Joint Stock Company
"Uzbek Metallurgical Plant"

Preliminary consolidated financial statements
for the year ended December 31, 2018
and as at January 1, 2018

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MANAGEMENT STATEMENT

The management of JSC Uzbek Metallurgical Plant ("Company" or "Uzmetkombinat") is pleased to present the preliminary consolidated financial statements of Uzmetkombinat for the year ended December 31, 2018.

General information

The Company is the leading ferrous metallurgy enterprise in the Republic of Uzbekistan ("Uzbekistan") and has been producing various types of rolled steel (rebar and grinding balls) since 1944. It also produces insulation materials and consumer goods.

The Company is a joint stock company with a state share of 74.59% (January 1, 2018: 74.59%). The remaining shares are owned by various legal entities and individuals: 15.15% and 10.26%, respectively (January 1, 2018: 15.15% and 10.26%).

Uzmetkombinat's registered office is at 1 Syrdarya Street, Bekabad, Tashkent Region (www.uzbeksteel.uz).

Effective from August 1, 2017, SFI Management Group LLC (the "Managing Company") acts as the trust manager of the government's share in Uzmetkombinat.

Overview

The Company's production capacity is 1,150 thousand tonnes of rolled metal per year. During 2018, it produced 1,066 thousand tonnes of rolled metal products. In 2018, The Company revenue amounted to UZS 4,630,374,387 thousand, net income amounted to UZS 346,137,065 thousand.

During 2018, Uzmetkombinat continued the realisation of its investment programme, in particular building a ferrosilicon, manganese ferrosilicon, wire rod and rebar production facilities. Total investments in 2018 amounted to UZS 148,384,520 thousand, with the majority being financed from internally generated cash. The Managing Company has critically reassessed the feasibility of other pipeline projects and as a result has put certain projects on hold or even cancelled them.

As a major employer in Bekabad and the surrounding region, Uzmetkombinat has extensive corporate social responsibilities with total expenses in 2018 amounting to UZS 134,193,742 thousand.

Events after the reporting date

Dividends declared.

The Company declared dividends of UZS 129,347,171 thousand (including the 2019 interim dividends of UZS 47,262,650 thousand) payable until the end of 2019.

Large contract signing.

The Company has commenced an investment project to build a production facility for output of 1,041 thousand tonnes of hot-rolled strips per year. The overall project cost is over USD 600 million. The expected date of production start is by the end of 2022. The project is going to be financed by foreign and local banks in an aggregate amount of USD 490 million and own funds of USD 123 million.

Board of directors

SFI Management Group has revised Uzmetkombinat corporate governance, optimising structure from the operational level up to the Board of Directors, which incorporates nine representatives, including four state representatives.

Management's Statement about the Reliability of Financial Statements

Management is responsible for the preparation of preliminary consolidated financial statements that present the financial position of JSC Uzbek Metallurgical Plant and its subsidiaries as at December 31, 2018 and January 1, 2018, the results of its operations, cash flows and changes in equity for the year ended December 31, 2018 in accordance with International Financial Reporting Standards ("IFRS").

In preparing the preliminary consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific IFRS requirements is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's preliminary consolidated financial position and its financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls at the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company 's transactions and disclose with reasonable accuracy at any time the Company's consolidated financial position, and which enable them to ensure that the Company's consolidated financial statements comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and national accounting standards of Uzbekistan;
- taking such steps as are reasonably available to them to safeguard the Company's assets; and
- preventing and detecting fraud and other irregularities.

The Company's preliminary consolidated financial statements for the year ended December 31, 2018 were authorised for issue by management on November 1, 2019.

On behalf of Management:

Chairman of the Executive Board:
T.T. Azamatov

Acting Deputy Chairman of the Board
G.K. Ismurzina

Chief accountant:
G.A. Ibragimov

Bekabad,

November 1, 2019.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC "Uzbek Metallurgical Plant"

Opinion

We have audited the preliminary consolidated financial statements of JSC "Uzbek Metallurgical Plant" and its subsidiaries (collectively - the "Group"), which presents the preliminary consolidated statement of financial position as at 31 December 2018 and 1 January 2018, and the preliminary consolidated statement of profit and loss and other comprehensive income, preliminary consolidated statement of changes in equity and preliminary consolidated statement of cash flows for the year ended 31 December 2018, and notes to the preliminary consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the preliminary consolidated financial statements are prepared, in all material respects, in accordance with the basis of accounting set out in Note 2, which describes how IFRS have been applied in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards", including the assumptions the management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the management prepares its first complete set of IFRS consolidated financial statements as of 31 December 2019.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Preliminary Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the preliminary consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw your attention to the fact that the preliminary consolidated financial statements have been prepared in connection with the Group's conversion of the basis of preparation of its consolidated financial statements to IFRS. Note 2 explains why there is a possibility that these preliminary consolidated financial statements may require adjustments before constituting the final IFRS consolidated financial statements. Moreover, we draw attention to the fact that, under IFRS, only a complete set of consolidated financial statements comprising consolidated statements of financial position, comprehensive income, changes in equity and cash flows, together with comparative financial information and explanatory notes, can provide a fair presentation of the Group's financial position, results of operations and cash flows in accordance with IFRS. As a result, the preliminary consolidated financial statements may not be suitable for another purpose.

This report is intended solely for use by the Group in connection with its conversion of the basis of preparation of its consolidated financial statements to IFRS. This report is not intended for the benefit of any other third parties and we accept no responsibility or liability to any party other than the Group in respect of the report. Should any third party take decisions based on the contents of the report, the responsibility for such decisions shall remain with those third parties. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Preliminary Consolidated Financial Statements

Management is responsible for the preparation of the preliminary consolidated financial statements in accordance with the basis of accounting set out in Note 3 and for such internal control as management determines is necessary to enable the preparation of preliminary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the preliminary 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.

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

Auditor's Responsibilities for the Audit of the Preliminary Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the preliminary 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 preliminary 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.

Deloitte.

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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHAR "DELOITTE VA TOUCHE" AUDITORLIK TASHKILOTI MAS'ULIYATI CHEKLANGAN JAMIYAT SHAKLIDAGI
Deloitte va Touche

"Deloitte & Touche" Audit Organisation LLC
The license authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00776 dated 5 April 2019.

Erkin Ayupov
Qualified Auditor / Partner
Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan

1 November 2019
Tashkent, Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC

JSC "UZBEK METALLURGICAL PLANT"

PRELIMINARY CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

(thousands of UZS)

for the year ended December 31,	Notes	2018
CONTINUING OPERATIONS		
Revenue	4	4,630,374,387
Cost of sales	5	(3,421,913,653)
Gross profit		**1,208,460,734**
Selling expenses	6	(45,712,971)
Administrative expenses	7	(390,130,474)
Impairment losses	8	(97,530,085)
Other income	9	42,813,426
Other expenses	9	(68,344,786)
Operating profit		**649,555,844**
Finance income	10	1,662,694
Finance expense	10	(40,683,112)
Exchange differences, net	11	(19,999,642)
Income from associates	17	1,098,662
Corporate social responsibility activities cost	12	(134,193,742)
Profit before income tax		**457,440,704**
Income tax expense	13	(111,303,639)
Profit from continuing operations for the year		**346,137,065**
Profit for the year		**346,137,065**
Other comprehensive income		-
Total comprehensive income for the year		**346,137,065**

On behalf of the Management:

Chairman of the Executive Board:
T.T. Azamatov

Acting Deputy Chairman of the Board:
G.K. Ismurzina

Chief accountant:
G.A. Ibragimov

Bekabad,

November 1, 2019

JSC "UZBEK METALLURGICAL PLANT"

PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

(thousands of UZS)

