provision for impairment of receivables, the impairment loss is reflected in the full amount of the debt, including VAT.

The shareholding of the shareholders of the Group is recorded as equity, since the Group has an unconditional right not to repay the ownership share in accordance with its charter and legislation of the Republic of Uzbekistan. Share capital is represented by cash and non-cash investments by the founders and shareholders of the Group, recorded at fair value, which is equal to the amount recorded in the statutory documents of the Group. The increase or decrease in the authorized capital can be made on the basis of the decision of the shareholders after making the appropriate changes to the statutory documents of the Group and the state registration of the decision on the additional issue of shares.

The Group recognizes investments from the founders and shareholders, other than those in the share capital, as additional paid-in capital.

Dividends are recognized as liabilities and deducted from the amount of capital in the period in which they were declared and approved. Information on dividends declared after the reporting date, but before the date of approval of the consolidated financial statements, is reflected in Note 26 "Events after the end of the reporting period".

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts received for the goods delivered, minus all discounts, refunds and value added tax. The Group recognizes revenue when its amount can be measured reliably and there is a likelihood of future economic benefits, and all of the Group's activities listed below meet specific criteria.

Revenue from the sale of goods are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

The sale of services is recognized in the accounting period in which these services were rendered, based on the stage of completion of the specific operation, estimated in proportion to the share of the actually provided services in the total volume of services to be provided under the contract.

Payroll, pension fund contributions, paid annual leave and sick leave, premiums, and non-monetary benefits (such as health care and kindergartens) are accrued in the year when the services defining these types of remuneration were provided by the Group employees. The Group does not have any legal or obligations arising from current business practices to pay pensions or similar payments in excess of payments under the state plan with defined contributions.

4 Important accounting estimates and professional judgments in applying accounting policies

The accounting records of the Group: «KVARTS» JSC and its subsidiaries are maintained in accordance with the legislation of the Republic of Uzbekistan. The accompanying consolidated financial statements, based on accounting records and maintained in accordance with national accounting standards, have been adjusted accordingly to align it with IFRS.

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually 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. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

a) Estimate the useful life of Property, plant and equipment;

b) Initial recognition of related party transactions;

c) Measurement of expected credit losses.

The useful life of Property, plant and equipment

Estimation of the useful life of Property, plant and equipment was made using professional judgment on the basis of available experience in relation to similar assets. The future economic benefits associated with these assets will mainly come from their use.

However, other factors, such as obsolescence from a technological or commercial point of view, as well as depreciation of equipment, often lead to a decrease in the economic benefits associated with these assets. Management assesses the remaining useful life of property, plant and equipment based on the current technical condition of the assets and taking into account the calculation period during which these assets will bring economic benefits to the Group. The following main factors are taken into account:

- expected use of assets;
- expected physical wear and tear of equipment, which depends on the operational characteristics and maintenance regulations;
- obsolescence of equipment from a technological and commercial point of view as a result of changes in market conditions.

Initial recognition of related party transactions.

In the ordinary course of business, the Group enters into transactions with related parties. In accordance with IFRS 9, financial instruments should be initially recorded at fair value. In the absence of an active market for such transactions, professional judgment is used to determine whether transactions were carried out at market or non-market interest rates. The basis for judgment is pricing for similar types of transactions with unrelated parties and the effective interest rate analysis. The terms and conditions of transactions with related parties are reflected in Note 7.

Estimated expected credit loss.

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 5.

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the “hold to collect” business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the “hold to collect” business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group’s control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The “hold to collect and sell” business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model’s objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

Assessment whether cash flows are solely payments of principal and interest (“SPPI”). Determining whether a financial asset’s cash flows are solely payments of principal and interest required judgement.

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument’s underlying base interest rate. The effect of the modified time value of money was assessed by comparing relevant instrument’s cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. The Group applied a threshold of (5%) to determine whether differences against a benchmark instruments are significantly different. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument’s cash flows are not SPPI and the instrument is then carried at FVTPL.

The Group identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset’s principal is the fair value at initial recognition less subsequent principal repayments, ie instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Group considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply (such as bail in legislation in certain countries), are not relevant for assessing whether cash flows are SPPI.

Description of instruments that did not pass the SPPI test at the date of transition and are measured at fair value through profit or loss.

Modification of financial assets. When financial assets are contractually modified (e.g. renegotiated), the Group assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Group applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

Write-off policy. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement. Management considered the following indicators that there is no reasonable expectation of recovery: loans being past due over 180 days, liquidation or bankruptcy proceedings, fair value of collateral is less than the costs to repossess it or enforcement activities were completed. Management also considers, based on past practices, that contractual default interest is not collectible for loans overdue over 180 days. Therefore, the default interest was written-off from the gross carrying amounts of the respective loans.

