Joint Stock Company
Uzbek Metallurgical Plant

Preliminary financial statements
for 2017

TABLE OF CONTENTS

MANAGEMENT STATEMENT

The management of JSC Uzbek Metallurgical Plant ("Plant" or "Uzmetkombinat") is pleased to present the annual financial statements of Uzmetkombinat for the year ended 31 December 2017.

General information

The Plant 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 Plant is a joint stock company with a state share of 74.59% (2016: 74.11%). The remaining shares are owned by various legal entities and individuals: 15.15% and 10.26%, respectively (2016: 15.43% and 10.46%).

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

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

Overview

Plant production capacity is c. 1,150 thousand tonnes of rolled metal per year. During 2017, it produced 740,430 tonnes of rolled metal products (2016: 720,993 tonnes). In 2017, Plant revenue amounted to UZS 1,775,018,859 thousand (2016: UZS 1,122,892,194 thousand), herein revenue under the management of Managing Company amounted to UZS 1,016,028,428 thousand or 57% of Plant revenue for 2017. In 2017, net loss amounted to UZS 17,146,672 thousand (2016: net profit of UZS 50,070,218 thousand) mainly due to foreign exchange losses of UZS 326,365,244 thousand (2016: UZS 25,937,242 thousand), caused by the devaluation of the Uzbek Soum against major world currencies following liberalisation of currency regulation in September 2017.

During 2017, Uzmetkombinat continued the realisation of its investment programme, in particular building a ferrosilicon, manganese ferrosilicon, wire rod and rebar production facility. Total investments in 2017 amounted to UZS 235,027,920 thousand (2016: UZS 12,107,865 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 2017 amounting to UZS 74,950,671 thousand (2016: UZS 72,952,628 thousand).

Events after the reporting date

As part of the development programme for 2018-2020, Uzmetkombinat initiated a new major investment project "Construction of a casting and hot strip rolling complex" with production capacity of 1,040 thousand tonnes of hot-rolled sheet per year, with an estimated cost of up to EUR 532.4 million. Once launched, total Plant product will reach 2,010 thousand tonnes of steel.

In August 2018, Uzmetkombinat launched a USD 36.1 million project to produce ferrosilicon with capacity of 15,000 tonnes per year.

Market Risks

Given the significant increase in production, liberalisation of the foreign currency exchange market and opening of the domestic market to overseas steel producers, management expects increased competition resulting in sales difficulties. To address this, management plans to continue working on reducing production costs, arrange a wider domestic distribution network and establish a flexible pricing policy. Exports remain a focus for management with new distribution channels being established across neighbouring CIS countries and Afghanistan.

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 financial statements that present fairly the financial position of JSC Uzbek Metallurgical Plant as at 31 December 2017, the results of its operations, cash flows and changes in equity for 2017 in accordance with International Financial Reporting Standards ("IFRS").

In preparing the preliminary 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 Plant's preliminary financial position and it's financial performance; and
- making an assessment of the Plant'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 Plant;
- maintaining adequate accounting records that are sufficient to show and explain the Plant's transactions and disclose with reasonable accuracy at any time the Plant's preliminary financial position, and which enable them to ensure that the Plant's preliminary 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 Plant's assets; and
- preventing and detecting fraud and other irregularities.

The Plant's preliminary financial statements for 2017 were authorised for issue by management on 08 February 2019.

On behalf of Management:

Azamatov T.T.	**Ismurzina G.K.**	**Ibragimov G.A.**
Chairman of the Executive Board	**Acting Deputy Chairman of the Board**	**Chief Accountant**
08 February 2019 Bekabad	08 February 2019 Bekabad	08 February 2019 Bekabad

Deloitte.

"Deloitte & Touche"
Audit organization LLC
Business Center "Inkonel"
75, Mustakillik Avenue
Tashkent, 100000,
Republic of Uzbekistan

Tel: +998 (71) 120 44 45
Fax: +998 (71) 120 44 47
deloitte.uz

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC "Uzbek Metallurgical Plant"

Qualified Opinion

We have audited the preliminary financial statements of JSC "Uzbek Metallurgical Plant" (the "Company"), which presents the preliminary statement of financial position as at 31 December 2017, and the preliminary statement of profit and loss and other comprehensive income, preliminary statement of changes in equity and preliminary statement of cash flows for the year then ended, and notes to the preliminary financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying preliminary financial statements present fairly, in all material respects, the preliminary financial position of the Company as at December 31, 2017, and its preliminary financial performance and its preliminary cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

Non-consolidation in the financial statements

As discussed in note 19, the Company accounts for investments in subsidiaries at cost, less impairment, as equity investments. Although the Company controls these subsidiaries, Management has opted not to consolidate these subsidiaries as is required by IFRS 10 "Consolidated Financial Statements", which constitutes a departure from IFRS. We were unable to obtain sufficient appropriate audit evidence to support the accounting records of the subsidiaries and the impact of the non-consolidation of these investments. Consequently, we were unable to determine if any adjustments were necessary.

Opening balance as at 31 December 2016

We were appointed as auditors of the Company on 14 September 2018 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 31 December 2016. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Preliminary Financial Statements* section of our report. We are independent of the Company 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 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

Deloitte.

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

Other Information

The presented preliminary financial statements of the Company is considered the Company's first IFRS financial statements as it the first annual financial statements in which the Company adopts IFRS, by an explicit and unreserved statement of compliance with IFRS. In this connection, based on requirements of IFRS 1 First-time Adoption of IFRS, date of transition to IFRS Standards is 1 January 2016.

Other Matter

The financial statements of the Company for the year ended 31 December 2016 are unaudited.

Emphasis of Matter – Tax Inspection

As discussed in Note 36 to the financial statements, during 2017 and 2018, the Company underwent a tax
inspection, the results of which are subject to certain court rulings based on Government decrees. Given there is significant uncertainty over the amount and timing of any payments to be made as a result of this inspection, Management have not accrued a provision for any settlement that may be required. Our opinion is not qualified in respect of this matter.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw your attention to the fact that the preliminary financial statements have been prepared in connection with the Company's conversion of the basis of preparation of its consolidated financial statements to IFRS. Note 3 explains why there is a possibility that these preliminary 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 Company's financial position, results of operations and cash flows in accordance with IFRS. As a result, the preliminary financial statements may not be suitable for another purpose.