	Notes	December 31 2018	January 1 2018
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,132,948,018	928,222,037
Investments projects	15	144,245,269	235,027,920
Intangible assets	16	868,974	1,065,110
Investments to associate companies	17	1,488,513	389,851
Financial assets at amortised cost	18	114,060	123,545
Financial assets at fair value through profit and loss	19	22,561,215	23,777,688
Other non-current assets	23	26,398,298	30,429,486
Total non-current assets		**1,328,624,347**	**1,219,035,637**
Current assets			
Inventories	20	873,418,160	336,626,671
Trade and other receivables	21	459,737,644	48,922,384
Advances paid	22	235,183,983	154,592,903
Corporate tax prepayment	13	-	7,183,884
Financial assets at amortised cost	18	3,815,384	27,046,087
Other assets	23	12,985,327	21,949,560
Cash and cash equivalents	24	155,311,694	163,819,023
Total current assets		**1,740,452,192**	**760,140,512**
Total assets		**3,069,076,539**	**1,979,176,149**
EQUITY AND LIABILITIES			
Equity			
Authorised capital	25	221,144,067	217,047,165
Reserves	25	37,098,171	32,370,586
Retained earnings	25	961,170,366	619,760,886
Total equity		**1,219,412,604**	**869,178,637**
Non-current liabilities			
Bank loans	26	303,881,813	313,099,436
Deferred tax liabilities	13	86,633,062	46,388,605
Total non-current liabilities		**390,514,875**	**359,488,041**
Current liabilities			
Bank loans	26	502,157,993	127,455,176
Other financial liabilities	27	4,365,287	2,268,394
Trade and other payables	28	695,560,893	538,304,397
Advances received	29	113,021,541	39,054,487
Corporate tax due	13	545,439	-
VAT and other taxes due	30	76,274,163	19,530,384
Other liabilities	31	67,223,744	23,896,633
Total current liabilities		**1,459,149,060**	**750,509,471**
Total liabilities		**1,849,663,935**	**1,109,997,512**
Total equity and liabilities		**3,069,076,539**	**1,979,176,149**

On behalf of the Management:

Chairman of the Executive Board:
T.T. Azamatov

Acting Deputy Chairman of the Board
G.K. Ismurzina

Chief accountant:
G.A. Ibragimov

Bekabad, November 1, 2019

JSC "UZBEK METALLURGICAL PLANT"

PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

(thousands of UZS)

	Notes	Authorised capital	Reserves	Retained earnings	Total
January 1, 2018		**217,047,165**	**32,370,586**	**619,760,886**	**869,178,637**
Total comprehensive income		-	-	346,137,065	346,137,065
Transfers	25	-	4,727,585	(4,727,585)	-
Increase of authorised capital	25	4,096,902	-	-	4,096,902
December 31, 2018		**221,144,067**	**37,098,171**	**961,170,366**	**1,219,412,604**

On behalf of the Management:

Chairman of the Executive Board:
T.T. Azamatov

Acting Deputy Chairman of the Board:
G.K. Ismurzina

Chief accountant:
G.A. Ibragimov

Bekabad,

November 1, 2019

(thousands of UZS)

for the year ended December 31,	Notes	2018
Cash flows from operating activities		
Profit before income tax		**457,440,704**
Adjustments:		
Depreciation and amortisation		92,050,290
Finance cost	10	40,683,112
Finance income	10	(1,662,694)
Impairments recognised on monetary items	8	61,578,383
Impairments recognised on non-monetary items	8	35,951,702
Loss on disposal of property, plant and equipment		9,406,041
Income from associates	17	(1,098,662)
Net foreign exchange loss		24,399,712
		718,748,588
Change in working capital:		
Inventories		(537,722,548)
Trade and other receivables		(293,872,554)
Other assets		4,157,108
VAT and other tax prepayments		54,936,451
Trade and other payables		(24,208,362)
Other liabilities		43,278,870
		(34,682,447)
Corporate tax paid		(63,329,859)
Interest income	10	147,884
Interest expenses paid	26	(40,683,112)
Cash used in operating activities		**(138,547,534)**
Cash flows from investment activities		
Purchase of property, plant and equipment		(62,836,784)
Proceeds from sale of property, plant and equipment		3,335,439
Purchase of intangible assets		(95,600)
Financing of investment projects		(163,264,158)
Financial aid given		(3,848,334)
Dividends received		1,514,810
Cash used in investing activities		**(225,194,627)**
Cash flows from financing activities		
Proceeds from bank loans	26	698,797,813
Repayment of bank loans	26	(341,596,885)
Dividends paid	25	(214,779)
Cash flows from financing activities		**356,986,149**
Change in cash and cash equivalents		**(6,756,012)**
Cash balance at the beginning of the year	24	163,819,023
Effect of exchange rate changes on cash and cash equivalents		(1,751,317)
Cash balance at the end of the year	**24**	**155,311,694**

On behalf of the Management:

Chairman of the Executive Board: T.T. Azamatov

Acting Deputy Chairman of the Board: G.K. Ismurzina

Chief accountant: G.A. Ibragimov

Bekabad, November 1, 2019

(thousands of UZS)

1. GENERAL INFORMATION

These preliminary consolidated financial statements of Joint Stock Company Uzbek Metallurgical Plant (the "Company" or "Uzmetkombinat") and its subsidiaries (together referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2018.

The Company is a joint stock company registered in Uzbekistan in 1944. It is the country's leading ferrous metal enterprise, producing 1,066 thousand tonnes of ferrous metal in 2018.

It is the sole establishment authorised to purchase ferrous metal scrap and waste in Uzbekistan as the main raw materials base for producing rolled metal. The consolidation of metal scrap and waste is implemented by the Uzbekistan-wide "Ikkilamchikorametallar" network (the Company's subsidiaries), which are responsible for purchasing, preliminary processing and delivery.

Apart from producing rolled ferrous metal (including balls for milling), Uzmetkombinat also produces copper and copper alloy sheets; basalt sheets, mats and wool; and metal items (wire, electrodes, building nails, steel mesh and household enamel crockery).

The Company has a certificate of compliance for its products, and also has nationally and internationally certified quality management certificates.

As a major employer, Uzmetkombinat has extensive corporate social responsibilities focusing on improving social welfare, both in Bekabad and its neighbouring regions.

Uzmetkombinat's registered office is at 1 Syrdarya Street, Bekabad, Tashkent Region (www.uzbeksteel.uz).

Company's shares are allocated as follows:

Ownership, (%)	December 31 2018	January 1 2018
State committee of the Republic of Uzbekistan for Assistance to Privatized Enterprises and Development of Competition	74.59	74.59
Corporate shareholders	15.15	15.15
Individuals	10.26	10.26
Total	**100.00**	**100.00**

Key corporate shareholders are the Uzbekistan National Bank for Foreign Economic Activities, OJSC AvtosanoatInvest, Almalyk Mining and Metallurgical Combine ("AMMC") and Navoi Mining and Metallurgical Combine ("NMMC"), together holding a 13,93% interest.

As at December 31, 2018, the Company holds controlling interest in the following entities (all together referred the "Group"):

Ownership, (%)	December 31 2018	January 1 2018
Ikkilamchikorametallar	100%	100%
TH Steel Impex (Kazakhstan)	100%	100%
Bekabad Gish Invest (Uzbekistan)	100%	100%
Donata Pharm (Uzbekistan))	100%	100%
Bekabad Matbuot (Uzbekistan)	100%	100%
Bekabad bus Company	100%	100%

The Group also holds interest in Uz-Shindong Silicon and Bekabad Ogneupor of 25% and 30% respectively.

On July 20, 2017, in accordance with a Cabinet of Ministers Resolution, a managing company "SFI Management Group" was engaged as the trustee manager for the government share in Uzmetkombinat.

These preliminary consolidated financial statements were approved on November 1, 2019.

2. BASIS OF PREPARATION

The Group has prepared these preliminary consolidated financial statements as part of transition to IFRS. For the purpose of transition to IFRS the date of transition is January 1, 2018.