5 Application of new or revised standards and clarifications

The following new standards, amendments to standards and interpretations of IFRS have become mandatory for the Group since January 1, 2018:

Adoption of IFRS 9 "Financial Instruments". The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards, 1 January 2018. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year. The adjustment resulting from the application of the ECL impairment rules in accordance with IFRS 9 does not have a significant impact on the financial position or financial performance of the Group for the year ended 31 December 2017, therefore, comparative data and incoming capital balances as of 1 January 2018 are not were revised. The Group has applied a simplified model for calculating the expected credit loss for receivables as required by IFRS 9

Significant new accounting policies applied in the current period are described in Note 3. Accounting policies applied before 1 January 2018 and applicable to comparative information are disclosed in Note 5. The following table compares the book value of each class of financial assets as before. measured in accordance with IAS 39 and new amounts determined after the adoption of IFRS 9 on 1 January 2018.

Indicators (thousand UZS)	Measurement category		Carrying value under IAS 39 - 12/31/2017	Effect of adopting IFRS 9				Carrying value under IFRS 9 - 1/1/2018
				Reclassification		Remeasurement		
	IAS 39	IFRS 9		Mandatory	Voluntary	ECL	Other	
FUNCTIONAL ASSETS								
- Cash and cash equivalents	L&R	AC	6 928 576					6 928 576
- Restricted cash	L&R	AC	3 191 377					3 191 377
- Loans issued	L&R	AC	130 467 909					130 467 909
- Trade and other receivables	L&R	AC	187 489					187 489
Total financial assets			**140 775 351**					**140 775 351**
FINANCIAL LIABILITIES								
- Borrowing	AC	AC	20 177 330					20 177 330
- Trade payables	AC	AC	4 477 194					4 477 194

Cash and cash equivalents, trade and other receivables. All categories of cash and cash equivalents, trade and other receivables disclosed in Notes 11, 12 and 23 were reclassified from the category “Loans and receivables” in accordance with IAS 39 to the category of “Amortised cost” in accordance with IFRS (IFRS) 9 at the date of adoption of the standard. Expected credit losses for cash balances and their equivalents, as well as trade and other receivables were insignificant and, accordingly, they were not disclosed.

Adoption of IFRS 15 “Revenue from Contracts with Customers”. The Group applied simplified method of transition to IFRS 15, and elected to apply the practical expedient available for simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018).

IFRS 15 “Revenue from contracts with customers” (released on May 28, 2014 and effective for periods beginning on or after January 1, 2018). The Group applied a simplified transition method to introducing IFRS 15 to reflect the impact of the transition in retained earnings as of January 1, 2018 without revising the comparative data and the new standard will be applied only to contracts that remain unfulfilled on the date of initial application. Starting from January 1, 2018, the Group recognizes revenue from the sale of goods and services when the performance obligation under contracts with customers is fulfilled, that is, when control over goods or services constituting the performance obligation is transferred to the buyer at the transaction price. The group analyzed a representative sample of contracts with customers in all operating segments to identify changes in revenue recognition and disclosures in the notes. A significant proportion of contracts with customers of the Group consist only of the obligation to ship products from the supplier’s warehouse. According to IFRS 15, revenue from sales of products under contracts with customers is recognized at the time when control over the products is transferred to the buyer.

The application of IFRS 15 does not have a significant impact on the financial position or financial performance of the Group for the year ended December 31, 2017, therefore, the comparative data and the opening capital balance as of January 1, 2018 have not been revised.

- Amendments to IFRS 15 “Revenue from Contracts with Customers” (issued on April 12, 2017 and effective for annual periods beginning on or after January 1, 2018).
- IFRIC 22 “Foreign currency transactions and prepayment of reimbursement” (issued on December 8, 2016 and effective for annual periods beginning on or after January 1, 2018).

Unless otherwise indicated, the above standards, amendments to standards and interpretations do not materially affect the consolidated financial statements.

6 New standards and interpretations

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group 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.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group decided that it will apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives. Right-of-use assets for property leases are measured on transition as if the new rules had always applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

As of December 31, 2018, the Group had obligations under lease agreements without the right of early termination in the amount of 58,446 thousand UZS. All of these liabilities relate to short-term leases and relate to the lease of low-value assets, which will be be recognized on a straight-line basis as expense in profit or loss.

Since IFRS 16 contains essentially the same accounting requirements for the lessor as IFRS (IAS) 17, the Group does not expect any significant impact on its consolidated financial statements in connection with the reflection of operations related to the Group's activities in as a lessor. However, starting next year, additional disclosures will be required.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.

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). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification.

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).The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares.

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).The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete.

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). The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan-an amendment, curtailment or settlement-takes place, IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The Group is currently assessing the 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.

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 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 Group 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 Group 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 Group’s consolidated financial statements.

7 Settlements and transactions with related parties

The parties are usually considered related if they are under common control, or one of the parties has the ability to control the other party, or can have a significant impact on its decisions on financial and economic activities or exercise joint control over it. When considering relationships with each of the possible related parties, the economic content of such relationships, and not only their legal form, is considered.