This report is intended solely for use by the Company 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 Company 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 Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the preliminary financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the preliminary financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the preliminary financial statements, including the disclosures, and whether the preliminary financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

Director
"Deloitte & Touche" Audit Organisation LLC

The license authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00500 dated 8 February 2008

08 February 2019
Tashkent, Uzbekistan

JSC UZBEK METALLURGICAL PLANT

PRELIMINARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

(thousands of UZS)

for the year ended 31 December	Note	2017	2016 (unaudited)
CONTINUING OPERATIONS			
Revenue	5	1,775,018,859	1,122,892,194
Cost of Sales	6	(1,161,432,377)	(731,616,186)
Gross Profit		**613,586,482**	**391,276,008**
Selling expenses	7	(32,634,269)	(30,575,618)
Administrative expenses	8	(190,109,207)	(153,515,405)
Impairment losses	9	(16,720,597)	(29,307,619)
Abnormal production costs		(19,855,478)	(8,731,796)
Other income	10	54,972,727	20,548,398
Other expenses	10	(41,394,748)	(25,681,836)
Operating profit		**367,844,910**	**164,012,132**
Finance income	11	14,096,757	1,727,189
Finance cost	11	(11,867,268)	(6,854,992)
Exchange differences, net	12	(326,365,244)	(25,937,242)
Corporate social responsibility activities costs	13	(74,950,671)	(72,952,628)
(Loss)/Profit before income tax		**(31,241,516)**	**59,994,459**
Income tax benefit / (expense)	14	14,094,844	(9,924,241)
(Loss) /Profit from continuing operations for the year		**(17,146,672)**	**50,070,218**
(Loss)/Profit for the year		**(17,146,672)**	**50,070,218**
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		**(17,146,672)**	**50,070,218**

On behalf of Management:

Azamatov T.T.	**Ismurzina G.K.**	**Ibragimov G.A.**
Chairman of the Executive Board	**Acting Deputy Chairman of the Board**	**Chief Accountant**
08 February 2019	08 February 2019	08 February 2019
Bekabad	Bekabad	Bekabad

JSC UZBEK METALLURGICAL PLANT

PRELIMINARY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(thousands of UZS)

	Note	31 December 2017	31 December 2016 (unaudited)	1 January 2016 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	15	904,169,804	913,776,111	919,067,709
Investment projects	16	235,027,920	12,107,865	2,241,877
Intangible assets	17	1,065,110	1,159,836	700,156
Equity investments	19	79,421,209	49,103,372	36,115,052
Other financial assets	18	123,545	133,279	-
Other non-current assets		1,058,576	26,572,055	-
Total non-current assets		**1,220,866,164**	**1,002,852,518**	**958,124,794**
Current assets				
Inventories	20	315,693,517	155,865,612	171,826,995
Trade receivables	21	51,074,562	53,325,110	85,821,926
Advances paid	22	152,844,007	32,334,651	8,315,805
Corporate tax prepayment	14	7,183,884	-	2,154,817
Other financial assets	18	27,613,087	21,631,484	2,477,279
Other assets	24	28,688,705	17,307,415	1,952,636
Cash	25	146,501,760	52,966,822	21,303,760
Total current assets		**729,599,522**	**333,431,094**	**293,853,218**
Total assets		**1,950,465,686**	**1,336,283,612**	**1,251,978,012**
EQUITY AND LIABILITIES				
Equity				
Authorised capital	26	217,047,165	217,047,165	217,047,165
Reserves	26	32,370,586	27,643,001	27,643,001
Retained earnings	26	652,802,365	687,146,914	641,907,918
Total equity		**902,220,116**	**931,837,080**	**886,598,084**
Non-current liabilities				
Bank loans	27	306,399,236	48,048,467	38,712,847
Deferred tax liabilities	14	46,844,783	71,910,526	74,192,266
Total non-current liabilities		**353,244,019**	**119,958,993**	**112,905,113**
Current liabilities				
Bank loans	27	127,455,176	54,132,410	55,532,633
Other financial liabilities	28	2,306,257	3,046,449	1,908,223
Trade payables	29	497,168,803	171,319,313	143,991,801
Advances received	30	39,158,097	19,404,944	11,902,654
Corporate tax due	14	-	2,378,957	-
VAT and other taxes due	23	6,083,341	24,906,934	18,458,266
Other liabilities	31	22,829,877	9,298,532	20,681,238
Total current liabilities		**695,001,551**	**284,487,539**	**252,474,815**
Total liabilities		**1,048,245,570**	**404,446,532**	**365,379,928**
Total equity and liabilities		**1,950,465,686**	**1,336,283,612**	**1,251,978,012**

On behalf of Management:

Azamatov T.T.	**Ismurzina G.K.**	**Ibragimov G.A.**
Chairman of the Executive Board	**Acting Deputy Chairman of the Board**	**Chief Accountant**
08 February 2019 Bekabad	08 February 2019 Bekabad	08 February 2019 Bekabad

JSC UZBEK METALLURGICAL PLANT

PRELIMINARY STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2017
(thousands of UZS)

Value	Note	Authorised shares	Reserves	Retained earnings	Total
1 January 2016 (unaudited)		**217,047,165**	**27,643,001**	**641,907,918**	**886,598,084**
Total comprehensive income		-	-	50,070,218	50,070,218
Dividends paid	26	-	-	(4,831,222)	(4,831,222)
31 December 2016 (unaudited)		**217,047,165**	**27,643,001**	**687,146,914**	**931,837,080**
Total comprehensive loss		-	-	(17,146,672)	(17,146,672)
Dividends paid	26	-	-	(12,470,292)	(12,470,292)
Transfers	26	-	4,727,585	(4,727,585)	-
31 December 2017		**217,047,165**	**32,370,586**	**652,802,365**	**902,220,116**

On behalf of Management:

Azamatov T.T.

Chairman of the Executive Board

08 February 2019
Bekabad

Ismurzina G.K.

Acting Deputy Chairman of the Board

08 February 2019
Bekabad

Ibragimov G.A.

Chief Accountant

08 February 2019
Bekabad

JSC UZBEK METALLURGICAL PLANT

PRELIMINARY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
(thousands of UZS)

for the year ended 31 December	Note	2017	2016 (unaudited)
Cash flows from operating activities			
(Loss)/Profit before income tax:		**(31,241,516)**	**59,994,459**
Adjustments:			
Depreciation		41,758,083	39,270,342
Finance cost	11	11,867,268	6,854,992
Finance income	11	(14,096,757)	(1,727,189)
Impairment loss recognised on monetary items	9	2,205,021	8,695,333
Impairment loss recognised on non-monetary items		14,515,576	20,612,286
Gain on the disposal of property, plant and equipment		(511,260)	(13,417)
Net foreign exchange loss	12	287,885,680	23,633,053
		312,382,095	157,319,859
Change in working capital:			
Inventories		(242,785,793)	(14,575,682)
Trade accounts receivable		(7,347,265)	12,462,909
Other assets		(3,244,976)	(28,864,083)
VAT and other tax prepayments		(18,823,593)	-
VAT and other taxes due		-	6,448,668
Advances received		29,175,642	6,083,906
Trade accounts payable		126,587,725	11,601,548
Other liabilities		13,442,882	(11,454,502)
		209,386,717	***139,022,623***
Corporate tax paid		(20,533,740)	(7,672,207)
Interest income		8,793,841	282,865
Interest paid	27	(14,408,522)	(6,854,992)
Cash from operating activities		**183,238,296**	**124,778,289**
Cash flows from investment activities			
Purchase of property, plant and equipment		(39,264,867)	(60,380,957)
Proceeds from the sale of property, plant and equipment		7,882,077	26,427,485
Purchase of intangible assets		(163,000)	(471,535)
Financing of investment projects		(231,902,341)	(11,159,990)
Financial aid given		(5,971,869)	(19,287,484)
Investment in enterprise equity		(2,357,652)	(18,673,977)
Dividends received		4,357,386	789,081
Cash used in investing activities		**(267,420,266)**	**(82,757,377)**