These preliminary consolidated financial statements, which comprise the consolidated statement of financial position as at December 31, 2018 and January 1, 2018 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 were prepared in accordance with requirements of IFRS 1 First-time Adoption of

2. BASIS OF PREPARATION (CONTINUE)

International Financial Reporting Standards (IFRS 1) based on the standards and interpretations expected to be effective as at December 31, 2019, the end of the first IFRS reporting period. The amounts reported in these preliminary consolidated financial statements will be included as comparative information in the first complete set of IFRS consolidated financial statements as of December 31, 2019 but may require adjustments in case any new or amended standards or interpretations will be issued by IASB or IFRIC which will be effective from the year ended December 31, 2019.

As the Group had not prepared consolidated financial statements in accordance with previous GAAP, no reconciliations of equity or total comprehensive income in accordance with IFRS to equivalent measures under previous GAAP are disclosed in these preliminary consolidated financial statements.

These preliminary consolidated financial statements were prepared based on the assumption that the Group is a going concern and will continue to operate for the foreseeable future.

These preliminary consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at their revalued amounts or fair values at the end of each reporting date, as explained below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these preliminary consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into levels based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis for consolidation:

The preliminary consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the Company ceases to control the subsidiary.

(thousands of UZS)

2. BASIS OF PREPARATION (CONTINUE)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Functional currency

Items included in the financial statements of each of the Group's entities are measured in the currency of the main economic environment in which they operate ("functional currency"). The functional currency of each entity is the Uzbek Soum (or UZS). The presentation currency of these preliminary consolidated financial statements is the Uzbek Soum. All values are rounded to thousands of Uzbek Soum, unless otherwise stated.

Below is information on exchange rates between Uzbek Soum and main foreign currencies the Group operates with.

	December 31 2018	January 1 2018
Uzbek Soum / USD	8,339.55	8,120.07
Uzbek Soum / Euros	9,479.57	9,624.72
Uzbek Soum / Ruble (Russia)	120.91	139.30

Offsets

Financial assets and financial liabilities are offset and the net amount reported in a statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in a statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the Group's accounting policies.

The main provisions of the accounting policy are included in Note 38.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1. Critical judgements in applying accounting policy

The following are the critical judgements, apart from those involving estimations (see below), that Group management has made in the process of applying accounting policy and that have the most significant effect on amounts recognised in the consolidated financial statements.

IFRS 1 adoption

The management adopted IFRS standards using IFRS 1 *First-Time Adoption of IFRS* on January 1, 2018 and followed the procedures set by International Financial Reporting Standards with regards to first time adoption for preparing its preliminary financial statements. The Standard imposes a number of mandatory exceptions and grants a number of optional exemptions from the general requirement to comply with each IFRS effective at the end of the entity's first IFRS reporting period. For example, deemed cost is defined as an amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost. Management has used this option.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (CONTINUE)

3.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year.

Calculation of loss allowance

When measuring ECL, the Company uses reasonable and supportable information, which is based on assumptions for the different economic drivers and how these drivers affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

Fair value measurements and valuation processes

Some of the items presented in the consolidated statement of financial position are measured at fair value.. In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, it engages third party qualified valuers to perform a valuation. The financial specialists of the Group work closely with qualified external valuers to arrive at the appropriate valuation techniques and model inputs.

(thousands of UZS)

4. REVENUE

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8.

for the year ended December 31,	2018
Rolled metal	3,366,168,959
Metal balls for mills	1,076,646,140
Non-ferrous metals	63,281,490
Consumer goods	62,103,556
Thermal insulators	39,036,047
Tolling services	23,138,195
Total	**4,630,374,387**

The Group predominantly sells its products in Uzbekistan, Central Asia and Afghanistan. Exports accounted for approximately 30.01% of sales in 2018.

for the year ended December 31,	2018
Domestic sales	3,240,699,036
Exports	1,389,675,351
Total	**4,630,374,387**

In 2018, the Group generated revenue of UZS 2,454,798,868 thousand or 53.02% of total revenue from top ten customers.

5. COST OF SALES

The cost of sales by product type is as follows:

for the year ended December 31,	2018
Rolled metal	2,543,694,769
Metal balls for mills	729,701,098
Non-ferrous metals	44,036,030
Consumer goods	52,071,904
Thermal insulators	36,590,058
Tolling services	15,819,794
Total	**3,421,913,653**

The cost of sales by expense type:

for the year ended December 31,	Notes	2018
Work in progress	20	25,445,081
Finished goods	20	53,977,812
Opening balance		**79,422,893**
Raw materials	20	2,431,389,405
Third party services		925,570,550
Salary costs		235,161,088
Depreciation and amortisation costs		70,639,329
Operating taxes		62,856,509
Other expenses		8,601,943
Cost of sales		(3,421,913,653)
Closing balance		**391,728,064**
Work in progress	20	74,503,666
Finished goods	20	317,224,398

(thousands of UZS)

6. SELLING EXPENSES

Selling expenses were:

for the year ended December 31,	2018
Transportation expenses	40,876,625
Consulting services and commissions	2,184,137
Customs expenses	1,168,275
Marketing expenses	884,893
Salary costs	18,228
Other	580,813
Total	**45,712,971**

7. ADMINISTRATIVE EXPENSES

Administrative expenses were:

for the year ended December 31,	2018
Operating taxes	174,848,479
Third party services	79,199,497
Salary costs	62,149,798
Other	73,932,700
Total	**390,130,474**

8. IMPAIRMENT LOSSES

for the year ended December 31,	Notes	2018
Impairment of monetary assets:		
Investment of financial assets at amortised cost	18	27,088,522
Impairment of trade and other receivables	21	33,273,388
Impairment of other financial instruments	19	1,216,473
		61,578,383
Impairment of non-monetary assets:		
Impairment of investment projects	15	14,727,092
Impairment of other assets	23	5,136,101
Impairment of advances paid	22	13,098,420
Impairment of inventories	20	2,990,089
		35,951,702
Total		**97,530,085**

9. OTHER INCOME AND EXPENSES

Other income included

for the year ended December 31,	2018
Gain on sale of other assets	12,214,544
Services rendered	8,007,289
Gain on sale of other products	7,771,631
Gain on sale of property and equipment	7,815,942
Inventories discovered during a stock take	1,698,070
Other	5,305,950
Total	**42,813,426**

(thousands of UZS)

9. OTHER INCOME AND EXPENSES (CONTINUE)

Other expenses included

for the year ended December 31,	2018
Loss on sale of other products	19,791,164
Loss on sale of property and equipment	17,221,983
Loss on sale of other assets	10,777,595
Services rendered	6,810,779
Expenses associates with reorganisation of Ikkilamchikorametallar	1,829,042
Other	11,914,223
Total	**68,344,786**

In 2018, the Group has started reorganisation of the Ikkilamchikorametallar network. Management expects the reorganisation process to be completed in 2019 with no significant costs.

10. FINANCE INCOME AND EXPENSES

Financial income comprises of:

for the year ended December 31,	Note	2018
Dividends	19	1,514,810
Bank deposits		147,433
Other financial income		451
Total		**1,662,694**

Financial expenses represent interest on bank loans amounting to UZS 40,683,112 thousand in 2018.

11. CURRENCY EXCHANGE DIFFERENCE, NET

for the year ended December 31,	2018
Foreign currency exchange gain	101,332,158
Foreign currency exchange loss	(106,984,412)
Currency conversion expenses	(14,347,388)
Total	**(19,999,642)**

The Group's foreign currency position information is disclosed in the Note 32.

12. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES COST

Social expenses amounted to:

for the year ended December 31,	2018
Public expenses	93,518,608
Support of the football club "Metallurg"	26,553,100
Social expenses for employees	2,769,925
Other	11,352,109
Total	**134,193,742**

(thousands of UZS)

13. INCOME TAX

The company measures and records its corporate income tax payables and tax base based on the Uzbek Tax Code, which may differ from IFRS.

As certain expenses are not considered for tax purposes and certain income items are non-taxable, the Group may have certain permanent tax differences.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts calculated for taxation purposes. The temporary differences as at December 31, 2018 and January 1, 2018 mainly relate to those generated in the accounting and tax base for certain assets, different methods and the timing of income and expenses recognition.