The related parties of the Group for the reporting period were:

- Agency for Management of State Assets of the Republic of Uzbekistan;
- «Uzqurilishmateriallari» JSC;
- Other shareholders;

For Agency for Management of State Assets of the Republic of Uzbekistan, the Group applied an exemption from the application of the disclosure requirements set out in paragraph 18 of IFRS 24 “Disclosure of Related Parties” in relation to transactions with related parties and balances for such transactions, including liabilities, if the relations between related entities due to the fact that:

(a) the Government of the Republic of Uzbekistan exercises control over the Group; and

(b) there are other related enterprises over which the government of the Republic of Uzbekistan also exercises control.

Balances with related parties controlled by «Uzqurilishmateriallari» JSC and its subsidiary as of 31 December 2018 are presented below:

Indicators (thousand UZS)	Affiliates
Investments in subsidiaries	18 512 650
Trade and other payables	9 727
Contributions to the share capital of associates	50 000

Sales and purchases with related parties for 2018 are presented below:

Indicators (thousand UZS)	Affiliates
Proceeds from the sale of goods	58 922
Buying products	873 605
Contributions to share capital subsidiaries	15 131 371

In 2018, the Group established a subsidiary for breeding horses and invested 15,131,371 thousand UZS in the authorized capital of the subsidiary.

Group management remuneration. The management includes: members of the supervisory board, members of the audit committee and members of the board.

The table below provides information on remuneration to the Company's management:

Indicators (thousand UZS)	2018	2017
Short term payments		
Salary	825 816	977 820
Investment in not monetary form		4 017
Short Term Bonuses	2 439 494	2 082 393
Total senior management remuneration	**3 265 310**	**3 064 230**

Short-term remuneration premiums are payable in full within 12 months after the end of the period in which management provided related services.

8 Property, plant and equipment

Changes in the carrying value of Property, plant and equipment are presented below:

Indicators (thousand UZS)	Buildings	Machinery and equipment	Furniture and office equipment	Transport facilities	Other	Constructuion in progress	Total
Cost	25 569 694	58 471 697	1 295 948	7 434 257	1 530 362	1 003 703	**95 305 661**
Accumulated depreciation	(17 971 782)	(40 957 277)	(651 893)	(2 521 728)	(614 814)	-	**(62 717 494)**
Book value as of January 1, 2017	**7 597 912**	**17 514 420**	**644 055**	**4 912 529**	**915 548**	**1 003 703**	**32 588 167**
Additions	155 301	486 979	10 723	-	147 992	42 385 392	43 186 387
Internal movement	714 333	30 815 038	917 611	1 183 104	185 241	(33 815 327)	-
Disposals	(33 357)	(106 737)	(89)	-	(65 010)	(62 989)	(268 182)
Disposal of cost	(35 185)	(4 876 893)	(16 222)	-	(98 873)	(62 989)	(5 090 162)
Disposal of accumulated depreciation	1 828	4 770 156	16 133	-	33 863	-	4 821 980
Depreciation	(1 131 010)	(6 082 435)	(188 343)	(1 290 005)	(175 351)	-	(8 867 144)
Book value at December 31, 2017	**7 303 179**	**42 627 265**	**1 383 957**	**4 805 628**	**1 008 420**	**9 510 779**	**66 639 228**
Cost	26 404 143	84 896 821	2 208 060	8 617 361	1 764 722	9 510 779	133 401 886
Accumulated depreciation	(19 100 964)	(42 269 556)	(824 103)	(3 811 733)	(756 302)	-	(66 762 658)
Book value at December 31, 2017	**7 303 179**	**42 627 265**	**1 383 957**	**4 805 628**	**1 008 420**	**9 510 779**	**66 639 228**
Additions	-	1 036 864	-	53 437	101 641	21 192 013	22 383 955
Internal movement	16 611 817	2 718 206	123 960	4 239 342	694 763	(24 388 088)	-
Disposals	-	(172 496)	(9)	-	(97 140)	-	(269 645)
Disposal of cost	-	(427 924)	(10 163)	(9 980)	(98 718)	-	(546 785)
Disposal of accumulated depreciation	-	255 428	10 154	9 980	1 578	-	277 140
Depreciation	(930 563)	(8 113 778)	(198 629)	(1 396 391)	(198 225)	-	(10 837 586)
Book value at December 31, 2018	**22 984 433**	**38 096 061**	**1 309 279**	**7 702 016**	**1 509 459**	**6 314 704**	**77 915 952**
Cost	43 015 960	88 223 967	2 321 857	12 900 160	2 462 408	6 314 704	155 239 056
Accumulated depreciation	(20 031 527)	(50 127 906)	(1 012 578)	(5 198 144)	(952 949)	-	(77 323 104)
Book value at December 31, 2018	**22 984 433**	**38 096 061**	**1 309 279**	**7 702 016**	**1 509 459**	**6 314 704**	**77 915 952**

Construction in progress in the amount of 5,123,295 thousand UZS, after completion of construction will be transferred to the “Buildings” category. There is also purchased equipment in the amount of 1,141,416 thousand UZS after installation, the asset will move to the category of “Machinery and equipment”. Construction in progress does not include borrowing costs.