PRELIMINARY STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(thousands of UZS)

Cash flows from financing activities			
Proceeds from bank loans	27	277,381,789	62,960,528
Repayment of bank loans	27	(103,358,845)	(67,623,864)
Proceeds from other borrowings	28	8,718	21,637
Repayment of other borrowings	28	(3,515,049)	(2,372,303)
Dividends paid	26	(12,288,079)	(4,821,668)
Cash from/ (used in) financing activities		**158,228,534**	**(11,835,670)**
Net increase in cash		**74,046,564**	**30,185,242**
Cash balance at the beginning of the year	25	52,966,822	21,303,760
Effect of exchange rate changes on the balance of cash held in foreign currencies		19,488,374	1,477,820
Cash balance at the end of the year	**25**	**146,501,760**	**52,966,822**

On behalf of Management:

Azamatov T.T.	**Ismurzina G.K.**	**Ibragimov G.A.**
Chairman of the Executive Board	**Acting Deputy Chairman of the Board**	**Chief Accountant**
08 February 2019 Bekabad	08 February 2019 Bekabad	08 February 2019 Bekabad

(thousands of UZS)

1. GENERAL INFORMATION

Joint Stock Company Uzbek Metallurgical Plant (the "Plant", the "Company" or "Uzmetkombinat") is a joint stock company registered in Uzbekistan in 1944.

It is the country's leading ferrous metal enterprise, producing 740,430 tonnes of ferrous metal in 2017 (2016: 720,993 tonnes).

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 and the Plant'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 Plant 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). As at 31 December 2017, the Plant employed 9,331 people (2016: 9,207 people; 2015: 9,348 people).

Plant shares are allocated as follows:

Ownership as at 31 December, (%)	Notes	2017	2016	2015
State committee of the Republic of Uzbekistan for Assistance to Privatized Enterprises and Development of Competition		74.59	74.11	74.11
Corporate shareholders		15.15	15.43	15.43
Individuals		10.26	10.46	10.46
Total		**100.00**	**100.00**	**100.00**

Key corporate shareholders are the Uzbekistan National Bank for Foreign Economic Activities, OJSC AvtosanoatInvest, Almalyk Mining and Metallurgical Combine and Navoi Mining and Metallurgical Combine, together holding a 13.93% interest (2016 and 2015 -14.20%).

On 20 July 2017, in accordance with a Cabinet of Ministers Resolution, the Managing Company was engaged as the trustee manager for the government share in Uzmetkombinat. Since SFI Management Group became involved, the following changes have been introduced to improve Plant efficiency and profitability, through international exports:

- Plant structure alignment with international corporate governance requirements;
- Significant reduction in tolling operations and their further exclusion, which would improve efficiency;
- New procurement rules introduced to ensure the purchase of raw materials and consumables directly from manufacturers;
- Domestic rolled metal sales began to be carried out mainly through commodity exchanges, securing pricing transparency;
- A number of measures were performed for the qualitative revision of financial and economic activities, economic feasibility studies of investment projects and activities in non-core businesses were reviewed.

The financial statements were approved on 08 February 2019.

2. STATEMENT OF COMPLIANCE

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

3. BASIS OF PREPARATION

The financial statements were prepared based on the assumption that the Plant is a going concern and will continue to operate for the foreseeable future.

The financial statements are presented in thousands of UZS, unless otherwise indicated.

The financial statements have been prepared on the historical cost basis, except for certain items of property, plant and equipment and 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 Plant 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 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.

The Plant maintains its accounting records in accordance with Uzbek Accounting Standards. These financial statements were prepared based on Plant accounting data adjusted to bring it into line with IFRS.

(thousands of UZS)

The following table lists the main adjustments:

	31 December 2017		31 December 2016 (unaudited)		1 January 2016 (unaudited)
	Equity	Financial result	Equity	Financial result	Equity
According to Uzbek Accounting Standards	**853,131,271**	**70,505,356**	**735,071,013**	**62,343,331**	**644,630,821**
Revaluation of property, plant and equipment	411,896,731	21,461,379	430,254,991	23,814,035	439,369,946
Exchange differences	(157,597,515)	(143,239,406)	(14,358,109)	(4,523,589)	(9,834,520)
Inventory impairment	(49,151,659)	(251,557)	(48,900,102)	(628,603)	(48,271,499)
Impairment of other assets	(44,191,332)	(58,194)	(44,133,138)	(14,693,127)	(29,440,011)
Impairment of accounts receivable	(35,516,986)	(3,594,963)	(31,922,023)	(9,414,557)	(22,507,466)
Impairment of capital investments	(17,222,870)	(299,253)	(16,923,617)	(7,814,103)	(9,109,514)
Impairment of investment projects	(16,864,949)	(11,523,540)	(5,341,409)	(1,294,002)	(4,047,407)
Recognition of contingent liabilities	(2,620,414)	(2,620,414)	-	-	-
Deferred profit tax	(46,844,783)	25,065,743	(71,910,526)	2,281,740	(74,192,266)
Adjustment of financial assets	11,299,524	11,299,524	-	-	-
Interest capitalisation	(4,096,902)	-	-	-	-
Income/(expenses) recognised in equity accounts	-	16,108,653	-	(907)	-
IFRS data	**902,220,116**	**(17,146,672)**	**931,837,080**	**50,070,218**	**886,598,084**

Functional currency. The Plant's financial statements are measured in the currency of the main economic environment in which it operates ("functional currency"). Its functional currency is the Uzbek Soum. The presentation currency of these financial statements is the Uzbek Soum. All values are rounded to thousands of Soum, unless otherwise stated.

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 Plant's accounting policies.

The main provisions of the accounting policy are included in Appendix 39.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Plant'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.