The effective tax rate for the year ended December 31, 2018 was 15% in comparison with 15.5% at January 1, 2018. On June 29, 2018, the President of Republic of Uzbekistan signed Decree on "the concept of improving the tax policy of the Republic of Uzbekistan" in accordance with which the corporate income tax rate will decreased from 14% in 2018 to 12% in 2019. On September 27, 2019, President of Republic of Uzbekistan signed Decree on "ensuring stability of the consumer market, creating conditions for increasing the competitiveness of domestic producers" in accordance with which the corporate income tax rate will increase from 12% in 2019 to 15% in 2020.

Income tax recorded in profit and loss was:

for the year ended December 31,	2018
Current income tax	71,059,182
Deferred income tax	40,244,457
Total	**111,303,639**

The effective tax rate and profit reconciliation for 2018 was as follows:

for the year ended December 31,	2018
Profit before income tax	**457,440,704**
Nominal tax rate	15.00%
Tax at the statutory tax rate	**68,616,106**
Permanent differences	12,616,343
Effect of the tax rate change	1,511,122
Effect of the statutory revaluation of property and equipment	28,560,068
Total	**111,303,639**

The nominal tax rates of 15.00% in the table above apply to taxable profits in Uzbekistan for 2018.

Current tax assets and liabilities were as follows:

	December 31 2018	January 1 2018
Current tax asset	-	7,183,884
Current tax liability	(545,439)	-
Current tax (liability) / asset	**(545,439)**	**7,183,884**

The table below provides analysis of deferred tax assets and liabilities in statement of financial position:

	December 31 2018	January 1 2018
Deferred tax asset	37,444,533	45,383,307
Deferred tax liability	(124,077,595)	(91,771,912)
Deferred tax liability	**(86,633,062)**	**(46,388,605)**

The change of deferred tax liability in 2018 was as follows:

for the year ended December 31,	2018
Beginning balance of deferred tax liability	**(46,388,605)**
Deferred income tax charge	(40,244,457)
Closing balance of deferred tax liability	**(86,633,062)**

(thousands of UZS)

13. INCOME TAX (CONTINUE)

	Deferred tax asset and liability		Change in the year
	December 31 2018	January 1 2018	2018
Deferred tax asset:			
Foreign exchange loss	4,082,123	22,063,652	(17,981,529)
Impairment of investment projects	1,564,868	2,817,271	(1,252,403)
Allowance of equity investments	3,894,995	2,031,486	1,863,509
Impairment of inventories	9,447,397	6,881,232	2,566,165
Impairment of trade receivables	3,250,388	1,800,437	1,449,951
Impairment of advances paid	-	3,171,941	(3,171,941)
Impairment of non-core assets	9,029,919	5,169,487	3,860,432
Impairment of due from employees	1,505,452	1,017,299	488,153
Other	4,669,391	430,502	4,238,889
Total	**37,444,533**	**45,383,307**	**(7,938,774)**
Deferred tax liability:			
Property, plant and equipment	(120,489,369)	(90,506,050)	(29,983,319)
Other	(3,588,226)	(1,265,862)	(2,322,364)
Total	**(124,077,595)**	**(91,771,912)**	**(32,305,683)**
Net deferred tax liability	**(86,633,062)**	**(46,388,605)**	**(40,244,457)**

14. PROPERTY, PLANT AND EQUIPMENT

Historical cost	Building and structures	Machinery and equipment	Vehicles	Construction in progress	Other	Total
January 1, 2018	**684,065,003**	**1,067,122,820**	**69,100,884**	**22,245,690**	**35,125,135**	**1,877,659,532**
Acquisition	3,630,076	5,771,084	-	57,529,811	2,975,327	69,906,298
Disposal	(5,308,719)	(6,196,420)	(1,461,934)	7,184	(8,040,975)	(21,000,864)
Transfers	87,775,864	211,569,328	9,393,743	(310,261,110)	1,522,175	-
Transferred from investment projects (Note 15)	-	-	-	239,319,717	-	239,319,717
December 31, 2018	**770,162,224**	**1,278,266,812**	**77,032,693**	**8,841,292**	**31,581,662**	**2,165,884,683**
Accumulated depreciation						
January 1, 2018	**(266,424,551)**	**(623,330,978)**	**(43,732,471)**	**-**	**(15,949,495)**	**(949,437,495)**
Depreciation charge	(18,252,534)	(59,160,865)	(10,960,018)	-	(3,385,137)	(91,758,554)
Disposal	1,010,069	4,199,832	1,282,121	-	1,767,362	8,259,384
December 31, 2018	**(283,667,016)**	**(678,292,011)**	**(53,410,368)**	**-**	**(17,567,270)**	**(1,032,936,665)**
Net book value						
As at January 1, 2018	**417,640,452**	**443,791,842**	**25,368,413**	**22,245,690**	**19,175,640**	**928,222,037**
As at December 31, 2018	**486,495,208**	**599,974,801**	**23,622,325**	**8,841,292**	**14,014,392**	**1,132,948,018**

Assets pledged as collateral

Property, plant and equipment with a carrying amount of UZS 211,887,265 thousand and collateral amount of UZS 320,151,356 thousand (January 1, 2018: UZS 289,483,401 thousand) was pledged as collateral to secure loans received by the Group (*Note 26*). The Group is not entitled to pledge these assets to secure other loans or sell them.

(thousands of UZS)

15. INVESTMENT PROJECTS

As at December 31, 2018 and January 1, 2018, investment projects were as follows:

	December 31 2018	January 1 2018
Current projects:		
Wire rod production	120,764,857	87,608,128
Ferro-silico-manganese production	9,204,107	10,783,182
Ferrosilicon production	12,761,574	122,375,428
Metal sheet production	1,514,731	-
Seamless pipe production	-	253,888
Total current projects	**144,245,269**	**221,020,626**
Suspended projects:		
Production of metallic cord	5,683,713	6,134,772
Production of steel cable	5,089,920	5,396,849
Reconstruction of foundry production	2,475,815	2,475,673
Development of mine Tebin Bulak	-	16,441,011
Production of fasteners	-	423,938
Total suspended projects	**13,249,448**	**30,872,243**
less: Impairment	(13,249,448)	(16,864,949)
Total investment projects	**144,245,269**	**235,027,920**

The 2018 changes in investment projects were the following:

for the year ended December 31,	2018
Opening Balance	**235,027,920**
Investment	138,339,367
Advances paid to supplier	10,045,153
Capitalised interest (Note 26)	14,879,638
Transferred to property and equipment (Note 14)	(239,319,717)
Impairment	(14,727,092)
Closing balance	**144,245,269**

Wire rod production

The aim of the project is to generate 100 thousand tonnes of wire rod and fittings per year and further process it to produce cord, cable and welding wire. The project was valued at USD 19.91 million.

The project is financed by own funds of USD 4.71 million; with loans provided by the Fund for Reconstruction and Development of Uzbekistan of USD 10 million and Ipoteka Bank of USD 5.19 million.

As at December 31, 2018, the total outstanding project borrowings amounted to UZS 126,707,086 thousand or USD 15.19 million (January 1, 2018: UZS 85,732,144 thousand or USD 10,59 million) (*Note 26*). Total capitalised interest for the year ended December 31, 2018 was UZS 5,236,588 thousand.

The Management expects that production starts during the second half of 2019.

Ferro-silico-manganese production

The aim of the project is for the Company to produce 10 thousand tonnes of ferro-silicomanganese per year. Project cost was assessed at USD 23.83 million including equipment costs of USD 8.26 million.

Financing sources include Company equity of USD 17.10 million, an EximBank of Korea loan of USD 5.71 million refinanced through the National Bank and a loan from JSCMB Ipoteka Bank of USD 1.01 million.