9 Inventories

Changes in the carrying amount of inventories are as follows:

Indicators (thousand UZS)	December 31 2018	December 31 2017
Raw materials	62 788 716	53 003 039
Unfinished production	1 683	105
Products	8 127 166	3 316 941
Goods for resale	4 565 870	1 451 710
Total reserves	**75 483 435**	**57 771 795**
Impairment allowance	**8 940 892**	**5 537 742**
Total including impairment	**66 542 543**	**52 234 053**

As a result of inventory valuation at the end of each reporting period at the lower of two values: cost or possible net realizable value, an impairment provision was set in accordance with the requirements of IAS 2 for the impairment of inventories that were not used at least for one year (8,940,892 thousand UZS).

10 Trade and other receivables

Indicators (thousand UZS)	December 31 2018	December 31 2017
Trade receivables	1 568 437	187 489
Loans issued	121 802 988	130 467 909
Other financial receivables	-	
Total financial assets in trade and other financial receivables	**123 371 425**	**130 655 398**
Advance payments to the budget for taxes and obligatory deductions	3 579 854	1 523 138
Prepay to suppliers and contractors	9 685 491	7 284 923
Other receivables	2 305 866	1 021 741
Total trade and other receivables	**138 942 636**	**140 485 200**

As of December 31, 2018, the prepayment in the amount of 9,685,491 thousand UZS is basically the prepayment amount for the property, plant and equipment.

The following is an analysis of credit quality of loans issued, trade and other receivables:

	31 декабря 2018 г.			31 декабря 2017 г.		
Indicators (thousand UZS)	**Trade receivables**	**Loans given**	**Other financial and receivables**	**Trade receivables**	**Loans given**	**Other financial and receivables**
Total unexpended and unvaluedamounts	**1 302 813**	**121 802 988**	**-**	**177 420**	**130 467 909**	**-**
Overdue but not impaired						
-delayed payment up to 30 days	233 435	-	-	3 571	-	-
-with a delay of payment from 30 to 90 days	9 780	-	-	6 498	-	-
-with a delay of payment from 90 to 120 days	22 409	-	-	-	-	-
-with a delay of payment from 120 to 180 days	-	-	-	-	-	-
-with a delay of payment from 180 to 270 days						
Total overdue but not depreciated amounts	**265 624**	**-**	**-**	**10 069**	**-**	**-**
Total	**1 568 437**	**121 802 988**	**-**	**187 489**	**130 467 909**	**-**

The Group applies the simplified approach provided for in IFRS 9 to estimating expected credit losses using the allowance for expected credit losses over the entire term for all trade and other receivables.

To assess expected credit losses, trade and other receivables were grouped based on the general characteristics of credit risk and the number of days of late payment.

The levels of expected credit losses are based on payment schedules for sales for 36 months before 31 December 2018 or 1 January 2018, respectively, and similar historical credit losses incurred during this period. Past loss levels are adjusted for current and forward-looking information on macroeconomic factors that affect buyers ability to pay off receivables. The group determined that the impact of changes in macroeconomic indicators, such as GDP, exports, imports and inflation rates on the level of losses for past periods are not significant.

The allowance for credit losses in respect of trade and other receivables is determined in accordance with the provision matrix. The provision matrix is based on the number of days the asset is overdue.

The following is an analysis of the credit quality of trade and other financial receivables measured at amortized cost as of December 31, 2018 and January 1, 2018, respectively:

Measurement category (thousand UZS)	Amount	Groos Exposure			Impairment Allowance			Net Exposure		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
- Cash and Cash equivalents	10 551 906	10 551 906	-	-	-	-		10 551 906	-	-
- Restricted Cash	1 640 985	1 640 985	-	-	-	-		1 640 985	-	-
- Trade and other receivables	1 600 645	1 546 028	n/a	54 617	-	n/a	32 208	1 546 028	n/a	22 409
- Loans issued	121 802 988	121 802 988	-	-	-	-		121 802 988	-	-
- Other financial receivables	21 523	-	n/a	21 523	-	n/a	21 523	-	n/a	-
Total	**135 618 047**	**135 541 907**	**-**	**76 140**	**-**	**-**	**53 731**	**135 541 907**	**-**	**22 409**

Measurement category (thousand UZS)	Amount	Groos Exposure			Impairment Allowance			Net Exposure		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
- Cash and Cash equivalents	7 660 717	7 660 717	-	-	-	-	-	7 660 717	-	-
- Restricted Cash	2 459 236	2 459 236	-	-	-	-	-	2 459 236	-	-
- Trade and other receivables	187 489	187 489	n/a	-	-	n/a	-	187 489	n/a	-
- Loans issued	130 467 909	130 467 909	-	-	-	-	-	130 467 909	-	-
- Other financial receivables	3 732	-	n/a	3 732	-	n/a	3 732	-	n/a	-
Total	**140 779 083**	**140 775 351**	**-**	**3 732**	**-**	**-**	**3 732**	**140 775 351**	**-**	**-**

11 Cash and cash equivalents

Indicators (thousand UZS)	December 31 2018	December 31 2017
Cash in banks in UZS	3 150 003	2 713 746
Cash in banks in USD	7 051 507	2 263 779
Cash in banks in Euro	350 396	2 683 192
Total cash and cash equivalents	**10 551 906**	**7 660 717**