4.1. Critical judgements in applying accounting policies

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

Revenue recognition

In making judgements, management considers the detailed criteria for recognising revenue from the sale of goods set out in IAS 18 and, in particular, whether the Plant had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Plant's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or require replacement of the goods, management is satisfied that the significant risks and rewards have been transferred and that revenue recognition in the current year is appropriate, in conjunction with the recognition of an appropriate provision for rectification costs.

Financial assets held to maturity

Management has reviewed the Plant's financial assets held to maturity in the light of its capital maintenance and liquidity requirements and confirmed the Plant's intention and ability to hold the assets to maturity. The carrying amount of financial assets held to maturity is UZS 27,613,087 thousand (2016: UZS 21,631,484 thousand; 2015: UZS 2,477,279 thousand). Details of these assets are set out in Note 18.

4.2. 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.

Useful lives of property, plant and equipment

As described in Note 39.5, the Plant 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 Plant's assets and liabilities are measured at fair value. The board has set up a valuation committee headed by the Plant Chief Financial Officer to identify appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or liability, the Plant 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 valuation committee works closely with qualified external valuers to arrive at the appropriate valuation techniques and model inputs. The Chief Financial Officer reports the valuation committee's findings to the board of directors annually to explain changes in the fair value of assets and liabilities.

Recoverability of deferred tax assets

Plant management believes it does not require a provision against deferred tax assets as at the reporting date as it also believes it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. As at 31 December 2017, 2016 and 2015, the carrying amount of deferred tax assets was UZS 44,927,129 thousand, UZS 25,044,653 thousand and UZS 19,097,615 thousand, respectively.

(thousands of UZS)

5. REVENUE

Plant revenue from continuing operations with basic products and services is as follows.

for the year ended 31 December	2017	2016 (unaudited)
Rolled metal	1,203,570,525	647,662,657
Metal balls for mills	354,298,199	258,819,330
Non-ferrous metals	34,905,110	7,374,040
Consumer goods	58,524,708	50,336,873
Thermal insulators	28,683,535	15,765,466
Tolling services	94,954,798	142,859,946
Others	81,984	73,882
Total	**1,775,018,859**	**1,122,892,194**

The Plant predominantly sells its products in Uzbekistan, and in Central Asia and Afghanistan. Exports accounted for 31.08% of sales in 2017 (2016: 19.50%).

for the year ended 31 December	2017	2016 (unaudited)
Domestic sales	1,223,325,279	903,906,938
Exports	551,693,580	218,985,256
Total	**1,775,018,859**	**1,122,892,194**

In 2017, the Plant generated revenue of UZS 963,482 thousand (2016: UZS 531,291 thousand) or 53.97% of total Plant revenue (2016: 47.31%).

6. COST OF SALES

The cost of sales by product type is as follows:

for the year ended 31 December	2017	2016 (unaudited)
Rolled metal	340,240,815	204,695,669
Metal balls for mills	723,047,461	402,230,958
Non-ferrous metals	21,936,666	6,781,997
Consumer goods	39,246,637	38,382,902
Thermal insulators	19,227,351	8,703,544
Tolling services and others	17,733,447	70,821,116
Total	**1,161,432,377**	**731,616,186**

(thousands of UZS)

The cost of sales by expense type:

for the year ended 31 December	2017	2016 (unaudited)
Work in progress	13,338,909	27,068,531
Finished products	18,162,071	15,503,783
Opening balance	**31,500,980**	**42,572,314**
Raw materials	840,010,461	410,241,451
Salary costs	171,911,644	147,007,661
Electricity and natural gas costs	113,942,841	95,998,508
Third party services	65,647,524	45,756,973
Depreciation costs	27,402,593	27,250,695
Cost of sales	(1,161,432,377)	(731,616,186)
Use of finished goods	(10,951,680)	(5,710,436)
Closing balance	**78,031,986**	**31,500,980**
Work in progress	25,445,081	13,338,909
Finished goods	52,586,905	18,162,071

7. SELLING EXPENSES

Sales expenses were:

for the year ended 31 December	2017	2016 (unaudited)
Transportation expenses	29,972,232	28,333,765
Customs expenses	1,210,795	1,231,301
Consulting services and commission	968,617	880,950
Marketing expenses	458,263	98,417
Others	24,362	31,185
Total	**32,634,269**	**30,575,618**

8. ADMINISTRATIVE EXPENSES

Administrative expenses were

for the year ended 31 December	2017	2016 (unaudited)
Salaries and related taxes	99,943,831	81,698,620
Third party services	55,244,306	35,705,120
Operating taxes	14,925,063	14,398,939
Others	19,996,007	21,712,726
Total	**190,109,207**	**153,515,405**

(thousands of UZS)

9. IMPAIRMENT LOSSES

for the year ended 31 December	Note	2017	2016 (unaudited)
Impairment of investment projects	16	11,523,540	1,294,002
Impairment of equity instruments	19	(155,349)	7,814,103
Impairment of trade and other receivables	21	2,178,489	(1,494,178)
Impairment of other assets	24	26,532	10,189,511
Impairment of inventories	20	226,447	595,446
Impairment of advances issued	22	2,920,938	10,908,735
Total		**16,720,597**	**29,307,619**

10. OTHER INCOME AND EXPENSES

Other income included

for the year ended 31 December	2017	2016 (unaudited)
Compensation for damage caused	19,644,567	127,328
Sale of other assets	13,035,661	942,270
Sales of other products	7,474,255	7,523,684
Services provided	6,085,273	6,827,080
Sale of property, plant and equipment	4,735,312	1,575,616
Inventories discovered during a stock take	2,231,351	1,351,892
Others	1,766,308	2,200,528
Total other income	**54,972,727**	**20,548,398**

Compensation for damage in 2017 of UZS 19,644,567 thousand includes UZS 17,604,142 thousand, which represents the receipt of tolling raw materials as property received free of charge according to an order of the General Prosecutor's Office.

Other expenses included

for the year ended 31 December	2017	2016 (unaudited)
Sales of other assets	11,945,828	707,581
Expenses associated with sales of other products	10,437,279	11,818,565
Provision of various services by third parties	5,275,165	5,952,782
Sale of property, plant and equipment	4,224,052	1,562,199
Others	9,512,424	5,640,709
Total other expenses	**41,394,748**	**25,681,836**

11. FINANCE INCOME AND EXPENSES

Financial income comprises of:

for the year ended 31 December	2017	2016 (unaudited)
Financial aid provided	7,907,574	-
Dividends received	4,357,386	789,081
Revaluation of securities	945,530	655,243
Bank deposits	886,267	282,865
Total	**14,096,757**	**1,727,189**

(thousands of UZS)

Financial expenses represent interest on bank loans amounting to UZS 11,867,268 thousand in 2017 (2016 - UZS 6,854,992 thousand). Interest expenses amounting to UZS 2,541,254 thousand were capitalised as part of unfinished investment projects (2016: no capitalisation).