Total amounts due amounted to UZS 50,445,104 thousand or USD 6.05 million as at December 31, 2018 (January 1, 2018: UZS 8,186,249 thousand or USD 1,01 million) (*Note 26*). Total capitalised interest for the year ended December 31, 2018 was UZS 430,140 thousand.

The project implemented in 2018.

(thousands of UZS)

15. INVESTMENT PROJECTS (CONTINUE)

Ferrosilicon production:

The aim of the project is to generate 15 thousand tonnes of ferrosilicon at the Company per year. The project was valued at USD 36.10 million, including the cost of equipment of USD 15.80 million.

The sources of financing are Company equity of USD 22.60 million, a loan from EximBank Korea of USD 11.48 million refinanced through JSCMB Ipoteka Bank and the National Bank and a loan from JSCMB Ipoteka Bank of USD 2.03 million.

As at December 31, 2018 the total amount due on bank loans for the project was UZS 107,950,471 thousand or USD 12.94 million (January 1, 2018: UZS 67,731,793 thousand or USD 8.34 million) (*Note 26*). Total capitalised interest for the year ended December 31, 2018 was UZS 9,212,908 thousand.

The project commissioned during 2018.

Metal sheet production

The aim of the project is to produce 1,041 thousand tonnes of hot-rolled strips in a year. The project was valued at USD 613 million.

The project financing consists of own funds of USD 122.6 million, foreign bank loans from Gazprombank and Credit Suisse in the aggregate amount of USD 390,4 million as well as financing from local banks of USD 100 million (National Bank of Uzbekistan – USD 86.0 million and JSC Ipoteka Bank - USD 14.0 million).

The project is expected to be commissioned in 2022.

Suspended projects

Group management, having assessed the other projects, has concluded that their further development is not economically feasible therefore ceased financing them for the moment. As at December 31, 2018 project impairment losses were UZS 13,249,448 thousand. (January 1, 2018: UZS 16,864,949 thousand;).

Management does not expect any significant further expenses on these projects.

Change in impairment provision of investment projects is the following:

for the year ended December 31,	Notes.	2018
Opening Balance		**16,864,949**
Increase in loss allowance	8	14,727,092
Write offs		(18,342,593)
Closing Balance		**13,249,448**

16. INTANGIBLE ASSETS

Carrying amount of intangible assets:

	December 31 2018	January 1 2018
Software	1,631,354	1,535,754
Less: accumulated depreciation	(762,380)	(470,644)
	868,974	**1,065,110**

During 2018, capitalised costs used to develop software amounted to UZS 95,600 thousand (January 1, 2018: UZS 163,000 thousand). The amortisation charges amounted to UZS 291,736 thousand and UZS 257,726 thousand in 2018 and 2017, respectively. Useful lives vary between 5 and 10 years.

(thousands of UZS)

17. ASSOCIATES

Investment in associates includes the following

	Principal activity	December 31 2018	January 1 2018
Uz-Shindong Silicon (holding share – 25%)	manufacturing	955,750	-
- *cost of investment*		*3,868,025*	*3,868,025*
- *share of post-acquisition loss, net of dividend received*		*(2,912,275)*	*(3,868,025)*
Bekabad Ogneupor (holding share – 30%)	manufacturing	532,763	389,851
- *cost of investment*		*2,056,813*	*2,056,813*
- *share of post-acquisition loss, net of dividend received*		*(1,524,050)*	*(1,666,962)*
		1,488,513	389,851

The aggregate of the financial information in respect of associates is set out below. The summary of the financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs and adjusted by the Group for equity accounting purposes.

	December 31 2018	January 1 2018
Property and equipment	27,463,813	24,319,104
Inventory	16,720,552	9,475,745
Trade receivables and other assets	14,735,390	9,149,383
Cash and cash equivalents	36,859	904,772
	58,956,614	43,849,004
Bank loans	41,902,916	32,521,139
Trade and other payables	11,454,822	19,364,296
	53,357,738	51,885,435
Net assets	5,598,876	(8,036,431)

for the year ended December 31,	2018
Sales	72,949,720
Cost of sales	(39,260,778)
General and administrative expenses	(24,645,714)
Net profit	9,043,228

Reconciliation of investments in associates is the following:

for the year ended December 31,	2018
Opening Balance	389,851
Share of profit	1,098,662
Closing Balance	1,488,513

18. FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised cost consists of up to one-year interest free loans:

	December 31 2018	January 1 2018
Uz-Shindong Silicon	27,088,522	25,541,295
Almalyk Mining Combine	2,078,430	91,838
Uz-Kor Silicon	1,361,419	1,361,415
Navoi Mining Combine	359,610	32,287
Other	129,985	142,797
	31,017,966	27,169,632
Less: Loss allowance	(27,088,522)	-
Less: long-term portion	(114,060)	(123,545)
	3,815,384	27,046,087

(thousands of UZS)

18. FINANCIAL ASSETS AT AMORTISED COST (CONTINUE)

For purpose of impairment assessment, the financial assets at amortised cost, except for Uz-Shindong Silicon, are considered to have low credit risk as the counterparties to these instruments have good credit history and financial performance. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the borrowers operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

Impairment loss on financial instruments measured at amortised cost is recognised in profit or loss, with a corresponding adjustment to their carrying amount through the loss allowance account. The following table shows the movement in expected credit losses (ECL) that has been recognised for the respective financial assets:

for the year ended December 31,	Notes.	2018
Opening Balance		-
Increase in loss allowance	8	27,088,522
Closing Balance		27,088,522

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

The investments below include investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year. The Management has corrected the fair value of the financial assets at fair value through profit or loss provided that the local stock exchange has not have sufficient liquidity.

Held for trading non-derivative financial assets	Industry	share, %	December 31 2018	January 1 2018
Quoted equity securities				
Ipoteka Bank	Banking	7.50	20,288,648	20,288,648
Uzbek Commodity Exchange	Trading	6.00	5,585,224	5,585,224
Asaka Bank	Banking	0.43	945,000	945,000
			26,818,872	**26,818,872**
Loss allowance			(4,257,657)	(3,041,184)
Total financial assets as at FVTPL, net			22,561,215	23,777,688

The amount of dividend income comprised UZS 1,514,810 thousand *(Note 10)*.

20. INVENTORIES

	December 31 2018	January 1 2018
Finished goods:		
Balls for mills	124,886,708	10,985,862
Rolled metals	166,710,957	33,264,361
Non-ferrous metals	488,875	1,211,966
Other	25,137,858	8,515,623
Work in progress	74,503,666	25,445,081
Materials and supplies: scrap	80,653,244	66,092,259
Materials and supplies: others	309,586,313	103,300,341
Spare parts and consumables	68,866,390	51,274,791
Fuel and lubricants	12,798,813	9,213,858
Others	60,660,278	75,207,382
	924,293,102	**384,511,524**
Loss allowance	(50,874,942)	(47,884,853)
Total	**873,418,160**	**336,626,671**

The cost of inventories recognised as a production expense includes UZS 2,431,389,405 thousand. (Note 5)

(thousands of UZS)

20. INVENTORIES (CONTINUE)

Changes to the provision for impaired and illiquid inventories:

for the year ended December 31,	Notes.	2018
Opening Balance		**47,884,853**
Impairment loss	8	2,990,089
Closing Balance		**50,874,942**

21. TRADE AND OTHER RECEIVABLES

	December 31 2018	January 1 2018
Amount due in UZS	345,640,601	50,552,871
Amount due in foreign currencies	148,235,716	2,966,790
	493,876,317	**53,519,661**
Loss allowance	(34,138,673)	(4,597,277)
Total trade and other receivables	**459,737,644**	**48,922,384**

Trade and other receivables due from the related parties amounted to UZS 350,969,242 thousand (January 1, 2018: UZS 96,841,066 thousand).

The range of the credit period on sale of goods is 30-180 days (2017: 30-180 days). No interest is charged on the trade receivables.