The table below presents an analysis of cash and cash equivalents for credit quality:

Indicators (thousand UZS)	December 31 2018	December 31 2017
With B1 rating (Moody's rating)	5 260 347	3 315 133
With B2 rating (Moody's rating)	133 241	90 986
With B3 rating (Moody's rating)	5 158 318	4 254 598
Total cash and cash equivalents	**10 551 906**	**7 660 717**

12 Restricted cash

Indicators (thousand UZS)	December 31 2018	December 31 2017
Total restricted cash	**1 640 985**	**2 459 236**

Restricted cash represents the amount in a bank account blocked by the bank in exchange for transferring US dollars to the Group in order to finance the purchase of raw materials (unenriched quartz sand) and equipment. The group cannot use these funds during the period of restriction on their use. Usually, cash was restricted to use for a maximum of three months.

13 Share capital

The total amount of authorized share capital as of 31 December 2018 was 48,224,609 thousand UZS at par value.

The number of shares outstanding at the end of each reporting period is as follows:

Indicators (thousand UZS)	Number of shares in circulation	Common stock	Share premium	Total
December 31, 2017	**45 749 340**	**78 790 353**	**5 491 582**	**84 281 935**
State registration of additional issue	2 475 269	4 244 206	3 287 160	7 531 366
December 31, 2018	**48 224 609**	**83 034 559**	**8 778 742**	**91 813 301**

Share premium represents share premium (3,337,329 thousand UZS), as well as the amount of investments made by investors in excess of the authorized capital as part of an investment commitment (5,441,413 thousand UZS).

The nominal amount of the registered issued share capital of the Group corresponds to the amount reflected in these consolidated financial statements as at December 31, 2018.

Indicators (thousand UZS)	Nominally Registered Amount	Effect of hyperinflation	Amount adjusted for inflation
Total share capital including share premium	91 483 066	330 235	91 813 301

Other reserves are mainly consisted of profit reserves (42,460,749 thousand UZS) and the released fund, on tax and customs holidays, granted by the state, subject to use for the modernization and development of the Group's property, plant and equipment (16,216,294 thousand UZS).

14 Dividends

The distribution and other use of profit is made on the basis of decisions of shareholders. The amount of profit determined by local GAAP is subject to the distribution. According to the legislation of the Republic of Uzbekistan, net profit is subject to distribution. However, laws and other regulations governing the distribution of profits may have different interpretations, and therefore management does not consider it appropriate at present to disclose the amount of allocated reserves in these consolidated financial statements.

Indicators (thousand UZS)	2018	2017
Dividends payable on January 1	**17 966**	**10 528**
Dividends declared during the year	44 317 328	28 092 927
Dividends paid during the year	(39 905 105)	(25 276 196)
Income tax withheld at the source of payment	(4 411 378)	(2 809 293)
Dividends payable on December 31	**18 811**	**17 966**

15 Loans and borrowings

Indicators (thousand UZS)	December 31 2018	December 31 2017
Long-term borrowing	-	20 177 330
Total long-term borrowing	**-**	**20 177 330**
Total borrowing	**-**	**20 177 330**

Loans and loans of the Group are denominated in the following currencies:

Indicators (thousand UZS)	December 31 2018	December 31 2017
UZS	-	1 046 950
USD	-	19 130 380
Total borrowing	**-**	**20 177 330**

In 2018, the company repaid all of its loans received in previous years and related interest.

16 Trade and other payables

Indicators (thousand UZS)	December 31 2018	December 31 2017
Trade payables	97 105	3 536 787
Loans received	-	20 177 330
Other financial payables	373 445	940 407
Total financial liabilities in trade payables	**470 550**	**24 654 524**
Prepay Received	3 569 230	6 849 245
Accrued remuneration of employees	2 487 482	1 538 340
Accounts payable to budgetary and extra-budgetary funds	6 247 651	5 503 276
Other non-financial payables debt	1 099 346	245 337
Total trade and other payables	**13 874 259**	**38 790 722**

Trade payables in the amount of 97,105 thousand UZS include payables for the purchase of goods (services). Prepayments received include advances in cash for glass cans, glass bottles and building glass.

Other financial payables mainly include the amount of foreign currency denominated payables for goods and services received in the amount of (371,855 thousand UZS).

17 Revenue

Revenue (thousand UZS)	2018	2017
Sales of glass cans and bottles	154 386 598	123 825 484
Sales of glass sheet	139 254 036	172 666 282
Other sales of goods and services	6 283 357	6 361 828
Total revenue	**299 923 991**	**302 853 594**

Revenues from the sale of the Group are denominated in the following currencies:

Revenue (thousand UZS)	2018	2017
Revenues - USD	13 901 022	15 992 264
Revenues - UZS	286 022 969	286 861 330
Total revenue	**299 923 991**	**302 853 594**

18 Cost of sales

Cost of sales (thousand UZS)	2018	2017
Material costs	79 375 008	69 584 089
Labor costs	45 548 341	36 849 765
Fuel for technological needs	19 663 198	15 984 762
Depreciation of fixed assets	8 723 957	7 292 398
Energy (fuel) comnsumption for technological needs	4 209 565	3 562 915
Third-party company services	4 264 175	4 319 179
Other	1 585 750	2 326 768
Total cost of sales	**163 369 994**	**139 919 876**

The labor costs includes mandatory contributions to the state pension fund in the amount of 11,387,085 thousand UZS (2017: 9,212,441 thousand UZS).