12. CURRENCY EXCHANGE DIFFERENCE, NET

for the year ended 31 December	2017	2016 (unaudited)
Exchange gains	74,679,184	10,307,995
Exchange losses	(362,564,864)	(33,941,048)
Currency conversion expenses	(38,479,564)	(2,304,189)
Total	**(326,365,244)**	**(25,937,242)**

In September 2017, the Uzbekistan government liberalised the foreign currency exchange market, resulting in the Uzbek Soum almost halving in value from UZS 4,210.35 per USD to UZS 8,100 per USD. An analysis of the Plant's currency position is provided in Note 32.

13. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES COSTS

for the year ended 31 December	2017	2016 (unaudited)
Public expenses	39,144,658	40,342,294
Support of Metallurg football club	19,992,236	16,167,248
Social expenses for employees	6,707,467	9,972,587
Others	9,106,310	6,470,499
Total	**74,950,671**	**72,952,628**

14. PROFIT 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 Plant 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 31 December 2017, 2016 and 2015 mainly relate to those generated in the accounting and tax base for certain assets, different methods and the timing of income and expenses recognition.

Deferred tax was calculated in 2017 at 14% (2016 and 2015: 15.5%). From 1 January 2019, the corporate income tax rate will be reduced to 12%. For the reporting period, the total tax rate was broken down into a corporate income tax element of 3.75% (reduced to reflect the export concessional rate) and infrastructure tax of 8%.

Profit tax recorded in profit and loss was:

for the year ended 31 December	2017	2016 (unaudited)
Current taxes	10,970,899	12,205,981
Deferred taxes	(25,065,743)	(2,281,740)
Total	**(14,094,844)**	**9,924,241**

(thousands of UZS)

The effective tax rate and profit reconciliation for 2017 and 2016 was as follows:

for the year ended 31 December	2017	2016 (unaudited)
Pre-tax profit	**(31,241,516)**	**59,994,459**
Nominal tax rate	15.50%	15.50%
Tax at the statutory rate	**(4,842,435)**	**9,299,141**
Permanent differences	(1,586,276)	(2,415,091)
Effect of the tax rate change	(7,780,081)	(1,957,780)
Tax benefits	(5,263,928)	-
Statutory revaluation of property, plant and equipment	5,377,876	4,997,971
Total	**(14,094,844)**	**9,924,241**

The nominal tax rates in the table above apply to taxable profits in Uzbekistan for 2017 and 2016.

Current tax assets and liabilities were:

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Profit tax due for compensation	7,183,884	-	2,154,817
Profit tax liability	-	(2,378,957)	-
Total	**7,183,884**	**(2,378,957)**	**2,154,817**

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

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Deferred tax assets	44,927,129	25,044,653	19,097,615
Deferred tax liabilities	(91,771,912)	(96,955,179)	(93,289,881)
Total	**(46,844,783)**	**(71,910,526)**	**(74,192,266)**

as at 31 December	Deferred tax assets and liabilities			Changes for the period	
	2017	2016 (unaudited)	2015 (unaudited)	2017	2016 (unaudited)
Deferred tax assets:					
Forex exchange loss	22,063,652	2,225,507	1,524,351	19,838,145	701,156
Impairment of Investments Projects	2,361,093	827,918	627,348	1,533,175	200,570
Impairment of Equity Investments	2,031,486	2,623,161	1,411,975	(591,675)	1,211,186
Impairment of Inventories	6,881,232	7,579,516	7,482,082	(698,284)	97,434
Impairment of Trade receivables	1,800,437	1,766,268	1,997,865	34,169	(231,597)
Impairment of Advances paid	3,171,941	3,181,646	1,490,792	(9,705)	1,690,854
Impairment of non-core assets	5,169,487	5,610,269	3,865,163	(440,782)	1,745,106
Impairments of Amounts due from employees	1,017,299	1,230,368	698,039	(213,069)	532,329
Other	430,502	-	-	430,502	
Total deferred tax assets	**44,927,129**	**25,044,653**	**19,097,615**	**19,882,476**	**5,947,038**
Deferred tax liabilities:					
Revaluation of property, plant and equipment	(90,506,050)	(96,955,179)	(93,289,881)	6,449,129	(3,665,298)
Other	(1,265,862)	-	-	(1,265,862)	-
Total deferred tax liabilities	**(91,771,912)**	**(96,955,179)**	**(93,289,881)**	**5,183,267**	**(3,665,298)**
Total	**(46,844,783)**	**(71,910,526)**	**(74,192,266)**	**25,065,743**	**2,281,740**

(thousands of UZS)

for the year ended 31 December	2017	2016 (unaudited)
Opening balance	**(71,910,526)**	**(74,192,266)**
Reversal of deferred income tax	25,065,743	2,281,740
Closing balance	**(46,844,783)**	**(71,910,526)**

Unrecognised tax losses may be used until 2019.

15. PROPERTY, PLANT AND EQUIPMENT

Value	Buildings and structures	Machinery and equipment	Vehicles	Construction in progress	Others	Total
1 January 2016 (unaudited)	**655,077,228**	**1,024,887,014**	**63,694,045**	**27,766,371**	**9,396,589**	**1,780,821,247**
Acquisition	-	-	-	46,719,683	-	46,719,683
Disposal	(198,717)	(395,344)	(133,880)	(25,824,491)	(60,207)	(26,612,639)
Transfers	22,701,192	27,884,163	4,146,817	(56,975,224)	2,243,052	-
Capitalised expenses	45,500	62,510	-	13,553,264	-	13,661,274
31 December 2016 (unaudited)	**677,625,203**	**1,052,438,343**	**67,706,982**	**5,239,603**	**11,579,434**	**1,814,589,565**
Acquisition	-	-	-	30,848,384	-	30,848,384
Disposal	(2,150,364)	(1,083,133)	(176,374)	(7,549,465)	(74,797)	(11,034,133)
Transfers	3,374,521	9,386,863	1,570,276	(15,071,573)	739,913	-
Capitalised expenses	-	-	-	8,416,483	-	8,416,483
31 December 2017	**678,849,360**	**1,060,742,073**	**69,100,884**	**21,883,432**	**12,244,550**	**1,842,820,299**
Accumulated depreciation						
1 January 2016 (unaudited)	**(242,813,652)**	**(572,807,385)**	**(41,562,283)**	**-**	**(4,570,218)**	**(861,753,538)**
Accrual	(11,435,156)	(24,566,377)	(1,230,896)	-	(2,026,058)	(39,258,487)
Disposal	2,455	12,994	133,880	-	49,242	198,571
31 December 2016 (unaudited)	**(254,246,353)**	**(597,360,768)**	**(42,659,299)**	**-**	**(6,547,034)**	**(900,813,454)**
Accrual	(12,112,404)	(24,983,497)	(1,249,546)	-	(3,154,910)	(41,500,357)
Disposal	1,364,291	2,051,466	176,374	-	71,185	3,663,316
31 December 2017	**(264,994,466)**	**(620,292,799)**	**(43,732,471)**	**-**	**(9,630,759)**	**(938,650,495)**
Carrying amount						
1 January 2016 (unaudited)	**412,263,576**	**452,079,629**	**22,131,762**	**27,766,371**	**4,826,371**	**919,067,709**
31 December 2016 (unaudited)	**423,378,850**	**455,077,575**	**25,047,683**	**5,239,603**	**5,032,400**	**913,776,111**
31 December 2017	**413,854,894**	**440,449,274**	**25,368,413**	**21,883,432**	**2,613,791**	**904,169,804**