Loss allowance for trade and other receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade and other receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group accounts for the default debtors as "Claims made" with Other assets (Note 23) and has recognised a loss allowance of almost 100% against those receivables because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade or other receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade and other receivables are over three years past due, whichever occurs earlier. None of the trade and other receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base

as at December 31, 2018	up to 90 days	up to 180 days	over 180 days	Total
Estimated total gross carrying amount at default	431,694,501	31,025,240	31,156,576	493,876,317
Expected credit loss rate, %	6.08	12.10	13.28	
Lifetime ECL	(26,247,026)	(3,754,054)	(4,137,593)	(34,138,673)
Total trade and other receivables	**405,447,475**	**27,271,186**	**27,018,983**	**459,737,644**

as at January 1, 2018	up to 90 days	up to 180 days	over 180 days	Total
Estimated total gross carrying amount at default	41,365,034	5,349,335	6,805,292	53,519,661
Expected credit loss rate, %	7.95	8.50	12.55	
Lifetime ECL	(3,288,520)	(454,693)	(854,064)	(4,597,277)
Total trade and other receivables	**38,076,514**	**4,894,642**	**5,951,228**	**48,922,384**

(thousands of UZS)

21. TRADE AND OTHER RECEIVABLES (CONTINUE)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

for the year ended December 31,	Note	2018
Opening balance		**4,597,277**
Remeasurement of loss allowance	8	33,273,388
Amounts written off		(3,731,992)
Closing balance		**34,138,673**

22. ADVANCES PAID

	December 31 2018	January 1 2018
Advances for materials and services	267,106,360	173,476,097
Other advances paid	2,471,347	3,773,529
	269,577,707	**177,249,626**
Loss allowance	(34,393,724)	(22,656,723)
Total	**235,183,983**	**154,592,903**

Advances paid to related parties amounted to UZS 88,091,894 thousand (January 1, 2018: 26,072,008 thousand).

Movement in the loss allowance is as follows:

for the year ended December 31,	Note	2018
Opening balance		**22,656,723**
Loss allowance	8	13,098,420
Write-off of bad debts		(1,361,419)
Closing balance		**34,393,724**

23. OTHER ASSETS

	December 31 2018	January 1 2018
Claims made	41,906,679	43,003,778
Other accounts receivables	3,371,767	2,930,760
Prepaid expenses	2,569,876	2,396,951
Amount due from employees	1,744,284	1,723,572
Assets of the non-core business subsidiaries	30,482,742	37,879,607
	80,075,348	**87,934,668**
Impairment provision	(40,691,723)	(35,555,622)
Total	**39,383,625**	**52,379,046**
Non-current	26,398,298	30,429,486
Current	12,985,327	21,949,560
Total	**39,383,625**	**52,379,046**

The impairment provision mainly represents amounts provided for claims issued by the Group.

Movement in the impairment provision is as follows:

for the year ended December 31,	Note	2018
Opening Balance		**35,555,622**
Recognition of an additional impairment charge	8	5,136,101
Write-offs		-
Closing Balance		**40,691,723**

(thousands of UZS)

24. CASH AND CASH EQUIVALENTS

	December 31 2018	January 1 2018
Cash in UZS	34,060,712	78,779,340
Cash in foreign currency	121,250,982	85,039,683
Total	**155,311,694**	**163,819,023**

The Group mainly uses the services of JSCB Ipoteka Bank, JSCB Uzpromstroybank, JSCB Hamkorbank.

25. EQUITY

Authorised share capital

The Company's authorised share capital comprises of ordinary and preference shares. Each ordinary share paid in full gives one voting right at a general meeting of shareholders and a right to receive dividends.

	December 31 2018	January 1 2018
Ordinary shares (paid)	43,322,393	42,503,013
Preference shares	906,420	906,420
Total	**44,228,813**	**43,409,433**
Par value of shares (UZS)	5,000	5,000
Total authorized share capital	**221,144,067**	**217,047,165**

For preferred shares, the annual minimum value of dividends is 6% of par value, or UZS 300 per preference share.

Other reserves

The Group uses net profit to create reserves to cover losses, withdraw corporate bonds from circulation, pay dividends on preference shares and redeem ordinary shares, if no other funds are available.

Reserves are generated as a result of the annual allocation of 5% of net profit until a minimum reserve balance is set up, which should not be less than 15% of authorised share capital. In 2018, reserves were replenished by UZS 4,727,585 thousand.

Retained earnings

for the year ended December 31,	2018
Opening balance	**619,760,886**
Profit for the year	346,137,065
Transfer to other reserves	(4,727,585)
Closing balance	**961,170,366**

Dividends paid in 2018 amounted to UZS 214,779 thousand.

(thousands of UZS)

26. BANK LOANS

	Notes	December 31 2018	January 1 2018
Investment projects:		285,102,661	161,650,186
- ferrosilicon production	*15*	107,950,471	67,731,793
- wire rod production	*15*	50,445,104	8,186,249
- ferro-silico-manganese production	*15*	126,707,086	85,732,144
Upgrade of current production capacity:		57,789,954	91,407,981
Replenishment of working capital		463,147,191	187,496,445
		806,039,806	**440,554,612**
Long-term portion of loans		(303,881,813)	(313,099,436)
Short-term portion of loans		**502,157,993**	**127,455,176**

As at December 31, 2018, the outstanding balance of the foreign currency denominated loans were USD 67,225 thousand (January 1, 2018: USD 54,255 thousand).

The list of key lenders is as follows:

	December 31 2018	January 1 2018
Ipoteka Bank	335,215,006	285,630,857
Industrial and Construction Bank	274,190,168	92,109,282
National Bank	96,036,173	18,412,684
Agrobank	72,968,321	-
Hamkor Bank	27,630,138	43,308,836
Asaka Bank	-	1,092,953
Total	**806,039,806**	**440,554,612**

Interest rates on bank loans as at the end of 2018 were 3.5% - 18.5% (January 1, 2018: 3.5 - 8%). The weighted average effective interest rate was 13.37% per annum (January 1, 2018: 8.06% per annum). The bank loans obtained for the working capital are due within twelve months, while for the investment projects vary from 3 to 7 years.

As disclosed in Note 14, the Group pledged specific assets as bank loan collateral. The book value of pledged assets was UZS 211,887,265 thousand with the collateral amount of UZS 320,151,356 thousand (January 1, 2018: 289,483,401 thousand and 243,478,051 thousand).

The table below shows the movement in bank loans as a result of financing activities, including cash and non-cash changes.

for the year ended December 31,	2018
Opening balance	**440,554,612**
Principal: received	698,797,813
Principal: repaid	(341,596,885)
Interest: accrued	55,562,750
Interest: paid	(55,562,750)
Currency exchange loss	8,284,266
Closing balance	**806,039,806**

Interest accrued and paid amounts include capitalised interest on investment projects in the amount of UZS 14,879,638 thousand as disclosed in Note 14.

The maturity analysis for bank loans (including principal and interest) as at December 31, 2018 and January 1, 2018 is shown in the table below

	Less than 1 year	From 1 to 5 years	More than 5 years	Total
December 31, 2018	562,229,775	327,458,422	-	889,688,197
January 1, 2018	207,609,583	283,749,327	22,761,868	514,120,778

As at December 31, 2018, undrawn loan facilities were valued at UZS 105,593,852 thousand (January 1, 2018: UZS 196,799,375 thousand), of which UZS 5,604,178 thousand (January 1, 2018: UZS 79,530,128 thousand) pertained to investment projects, and UZS 99,989,674 thousand (January 1, 2018: UZS 117,269,247 thousand) to the working of capital. The undrawn loan facilities were not included in the above table.

(thousands of UZS)

27. OTHER FINANCIAL LIABILITIES

Other financial liabilities are represented by commercial loans raised by the Group and due for repayment in 12 months. The loans are interest free.