19 General and administrative expenses

Operational expenses (thousand UZS)	2018	2017
Labor costs	18 782 409	15 124 507
Taxes	9 521 466	12 659 895
Professional Services	4 481 866	3 663 529
Inventory impairment to net realizable sale price	3 402 578	2 475 011
Allowance for expected credit losses	175 289	53 276
Depreciation	262 184	77 163
Charity	10 603 740	2 801 229
Banking fees	534 601	2 467 939
Funds transferred to cover parent's expenses	1 811 579	1 710 852
The maintenance of office vehicles	1 553 302	1 971 392
Fuel and consumed energy	321 180	64 748
Material costs	1 884 041	574 331
The cost of maintaining the social infrastructure units	3 746 367	3 166 149
Other	1 527 252	1 559 060
Total general and administrative expenses	**58 607 854**	**48 369 081**

The labor costs includes mandatory contributions to the state pension fund in the amount of 4,695,602 thousand UZS (2017: 3,781,127 thousand UZS).

20 Financial expenses and income

Financial expenses of the Company are expressed in the following indicators:

Financial gain (thousand UZS)	2018	2017
Interest expenses	478 953	975 771
Net exchange loss		33 975 142
Total financial expenses	**478 953**	**34 950 913**

The Company's financial income is expressed in the following indicators:

Financial loss (thousand UZS)	2018	2017
Interest income	15 275 495	10 606 605
Net exchange gain	896 068	18 300 895
Other income from financial operations	1 325 631	30 749
Total financial income	**17 497 194**	**28 938 249**

The net financial result from exchange rate difference was a profit of 896,068 thousand UZS (in 2017 a loss amounted to 14,613,587 thousand UZS).

21 Taxes

(a) *Components of income tax expense / (benefit)*

Income tax expense comprises the following:

Indicators (thousand UZS)	2018	2017
Current tax	10 244 951	16 587 517
Deferred tax	1 092 215	529 281
Income tax expense for the year	**11 337 166**	**17 116 798**

(b) Reconciliation of the expense / (income) income tax with the amount of accounting profit multiplied by the applicable tax rate

The income tax rate applicable to the majority of the Group's 2018 income is 14% (in 2017 – 14,9%). A reconciliation between the expected and the actual taxation charge is provided below.

Indicators (thousand UZS)	2018	2017
Profit/(loss) before tax	**97 698 608**	**111 411 940**
The estimated amount of the income [income] income tax at the statutory rate of 14%:	13 677 805	16 600 379
- Realization below cost	97 874	229 784
- Property received free of charge	459 022	-
- Non deductible expenses	1 314 037	678 723
- Profit exempt from taxation	(2 581 760)	(693 590)
- Tax breaks	(3 481 927)	(147 858)
- Tax result on income taxed otherwise rates (10%)	1 682 382	271 675
- The result of the change in the tax rate from 14.9% to 14%	(26 784)	
- Other	196 517	177 685
Consumption / (income) income tax for the year	**11 337 166**	**17 116 798**

(c) Recognized deferred tax assets and liabilities

Differences between IFRS and statutory taxation regulations in Republic of Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

Indicators (thousand UZS)	December 31, 2018	Restored / (assigned) to profit and loss 2018	December 31, 2017	Restored / (assigned) to profit and loss 2017	December 31, 2016
Tax effect of deductible / (taxable) temporary differences:					
Fixed assets	2 075 453	1 231 698	843 755	(285 625)	1 129 380
Investment in subsidiary	50 574	(3 251)	53 825	44 055	9 770
Inventory items	1 427 151	417 334	1 009 817	506 213	503 604
Trade and other receivables	74 484	21 329	53 155	7 939	45 216
Loans issued	701 067	696 977	4 090	(95)	4 185
Other current assets	(1 067)	737	(1 804)	2 381	(4 185)
Additional capital	761 798	(48 973)	810 771	-	810 771
Trade and other payables	196 872	57 658	139 214	(37 695)	176 909
Other reserves	(9 274 646)	(3 465 724)	(5 808 922)	(766 454)	(5 042 468)
Net deferred tax assets / (liabilities)	**(3 988 314)**	**(1 092 215)**	**(2 896 099)**	**(529 281)**	**(2 366 818)**

22 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share.