Initial application of IFRS in relation to Property, Plant and Equipment

Property, Plant and Equipment owned by the Company was revalued at fair value as at 1 January 2017. The result of this revaluation was retrospectively applied to calculate the fair value of Property, Plant and Equipment as at 1 January 2016. The Company took the decision to treat the relevant amount as the condition initial value of these assets.

Assets pledged as collateral

Property, plant and equipment with a carrying amount of UZS 213,926,000 thousand (2016: UZS 184,937,179 thousand; 2015: UZS 78,283,785 thousand) was pledged as collateral to secure loans received by the Plant (Note 27). The Plant is not entitled to pledge these assets to secure other loans or sell them.

(thousands of UZS)

16. INVESTMENT PROJECTS

As at 31 December 2017 and 2016, investment projects were as follows:

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Current projects:			
ferrosilicon production	122,375,428	8,748,961	1,340,602
wire rod production	87,608,128	616,200	515,666
ferro-silico-manganese production	10,783,182	1,176,476	-
reconstruction of foundry production	2,475,673	792,025	40,481
seamless pipe production	253,888	253,888	249,399
Total current projects	**223,496,299**	**11,587,550**	**2,146,148**
Suspended projects:			
development of the Temin-Bulak pit	16,441,011	5,103,431	4,024,407
steel cable production	5,396,849	272,921	95,729
metal cord production	6,134,772	247,394	-
fastener production	423,938	237,978	23,000
Total suspended projects	**28,396,570**	**5,861,724**	**4,143,136**
	251,892,869	**17,449,274**	**6,289,284**
less: accumulated depreciation	(16,864,949)	(5,341,409)	(4,047,407)
	235,027,920	**12,107,865**	**2,241,877**

Ferrosilicon production:

The aim of the project is to generate 15 thousand tonnes of ferrosilicon at the Plant 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 Plant 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 31 December 2017 the total amount due on bank loans for the project was UZS 67,731,793 thousand or USD 8.34 million (2016: UZS 6,543,747 thousand or USD 2.03 million (2015: n/a) (Note 27).

The project commissioned during 2018.

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 will be financed by Plant funds of USD 4.71 million, Fund for Reconstruction and Development funds of USD 10 million and a JSCMB Ipoteka Bank loan of USD 5.19 million.

As at 31 December 2017, total outstanding project borrowings amount to UZS 85,732,144 thousand or USD 10,59 million (2016 and 2015 no data) (Note 27).

As at 31 December 2017, investments generally comprise of reserved funds under open letters of credit of UZS 48,720,420 thousand (or USD 6 million), and advance payments made to suppliers of UZS 37,060,620 thousand. The project is due to be implemented in 2019. Management does not expect any significant increases in project costs.

(thousands of UZS)

16. INVESTMENT PROJECTS (CONTINUED)

Ferro-silico-manganese production

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

Financing sources include Plant equity of USD 17.10 million, an EximBank 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 8,186,249 thousand or USD 1,01 million as at 31 December 2017 (2016 and 2015 n/a) (Note 27).

The project implemented in 2018.

Reconstruction of foundry production

The main aim of the project is to increase foundry production from 1,500 to 3,200 tonnes per year, and prioritise import-replacing consumables and spare parts. The total cost of the project, which is due to be completed in December 2018, is USD 5.60 million.

The main source of financing is Plant equity. As at 31 December 2017 the project was still in its initial stage. Management does not expect any significant increase in project costs.

Suspended projects

Plant management, having assessed other projects, has concluded that their further development is not economically feasible therefore ceased financing for the moment. As at 31 December 2017 project impairment losses were UZS 16,864,949 thousand. (2016: UZS 5,341,409; 2015: UZS 4,047,407 thousand).

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

The table below provides information on project investment amounts during 2017 and 2016.

for the year ended 31 December	Note	2017	2016 (unaudited)
Opening balance		**12,107,865**	**2,241,877**
Investments		137,705,900	11,138,205
Reserved funds in bank accounts		48,720,420	-
Advances paid to suppliers		45,476,021	21,785
Capitalisation of bank interest		2,541,254	-
Impairment	9	(11,523,540)	(1,294,002)
Closing balance		**235,027,920**	**12,107,865**

17. INTANGIBLE ASSETS

Carrying amount of intangible assets:

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Software	1,535,754	1,372,754	901,219
less: accrued depreciation	(470,644)	(212,918)	(201,063)
	1,065,110	**1,159,836**	**700,156**

(thousands of UZS)

During 2017, capitalised costs used to develop software amounted to UZS 163,000 thousand (2016: UZS 471,535 thousand) for accounting purposes. Depreciation charges amounted to UZS 257,726 thousand and UZS 11,855 thousand in 2017 and 2016, respectively. Useful lives vary between 5 and 10 years.

18. OTHER FINANCIAL ASSETS

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Uz-Shindong Silicon	25,541,295	9,051,843	2,220,609
UzKorSilicon	1,361,415	-	-
Bekabad Gisht	300,000	-	-
Donata Pharma	267,000	-	-
Hamkorbank	-	10,500,000	-
Others	266,922	2,212,920	256,670
	27,736,632	**21,764,763**	**2,477,279**
Less: long-term portion	(123,545)	(133,279)	-
	27,613,087	**21,631,484**	**2,477,279**

Financial aid was provided to Uz-Shindong Silicon (related party) to replenish current assets until 2019. Management expects the debt to be repaid on time. The Plant's share in the borrower's authorised capital is 25% (Note 19).

Bekabad Gisht and Donata Pharma are Plant subsidiaries with a 100% interest (Note 33). Financial aid was allocated to operational needs until 2018, which plans to repay during 2019.