	December 31 2018	January 1 2018
Almalyk Mining and Metallurgical Combine	2,882,952	2,263,140
Uz-Kor Silicon	1,477,086	-
Navoi Mining and Metallurgical Combine	5,249	4,640
Other	-	614
Total	**4,365,287**	**2,268,394**

Movements in other loans during 2018 were as follows:

for the year ended December 31,	2018
Opening balance	**2,268,394**
Received in goods	3,951,789
Non-cash offsets	(1,854,896)
Ending balance	**4,365,287**

28. TRADE AND OTHER PAYABLES

	December 31 2018	January 1 2018
Trade payable in UZS	102,935,534	135,663,195
Trade payables in foreign currencies	592,625,359	402,641,202
Total	**695,560,893**	**538,304,397**

Average purchase credit terms range between 1 and 3 months. Interest is not accrued on trade payables. The Group financial risk management policy stipulates the repayment of payables within contractual credit terms.

29. ADVANCES RECEIVED

	December 31 2018	January 1 2018
Advanced received in USD for balls and rolled metal	75,658,309	22,021,087
Advances received in UZS for balls and rolled metal	10,056,462	12,781,567
Advances received for other products	8,212,628	3,743,559
Other advances received	19,094,142	508,274
Total	**113,021,541**	**39,054,487**

Advances received to related parties amounted to UZS 20,048,168 thousand (January 1, 2018: UZS 72,661,490 thousand).

30. VAT AND OPERATING TAXES PAYABLES

	December 31 2018	January 1 2018
Amounts due to various funds	25,770,962	9,398,711
VAT payable	21,508,018	-
Other taxes payable	28,995,183	10,131,673
Total amount due	**76,274,163**	**19,530,384**

(thousands of UZS)

31. OTHER LIABILITIES

	December 31 2018	January 1 2018
Cash deposits by authorities	45,000,000	-
Salary payable	13,940,756	2,299,426
Other payable to employees	892,567	612,414
Dividends payable	361,304	576,083
Others	7,029,117	20,408,710
Total	**67,223,744**	**23,896,633**

The cash deposit placed by authorities is a temporary placement as a compensation for economic damage impaired by certain legal entities prior to August of 2017. Upon completion of court, the amount could be recognised as income.

32. FINANCIAL INSTRUMENTS

Equity management

The Group manages equity to continue as a going concern for the foreseeable future and simultaneously maximise shareholder profit by optimising debt to equity ratios.

The debt to equity ratio at the end of the reporting period was as follows:

	Notes	December 31 2018	January 1 2018
Bank loans	26	806,039,806	440,554,612
Equity		1,219,412,604	869,178,637
Debt to equity ratio		**66.10%**	**50.69%**

Categories of financial instruments

Financial assets	Notes	December 31 2018	January 1 2018
Cash	24	155,311,694	163,819,023
Trade and other receivables	21	459,737,644	48,922,384
Financial assets at amortised cost	18	3,929,444	27,169,632
Financial assets at fair value through profit and loss	19	22,561,215	23,777,688
Other assets	23	5,116,051	4,654,332
Total		**646,656,048**	**268,343,059**
Non-current assets		22,675,275	23,901,233
Current assets		623,980,773	241,444,826
Total		**646,656,048**	**268,343,059**

Financial liabilities	Notes	December 31 2018	January 1 2018
Trade and other payables	28	695,560,893	538,304,397
Bank loans	26	806,039,806	440,554,612
Other liabilities	27	15,194,627	3,487,923
Total		**1,516,795,326**	**982,346,932**
Long-term financial liabilities		303,881,813	313,099,436
Short-term financial liabilities		1,212,913,513	669,247,496
Total		**1,516,795,326**	**982,346,932**

Financial risk management

The Group's financial block coordinates access to borrowings, controls and manages financial risks, analysing the probability and size of current Group risks. These risks include market risks (including currency, interest and pricing risks), credit risks and liquidity risks.

(thousands of UZS)

32. FINANCIAL INSTRUMENTS (CONTINUE)

Market risk

Risks related to Group activities are the risks of exchange rate and interest rate fluctuations. The Group does not use derivative financial instruments to manage the risk of fluctuations in interest rates and exchange rates.

Currency risk management

The Group is exposed to currency risk due to its transactions in foreign currencies. Foreign currency denominated monetary assets and liabilities are as follows (amounts are shown in the original currency):

	December 31 2018	January 1 2018
Assets denominated in USD	31,777,074	21,477,305
- *Cash*	14,031,913	8,190,607
- *Trade and other receivables*	17,745,161	13,286,698
Liabilities denominated in USD	(124,179,557)	(96,089,534)
- *Trade and other payables*	(56,953,829)	(41,834,509)
- *Bank loans*	(67,225,728)	(54,255,025)
Net position in USD	**(92,402,483)**	**(74,612,229)**
Assets denominated in Euros	457,555	2,635,661
- *Cash*	425,341	1,411,547
- *Trade accounts receivables*	32,214	1,224,114
Liabilities denominated in Euros	(6,538,950)	(6,534,603)
- *Trade and other payables*	(6,538,950)	(6,534,603)
Net position in Euros	**(6,081,395)**	**(3,898,942)**
Assets denominated in Rubles (Russia)	41,496	35,503,466
- *Cash*	41,496	35,503,466
Liabilities denominated in Rubles (Russia)	(234,372)	(347,013)
- *Trade and other payables*	(234,372)	(347,013)
Net position in Rubles (Russia)	**(192,876)**	**35,156,453**

The table below provides details of the possible effect of a 20% increase or drop in the exchange rate against specific currencies. This level of sensitivity is used to analyse and prepare internal currency risk reporting for key managers and represents management's estimate of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at period end for a 20% change in foreign currency rates.

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the Uzbek Soum strengthens 20% against the relevant currency. For a 20% weakening of the Uzbek Soum against the relevant currency, there would be a comparable impact on profit and equity

Strengthening of UZS	**USD**		**EUR**		**Ruble (Russia)**	
for the year ended December 31,	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Profit and loss	154,119,025	121,171,006	11,529,777	7,505,229	212	(979,459)

Weakening of UZS	**USD**		**EUR**		**Ruble (Russia)**	
for the year ended December 31,	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Profit and loss	(154,119,025)	(121,171,006)	(11,529,777)	(7,505,229)	(212)	979,459

The Uzbek Soum exchange rate against the main foreign currencies was:

	December 31 2018	January 1 2018
Uzbek Soum to USD	8,339.55	8,120.07
Uzbek Soum to Euro	9,479.57	9,624.72
Uzbek Soum to Russian Ruble	120.91	139.30

(thousands of UZS)

32. FINANCIAL INSTRUMENTS (CONTINUE)

Interest rate risk management

The Group is exposed to interest rate risk since it borrows funds at fixed and floating interest rates.

The sensitivity analysis below has been determined based on exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50-point basis increase or decrease is used when reporting interest rate risks internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

If interest rates grow (fall) by 50 basis points and all other variables are retained, then the Group's financial result for 2018 would fall (grow) by UZS 2,077,657 thousand.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only uses publicly available financial information and its own trading records to rate its major customers. Its exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables comprise of many customers, spread across diverse industries and geographical areas. Ongoing assessment is carried out on the financial position of debtors. Group's management is of the opinion that the credit risk in relation to trade receivables is low as its customer base is predominantly made up of third parties.

The credit risk on cash with bank is low since these banks had high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include interest and principal cash flows. Contractual maturity is based on the earliest date on which the Group may be required to pay. Interest payments were calculated at the weighted average interest rate.

As at December 31, 2018	Up to 30 days	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Trade payable	511,334,486	-	184,226,407	-	-	695,560,893	695,560,893
Bank loans	49,926,131	98,425,675	413,877,969	327,458,422	-	889,688,197	806,039,806
Other	4,365,287	-	-	-	-	4,365,287	4,365,287
	565,625,904	**98,425,675**	**598,104,376**	**327,458,422**	**-**	**1,589,614,377**	**1,505,965,986**

As at January 1, 2018	Up to 30 days	1-3 months	3-12 months	1-5 years	Over5 years	Total	Carrying amount
Trade payable	292,164,381	246,140,016	-	-	-	538,304,397	538,304,397
Bank loans	24,252,684	45,656,965	137,699,934	290,449,526	22,761,867	520,820,976	440,554,612
Other	2,268,394	-	-	-	-	2,268,394	2,268,394
	318,685,459	**291,796,981**	**137,699,934**	**290,449,526**	**22,761,867**	**1,061,393,767**	**981,127,403**

As at the reporting date, credit lines of UZS 105,593,852 thousand (January 1, 2018: UZS 196,799,375 thousand) had not been used. The Group intends to repay its liabilities using cash from core activities and receipts from financial assets for which the repayment date has arrived.