Indicators (thousand UZS)	2018	2017
Profit for the year attributable to ordinary shareholders	86 361 442	94 295 142
Profit for the year attributable to ordinary shareholders	**86 361 442**	**94 295 142**
Weighted average number of ordinary shares in issue	48 224 609	45 749 340
Basic and diluted earnings per ordinary share (expressed in UZS per share)	**1 791**	**2 061**

Indicators (thousand UZS)	2018	2017
Profit for the year attributable to ordinary shareholders	86 361 442	94 295 142
Wiht deduction:		
Ordinary dividends declared during the year	(44 317 328)	(28 092 927)
Undistributed profit for the yea	42 044 114	66 202 215
Undistributed profit or loss for the year, attributable shareholders of ordinary shares, depending on the conditions of the shares	42 044 114	66 202 215
Profit for the year attributable to ordinary shareholders	**42 044 114**	**66 202 215**

23 Contingencies and Commitments

From time to time in the normal course of business, claims are received against the Group. Based on our own assessment, as well as recommendations of internal and external professional consultants, the management of the Group believes that the proceedings on them will not lead to significant losses for the Group, and, accordingly, did not form a provision provision for covering losses on these proceedings in the consolidated financial statements

The tax and customs legislation of the Republic of Uzbekistan is subject to varying interpretations and is subject to frequent changes. Management's interpretation of legislation applied to the operations and activities of the Group may be challenged by the relevant authorities. The tax authorities of the Republic of Uzbekistan can take a more assertive position and take a more complex approach in interpreting legislation and the results of tax audits. As a result, additional taxes, penalties and interest may be assessed. Tax periods remain open for inspection by the relevant tax authorities for the purpose of paying taxes during the five calendar years preceding the year for which the audit is carried out. Under certain circumstances reviews may cover longer periods. The management of the Group believes that its interpretation of the relevant legislation is correct and that the Group’s tax, currency and customs positions will be confirmed. Accordingly, at 31 December 2018, management did not form a provsion for potential tax liabilities (2017: the reserve was not formed). The Group estimates that it does not have potential tax liabilities, with the exception of those, which remotely possible (2017: no liabilities).

24 Financial Risk Management

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

The Group is exposed to credit risk, namely the risk that one of the parties on a financial instrument will cause financial losses to the other party through non-fulfillment of its obligations. Exposure to credit risk arises from the Group’s sale of products on deferred payment terms and other transactions with counterparties that result in financial assets.

The maximum credit risk incurred by the Group in asset classes includes the following:

Indicators (thousand UZS)	**December 31 2018**	**December 31 2017**
Cash and cash equivalents	10 146 270	6 928 576
Cash and cash equivalents with limited right of use	2 046 621	3 191 377
Trading and other receivables	1 568 437	187 489
Loans issued	121 802 988	130 467 909
		-
Total maximum exposure to credit risk	**135 564 316**	**140 775 351**

Management of the Group analyses the timing of delayed payments for trade receivables and tracks overdue balances. Therefore, the management considers it appropriate to provide information on the delayed payments and other information on credit risk, which is disclosed in Note 10.

The concentration of credit risk. At December 31, 2018 and December 31, 2017, the Group was not exposed to credit risk, since the counterparty does not have a total balance of receivables exceeding 10% of the total trade and other receivables.

As at December 31, 2018, and at December 31, 2017, the Group's bank deposits are placed in several banks, which does not cause a concentration of the credit risk of the Group.

The group is exposed to market risks. Market risks are associated with open positions in a) foreign currencies, b) interest-bearing assets and liabilities, which are subject to the risk of general and specific changes in the market.

The sensitivity to market risk presented below is based on a change in one factor, while all other variable characteristics remain unchanged. In practice, this is hardly possible and changes in several factors may correlate - for example, changes in interest rates and exchange rates.

Currency risk. The table below presents the Group's exposure to changes in exchange rates at the end of the reporting period:

	At 31 December 2018			**At 31 December 2017**		
Indicators (thousand UZS)	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
UZS	126 770 242	88 687	126 681 555	133 722 220	1 735 924	131 986 296
USD	8 443 678	142 978	8 300 700	2 375 025	20 162 850	(17 787 825)
EURO	350 396	238 885	111 511	4 678 106	2 755 750	1 922 356
Total	**135 564 316**	**470 550**	**135 093 766**	**140 775 351**	**24 654 524**	**116 120 827**

The above analysis includes only monetary assets and liabilities. The main monetary assets denominated in foreign currency are cash and restricted cash, and their equivalents of the Group are in USD 8,433,203 thousand UZS and in EURO 350,396 thousand UZS.

The table below provides an analysis of the sensitivity of profits and losses, as well as capital to possible changes in exchange rates at the reporting date, in relation to the functional currency of the Group, while all other variable characteristics remain unchanged. The risk was calculated only for cash assets and liabilities denominated in currencies other than the functional currency of the Group.

	At 31 December 2018		**At 31 December 2018**	
Indicators (thousand UZS)	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
USD strengthening by 3% (2017: strengthening by 151%)	220 989	220 989	(26 909 461)	(26 909 461)
USD weakening by 3% (2017: weakening by 151%)	(220 989)	(220 989)	26 909 461	26 909 461
EURO strengthening by 1% (2017: strengthening by 281%)	(1 059)	(1 059)	3 488 844	3 488 844
EURO weakening by 1% (2017: weakening by 281%)	1 059	1 059	(3 488 844)	(3 488 844)

Liquidity risk is the risk that the Group will face difficulties in meeting its financial obligations. Groups are at risk due to the daily use of available cash. Liquidity risk is managed by the management of the Group.