19. EQUITY INVESTMENTS

Investment in authorised capital represents the Plant's acquisition of an interest in the authorised capital of other companies. The table below provides information on these investments:

Company	Area of activity	Share, %	2017	2016 (unaudited)	2015 (unaudited)
Donata Pharma	pharmaceuticals	100.00	25,776,375	-	-
TD Stalimpex	trade	100.00	6,452,577	6,549,702	5,695,388
VtorCherMet	trade	100.00	13,593,391	13,268,442	12,060,540
Bekabad Gisht Invest	industry	100.00	8,500,000	8,500,000	-
Bus Garage (Bekabad)	transportation	100.00	7,202,655	7,202,655	2,655
Bekabad Matbuotchi	printing	100.00	1,700,000	1,700,000	-
Bekabad Ogneupor	industry	30.00	2,056,813	818,534	711,768
Uz-Shindong Silicon	industry	25.00	3,868,025	3,926,249	3,414,126
Ipoteka Bank	finance	7.50	20,288,649	18,030,995	17,306,650
UzRTSB (Tashkent Stock Exchange)	trade	6.00	945,000	945,000	945,000
Asaka Bank	finance	0.43	5,585,224	4,964,643	4,964,643
Others		>5.00	220,768	120,769	123,796
			96,189,477	**66,026,989**	**45,224,566**
less: Impairment			(16,768,268)	(16,923,617)	(9,109,514)
			79,421,209	**49,103,372**	**36,115,052**

Total dividend income from investments amounted to UZS 4,357,386 thousand (2016: 789,081 thousand).

(thousands of UZS)

These investments were accounted for at historical cost in the Plant's unconsolidated financial statements. With respect to investment in TH Stalimpex, Plant management is of the opinion that an impairment charge is required to write down the value of the investment to its recoverable amount.

Movement in the impairment provision is as follows.

for the year ended 31 December	Note	2017 (unaudited)	2016 (unaudited)
Opening balance		**16,923,617**	**9,109,514**
Impairment charge	9	(155,349)	7,814,103
Closing balance		**16,768,268**	**16,923,617**

20. INVENTORIES

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Finished products:			
balls for mills	10,985,862	5,730,313	3,404,955
rolled metal	32,688,790	408,883	155,684
non-ferrous metals	1,211,966	7,941,661	6,624,517
others	7,700,287	4,081,214	5,318,627
Work in progress	25,445,081	13,338,909	27,068,531
Materials and supplies: scrap	54,911,641	2,188,271	3,692,245
Materials and supplies: others	103,300,341	62,824,357	62,951,113
Spare parts and consumables	50,802,647	53,174,086	54,250,721
Fuel and lubricants	9,213,858	6,913,437	6,522,501
Others	67,317,897	46,922,887	48,901,061
	363,578,370	**203,524,018**	**218,889,955**
Impairment provision	(47,884,853)	(47,658,406)	(47,062,960)
Total	**315,693,517**	**155,865,612**	**171,826,995**

Changes to the provision for impaired and illiquid inventories:

for the year ended 31 December	Note	2017	2016 (unaudited)
Opening balance		**47,658,406**	**47,062,960**
Impairment loss	9	226,447	595,446
Closing balance		**47,884,853**	**47,658,406**

21. TRADE RECEIVABLES

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Amount due in UZS	50,844,610	60,466,301	51,936,111
Amount due in foreign currencies	13,090,215	4,254,084	46,775,268
	63,934,825	**64,720,385**	**98,711,379**
Allowance for doubtful debt	(12,860,263)	(11,395,275)	(12,889,453)
Total	**51,074,562**	**53,325,110**	**85,821,926**

Trade and other receivables due from the related party, VtorCherMet, amounted to UZS 6,399,943 thousand (2016: UZS 25,343,832; 2015: UZS 10,045,691 thousand).

(thousands of UZS)

Average credit terms range between 30 days and 180 days. Trade receivables are interest free. No impairment provision was required against overdue balances as they are fully recoverable as at the end of the reporting period.

The amounts overdue but not impaired amounted to UZS 5,941,222 thousand (2016: UZS 1,191,324 thousand).

Movement in the allowance for doubtful debts is as follows:

for the year ended 31 December	Note	2017	2016 (unaudited)
Opening balance		**11,395,275**	**12,889,453**
Impairment charge	9	2,178,489	(1,494,178)
Write-off of bad debts		(713,501)	-
Closing balance		**12,860,263**	**11,395,275**

At inception and at the end of the reporting period, management assesses the recoverability of trade and other receivables in terms of debtor credit worthiness. Management is of the opinion that credit risk is low due because its customer base mainly comprises of third parties.

Trade and other receivables are as follows:

as at 31 December	2017	2016 (unaudited
up to 30 days	39,434,149	57,298,146
31 – 90 days	2,222,624	1,544,419
91 – 180 days	5,349,335	291,221
over 181 days	16,928,717	5,586,599
Total	**63,934,825**	**64,720,385**

22. ADVANCES PAID

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Advances for materials and services	173,515,873	48,192,241	14,782,705
Other advances paid	1,984,857	4,669,158	3,151,113
	175,500,730	**52,861,399**	**17,933,818**
Allowance for doubtful debts	(22,656,723)	(20,526,748)	(9,618,013)
Total	**152,844,007**	**32,334,651**	**8,315,805**

Advances paid to related parties amounted to UZS 2,962,792 thousand (2016: UZS 1,595,455 thousand; 2015: UZS 7,091 thousand).

Movement in the allowance for doubtful debt provision is as follows:

for the year ended 31 December	Note	2017	2016 (unaudited)
Opening balance		**20,526,748**	**9,618,013**
Impairment charge	9	2,920,938	10,908,735
Write-off of bad debts		(790,963)	-
Closing balance		**22,656,723**	**20,526,748**

(thousands of UZS)

23. VAT AND OTHER TAXES

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
VAT payable	-	12,839,572	7 026 317
Other taxes payable	-	4,757,752	2,730,254
Amounts due to various funds	6,083,341	7,309,610	8,701,695
Total amounts due	**6,083,341**	**24,906,934**	**18,458,266**

24. OTHER ASSETS

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Claims made	43,003,778	34,578,036	11,325,774
Advance paid to Donata Pharm	-	25,429,310	-
Other accounts receivable	3,437,222	7,022,538	4,707,723
Deferred expenses	2,396,951	729,652	516,170
Amounts due from employees	994,156	786,219	488,029
Others	7,207,810	3,516,236	2,907,950
	57,039,917	**72,061,991**	**19,945,646**
Impairment provision	(27,292,636)	(28,182,521)	(17,993,010)
Total	**29,747,281**	**43,879,470**	**1,952,636**
Non-current	1,058,576	26,572,055	-
Current	28,688,705	17,307,415	1,952,636
Total	**29,747,281**	**43,879,470**	**1,952,636**

The impairment provision represents amounts provided for against counter claims.

