



**АУДИТОРСКАЯ ОРГАНИЗАЦИЯ
«AMULET-AUDIT»
AUDITORLIK TASHKILOTI**

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INDEPENDENT AUDITOR'S REPORT

For Shareholders and the Supervisory Board of Joint-Stock Company "KVARTS": The Republic of Uzbekistan, Fergana region, 150900, Kuvasay city, st. Mustakillik, 2a

Qualified opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the JSC "Kvarts" (the Company) and its subsidiaries (the "Group") as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for Qualified Opinion

We were unable to attend the stocktaking of property, plant and equipment and inventory as at December 31, 2019. We were unable to determine the amount of property, plant and equipment and inventories as at 31 December 2019, which are presented in the Consolidated Statement of Financial Position in the amount of 94 621 901 thousand UZS and 102 681 464 thousand UZS, respectively, using alternative methods. Accordingly, we were unable to determine whether adjustments are necessary for property, plant and equipment and inventories as at 31 December 2019 and for profit or loss for the year presented in the Consolidated Statement of Comprehensive Income, as well as for net cash received. from operating activities presented in the Consolidated Statement of Cash Flows.

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

Independence

We are independent in relation to the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), as well as ethical requirements of the Code of Professional Ethics of Auditors of the Republic of Uzbekistan and independence requirements relating to the audit of financial statements in the Republic of Uzbekistan. We have fulfilled other ethical obligations in accordance with the IESBA Code.

Our audit methodology

Short review

Our audit methodology involves determining materiality and assessing the risks of material misstatement of the consolidated financial statements. In particular, we analyzed the areas in which management made subjective judgments, for example, with respect to significant accounting estimates, which included the use of

assumptions and consideration of future events, which, by their nature, involve uncertainties. We have also considered the risk of management circumvention of internal controls, including, but not limited to, assessing whether there is evidence of management bias that creates the risk of material misstatement due to fraud.

We have determined the scope of the audit in such a way that we could perform sufficient work to express our opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls used by the Group, as well as taking into account the specifics of the industry in which the Group operates. activity.

Materiality

The determination of the scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Based on our professional judgment, we have established certain quantitative thresholds for materiality, including materiality at the level of the consolidated financial statements of the Group as a whole, as set out below. Using these values and taking into account qualitative factors, we have determined the scope of our audit, as well as the nature, timing and extent of our audit procedures, and assessed the impact of misstatements (individually and in aggregate), if any, on the consolidated financial statements as a whole.

The materiality at the level of the consolidated financial statements of the Group as a whole is determined in the amount of 4,050,000 thousand UZS. We have defined materiality as a whole at 10% of profit before tax. We have determined the amount of profit before tax as the basis for calculating the materiality level, as, in our opinion, this is the most commonly used indicator by users of the Group's consolidated financial statements and is considered a generally accepted indicator. We have defined the figure as 10%, because based on our professional experience, this figure is a generally accepted quantitative measure in relation to this basis of calculation.

Key audit issues

Key audit **issues** are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were considered in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on these matters.

We have complied with the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including with regard to key matters. Accordingly, our audit included performing procedures designed in response to our assessment of the risks of material misstatement of the audited consolidated financial statements. The results of our audit procedures, including those performed in consideration of the above matters, serve as the basis for our auditor's opinion on the accompanying consolidated financial statements.

Responsibility of management and those responsible for corporate governance for financial reporting

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

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

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

Our goal is to obtain reasonable assurance that the consolidated financial statements are free from material misstatement due to fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high degree of certainty, but does not guarantee that an audit conducted in accordance with the ISA always reveals significant distortions, if any. Distortions can be the result of fraud or error, and are considered significant if it is reasonable to assume that, individually or collectively, they can affect the economic decisions of users based on these consolidated financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with all relevant ethical requirements with regard to independence and that we have communicated to those individuals all relationships and other matters that may reasonably be considered to affect the independence of the auditor, and where appropriate - on appropriate precautions.

From those issues that we have brought to the attention of those charged with governance, we identify those matters that were most significant in the audit of the consolidated financial statements of the current period and, therefore, are key audit matters. We describe these matters in our auditor's report, unless the public disclosure of these matters is prohibited by law or regulation, or in extremely rare cases we conclude that information about a matter should not be communicated to our conclusion, since it can reasonably be assumed that the negative consequences of the communication of such information will outweigh the socially significant benefits of its communication.


Bakhtiyor Khamdamov
Auditor
Certified auditor № 05362
Issued on January 16, 2016



Audit organization «AMULET-AUDIT» LLC
August 21, 2020
Kuvasay city, Fergana region, Uzbekistan