The table below shows the allocation of liabilities at the end of each reporting period by contractual time remaining until maturity. The amounts in the table represent contractual non-discounted cash flows. These non-discounted cash flows differ from the amounts reflected in the balance sheet as the balance sheet amounts are based on discounted cash flows.

In cases where the amount to be paid is not fixed, the amount in the table is determined based on the conditions existing at the reporting date. Payables, denominated in the foreign currency are translated using the spot exchange rate at the reporting date.

The table below presents an analysis of financial liabilities by maturity as of 31 December 2018:

Indicators (thousand UZS)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to more than 5 years	More than 5 years	Total
Liabilities						
Loans	-	-	-	-	-	-
Trade and other payables	433 315	37 235	-	-	-	470 550
Total future payments, including future principal and interest payments	**433 315**	**37 235**	**-**	**-**	**-**	**470 550**

The table below presents an analysis of financial liabilities by maturity as of 31 December 2017:

Indicators (thousand UZS)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to more than 5 years	More than 5 years	Total
Liabilities						
Loans	-	900 548	689 604	3 545 060	15 042 118	20 177 330
Trade and other payables	1 587 742	2 889 452	-	-	-	4 477 194
Total future payments, including future principal and interest payments	**1 587 742**	**3 790 000**	**689 604**	**3 545 060**	**15 042 118**	**24 654 524**

At the end of each reporting period, the amount of current assets does not exceed the amount of the Group's current liabilities. Thus, the Group does not have a liquidity risk and will not face difficulties in meeting its financial obligations. Management of the Group manages liquidity risk through monthly monitoring of cash flow forecasts of the Group.

The Group seeks to maintain a stable funding base consisting primarily of shareholders' cash and non-cash contributions, long-term bank loans, and trade and other payables (Notes 13, 15 and 16). The liquidity portfolio of the Group includes cash and cash equivalents (Note 11) and trade and other receivables (Note 10). According to management's estimates of cash, bank deposits can be converted into cash in order to meet unforeseen liquidity needs.

The Group is exposed to the risk associated with the influence of fluctuations in market interest rates on its financial position and cash flows. The table below provides a general analysis of interest rate risk by the group of financial instruments that generate (carry) interest income (expenses). It also shows the total financial assets and liabilities of the Group at book value broken down by (a) dates for revising interest rates in accordance with agreements or (b) maturities, depending on which of these dates is earlier.

Indicators (thousand UZS)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More 5 years	Total
December 31, 2018						
Total financial assets	14 012 053	20 751 339	92 382 785	3 418 139	5 000 000	135 564 316
Total financial liabilities	433 315	37 235	-	-	-	470 550
Net interest sensitivity gap at 31 December 2018	**13 578 738**	**20 714 104**	**92 382 785**	**3 418 139**	**5 000 000**	**135 093 766**
December 31, 2017						
Total financial assets	6 938 646	133 707 581	84 950	44 174	-	140 775 351
Total financial liabilities	1 587 741	3 790 001	689 604	3 545 060	15 042 118	24 654 524
Net interest sensitivity gap at 31 December 2017	**5 350 905**	**129 917 580**	**(604 654)**	**(3 500 886)**	**(15 042 118)**	**116 120 827**

Interest rates on short-term loan agreements concluded with the bank are fixed and not subject to change as a result of any external or internal circumstances. In 2018, the group fully repaid its long-term borrowed funds.

25 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows:

Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2 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

Level 3 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 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

Indicators (thousand UZS)	December 31, 2018		December 31, 2017	
	Level 1	Level 3	Level 1	Level 3
FINANCIAL ASSETS				
Cash and cash equivalents with limited right of use	2 046 621	-	3 191 377	-
Cash and cash equivalents	10 146 270	-	6 928 576	-
Trading and other receivables	-	1 568 437	-	187 489
Loans issued	-	121 802 988	-	130 467 909
Total financial assets	**12 192 891**	**123 371 425**	**10 119 953**	**130 655 398**
FINANCIAL LIABILITIES				
Trade payables	-	470 550	-	4 477 194
Borrowing	-	-	-	20 177 330
Total financial liabilities	**-**	**470 550**	**-**	**24 654 524**

The above tables disclose the sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change the fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in the fair value are recognised in other comprehensive income or total equity.

There were no changes in the valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2018 (2017: none).

26 Events after the Reporting Period.

In accordance with the Resolution of the President of the Republic of Uzbekistan dated May 19, 2017 “On measures to further expand the comprehensive strategic partnership between the Republic of Uzbekistan and the People’s Republic of China”, work is underway to organize the production of building glass with a capacity of 400 tons per day. As a result of this project worth $ 70.2 million, it will be possible to produce an additional 22.2 million square meters. m sheet glass per year. The company is taking steps to build a new line for the production of thermoplastic glass - float glass.

Approved by the Board and signed on behalf of the Board May 18, 2019

Pulatov A.A.	Tursunov K.O.
Chairman of the Board	Chief Accountant