Fair value of financial instruments

According to management, the carrying amount of the Group's financial assets and liabilities recorded in financial statements is more or less equal to their fair value.

(thousands of UZS)

33. RELATED PARTY TRANSACTIONS

Transactions related to core activities with related parties are presented below:

for the year ended December 31,	Product / service sales 2018	Product / service purchases 2018
Associates	4,540,637	87,802,526
Jointly controlled companies	2,152,602,949	358,272,376
Key management personnel	-	1,127,834
Supervisory Board members	-	377,468

	Related party receivables		Related party payables	
	December 31 2018	January 1 2018	December 31 2018	January 1 2018
Associates	6,487,586	29,307,817	13,503,675	1,352,046
Jointly controlled companies	439,458,955	119,270,677	803,128,022	473,095,697

Group products were sold to related parties at market prices. Purchases were also made at market prices.

Balances in settlements with related parties are not secured and will be paid off in cash, except for bank loans that have not been secured by Group assets. No guarantees were issued or received. During the reporting year and previous years, the Group did not accrue doubtful or bad debt provisions for related party debt.

Remuneration payments to board of directors' members (December 31, 2018: 9; January 1, 2018: 9) and other key managers (December 31, 2018: 15; January 1, 2018: 15) are set by the remuneration committee based on performance and labour market trends.

As at December 31, 2018, the Group held Cash and cash equivalents of UZS 141,447,856 thousand in the related parties' accounts (mainly government banks). (January 1, 2018: UZS 174,763,316 thousand).

For the year ended December 31, 2018, the Group incurred interest expense in the amount of UZS 52,185,224 thousand and interest income in the amount of UZS 90,096 thousand from related parties.

SFI Management Group provided the Group with management services for UZS 4,800,000 thousand. The outstanding balance of payable comprised UZS 400,000 thousand as of the end of 2018 (January 1, 2018: UZS 400,000 thousand).

34. NON-CASH TRANSACTIONS

The Group's non-cash financial and investment transactions not recorded in the statement of cash flows provided below:
- receiving and repaying other financing (Note 27)
- repaying accounts receivable and payable with Almalyk Mining and Metallurgical Combine and Navoi Mining and Metallurgical Combine of UZS 3,951,789 thousand during 2018.

35. COMMITMENTS

As at December 31, 2018, commitments to purchase property, plant and equipment amounted to UZS 12,737,854 thousand (January 1, 2018: UZS 125,918,164 thousand).

Subsidiaries, associates and joint ventures have no significant commitments.

36. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Litigation

From time to time, during the course of the Group activities, clients and counterparties make claims against the Group. Management believes that as a result of court cases, the Group will not incur any significant losses and, consequently, no provisions have been created in these preliminary consolidated financial statements.

Taxation

Legislation affecting business in Uzbekistan continues to change rapidly. Management's interpretation of it as applied to Group activity may be challenged by the state authorities. Management believes it has provided adequately for tax liabilities based on its interpretation of tax law. However, the tax authorities may have different interpretations, and the effects on the financial statements could be significant.

Operating environment

Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Uzbekistan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Uzbekistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the political environment.

37. EVENTS AFTER THE REPORTING PERIOD

Dividends declared.

The Group declared dividends of UZS 129,347,171 thousand (including the 2019 interim dividends of UZS 47,262,650 thousand) payable until the end of 2019.

Large contract signing.

The Group has commenced an investment project to build a production facility for output of 1,041 thousand tonnes of hot-rolled strips per year. The expected overall project cost is over USD 600 million. The anticipated production commencement date is by the end of 2022. The project is going to be financed by foreign and local banks in an aggregate amount of USD 490 million and own funds of USD 123 million.

38. SIGNIFICANT ACCOUNTING POLICIES

38.1. Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

38. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

38.1. Financial instruments (continue)

Financial assets (continue)

Classification of financial assets (continue)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "Finance income and expenses" line item.

Debt instruments classified as at FVTOCI

Listed redeemable notes are classified as at FVTOCI. The listed redeemable notes are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these listed redeemable notes as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these listed redeemable notes had been measured at amortised cost. All other changes in the carrying amount of these listed redeemable notes are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these listed redeemable notes are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Finance income and expenses" line item in profit or loss.

38. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

38.1. Financial instruments (continue)

Financial assets (continue)

Classification of financial assets (continue)

Financial assets at FVTPL

- Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically: Investments in equity instruments are classified as at FVTPL, unless the group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Financial income and expenses" line item

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

38. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

38.1. Financial instruments (continue)

Financial assets (continue)

Impairment of financial assets (continue)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.]

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

Despite a foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

38. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

38.1. Financial instruments (continue)

Financial assets (continue)

Impairment of financial assets (continue)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 1-17 Leases.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

38. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

38.1. Financial instruments (continue)

Financial assets (continue)

Impairment of financial assets (continue)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

38. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

38.1. Financial instruments (continue)

Financial liabilities and equity instruments (continue)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Currency exchange difference, net" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

38.2. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

38. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

38.3. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment, if any.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequently capitalised costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to profit or loss as incurred.

Construction-in-progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss as earned or incurred.

Buildings and structures, machinery and equipment, vehicles and other fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets as follows.

Property, plant and equipment groups	Depreciation rates
Buildings and structures	2.9%
Machinery and equipment	5.6%
Vehicles	5.0%
Others	41.0%

38.4. Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

38.5. Impairment of tangible and intangible assets excluding goodwill

As at each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

38. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

38.5. Impairment of tangible and intangible assets excluding goodwill (continue)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

38.6. Associates and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IFRS 1-36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IFRS 1-36 to the extent that the recoverable amount of the investment subsequently increases.

38. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

38.6. Associates in joint venture (continue)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

38.7. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, it carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

38.8. Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods / Provision of services

The Group recognizes revenue when it transfers the control of the promised goods or services to the customer. The transaction price is the amount of consideration to which the Group is expected to be entitled to in exchange for transferring promised goods or services. Variable consideration is included in the transaction price when it is highly probable that there will be no significant reversal of revenue in the future. Variable consideration is usually derived from sales incentives, in the form of discounts or volume rebates, and penalties. The Group identifies the various performance obligations of the contract and allocates the transaction price based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation.

38. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

38.9. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

38.10. Income tax

Income tax expenses represent the sum of tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in a preliminary statement of profit or loss and other comprehensive income/ statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the preliminary financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

38. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

38.10. Income tax (continue)

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

38.11. Foreign currency transactions and translation

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the group and the statement of financial position and equity of the company are presented in Uzbek Soum, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. As at each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains, and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Uzbek Soum using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

38.12. Cash and cash equivalents, in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

39. NEW AND REVISED STANDARDS ISSUED BUT NOT EFFECTIVE

Effective date is deferred indefinitely:

- Amendments to IFRS 10 Consolidated Financial Statements and IFRS 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

Amendments to IFRS 10 Consolidated Financial Statements and IFRS 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The pronouncement addresses the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. In a transaction involving an associate or a joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

When an entity sells or contributes assets that constitute a business to a joint venture or associate or loses control of a subsidiary that contains a business, but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised in full.

When an entity sells or contributes assets that do not constitute a business to a joint venture or associate, or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.

Management does not plan to early adopt the amendments to IFRS 10 and IFRS 1-28 for financial year ending December 31, 2019.

The financial statements were approved on November 1, 2019.