Movement in the impairment provision is as follows:

for the year ended 31 December	Note	2017	2016 (unaudited)
Opening balance		**28,182,521**	**17,993,010**
Recognition of an additional impairment charge	9	26,532	10,189,511
Write-offs		(916,417)	-
Closing balance		**27,292,636**	**28,182,521**

25. CASH

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Cash in UZS	41,847,933	5,600,859	2,224,491
Cash in foreign currency	85,039,683	9,897,044	9,718,824
Special accounts	19,614,144	37,468,919	9,360,445
Total	**146,501,760**	**52,966,822**	**21,303,760**

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

(thousands of UZS)

26. EQUITY

Authorised share capital

The Plant'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.

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Ordinary shares (paid)	42,503,013	42,503,013	42,503,013
Ordinary shares (unpaid)	819,380	-	-
Preference shares	906,420	906,420	906,420
Total	**43,409,433**	**43,409,433**	**43,409,433**
Par value of shares (UZS)	5,000	5,000	5,000
Total authorised share capital	**217,047,165**	**217,047,165**	**217,047,165**

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

Other reserves

The Plant 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 2017, reserves were replenished by UZS 4,727,585 thousand (2016: nil).

Retained earnings

for the year ended 31 December	2017	2016 (unaudited)
Opening balance	**687,146,914**	**641,907,918**
(Loss)/profit for the year	(17,146,672)	50,070,218
Dividends paid	(12,470,292)	(4,831,222)
Transfer to other reserves	(4,727,585)	-
Closing balance	**652,802,365**	**687,146,914**

In 2017, the Plant declared dividends of UZS 12,470,290 thousand: ordinary shares – UZS 12,198,365 thousand; on preference shares – UZS 271,926 thousand (2016: UZS 4,831,222 thousand; UZS 4,559,298 thousand and UZS 271,924 thousand, respectively).

Dividends paid in 2017 amounted to UZS 12,288,079 thousand. (2016: 4,821,668 thousand).

(thousands of UZS)

27. BANK LOANS

as at 31 December	Note	2017	2016 (unaudited)	2015 (unaudited)
Investment projects:		161,650,186	6,543,747	-
ferrosilicon production	*16*	*67,731,793*	*6,543,747*	-
wire rod production	*16*	*85,732,144*	-	-
ferro-silico-manganese production	*16*	*8,186,249*	-	-
Upgrade of current production capacity		91,407,981	53,356,833	56,685,410
Replenishment of working capital		180,796,245	42,280,297	37,560,070
Total		**433,854,412**	**102,180,877**	**94,245,480**
Long-term portion of loans		(306,399,236)	(48,048,467)	(38,712,847)
Short-term portion of loans		**127,455,176**	**54,132,410**	**55,532,633**

During 2017, the Plant raised bank financing in foreign currencies amounting to USD 53,431 thousand (2016 – USD 31,621 thousand, 2015 – USD 33,540).

The list of key lenders is as follows:

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Ipoteka Bank	285,630,857	66,699,233	75,109,130
Industrial and Construction Bank	85,409,082	8,996,053	-
Hamkor Bank	43,308,836	25,615,683	15,720,780
National Bank	18,412,684	-	-
Asaka Bank	1,092,953	869,908	3,415,570
Total	**433,854,412**	**102,180,877**	**94,245,480**

Interest rates on bank loans as at the end of 2017 were 3.5-8% (2016: 3.5-8%). The weighted average effective interest rate was 8.06% per annum (2016: 10.47% per annum). The bank loan period for working capital requirements was 12 months. The bank loan periods for investment project financing were between 3 to 7 years.

As disclosed in Note 15, the Plant pledged specific assets as bank loan collateral. The value of pledged assets was UZS 300,612,517 thousand (2016 – UZS 182,370,340 thousand; 2015 – UZS 77,494,010 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 31 December	2017	2016 (unaudited)
Opening balance	**102,180,877**	**94,245,480**
Principal: received	277,381,789	62,960,528
Principal: repaid	(103,358,845)	(67,623,864)
Interest: accrued	14,408,522	6,854,992
Interest: paid	(14,408,522)	(6,854,992)
Currency exchange loss	157,650,591	12,598,733
Closing balance	**433,854,412**	**102,180,877**

(thousands of UZS)

The maturity analysis for bank loans (including principal and interest) as at 31 December 2017 and 2016 is shown in the table below:

	Up to 30 days	1-3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2017	24,252,684	45,656,965	137,699,934	283,749,327	22,761,868	514,120,778
31 December 2016 (unaudited)	8,065,862	13,821,786	37,690,134	57,230,228	-	116,808,010
31 December 2015 (unaudited)	4,503,427	31,017,381	24,497,273	42,522,313	-	102,540,394

As at 31 December 2017, undrawn loan facilities were valued at UZS 196,799,375 thousand, of which UZS 79,530,128 thousand pertained to investment projects, and UZS 117,269,247 thousand - to the replenishment of capital. The undrawn loan facilities were not included in the above table.

28. OTHER FINANCIAL LIABILITIES

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

as at 31 December	Note	2017	2016 (unaudited)	2015 (unaudited)
Almalyk Mining and Metallurgical Combine		2,263,140	2,300,720	1,667,936
Uz-Kor Silicon		-	134,432	-
VtorCherMet		37,863	37,863	85,966
Navoi Mining and Metallurgical Combine		4,640	566,308	123,260
Others		614	7,126	31,061
Total		**2,306,257**	**3,046,449**	**1,908,223**

Movements in other loans during 2017 and 2016 were as follows:

for the year ended 31 December	2017	2016 (unaudited)
Opening balance	**3,046,449**	**1,908,223**
Received in goods	2,766,139	3,488,892
Received in cash	8,718	21,637
Repayments	(3,515,049)	(2,376,338)
Others	-	4,035
Closing balance	**2,306,257**	**3,046,449**

29. TRADE AND OTHER PAYABLES

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Trade payables in USD	402,641,202	122,010,444	104,621,813
Trade payables in UZS	94,527,601	45,488,374	35,717,649
Other payables	-	3,820,495	3,652,339
Total	**497,168,803**	**171,319,313**	**143,991,801**

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

(thousands of UZS)

As at 31 December 2017, 2016 and 2015, amounts due to related parties, mostly VtorCherMet, amounted to UZS 27,507,535 thousand, UZS 22,537,376 thousand and UZS 23,312,190, respectively.

30. ADVANCES RECEIVED

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Advances received in USD for balls and rolled metal	22,122,149	4,446,236	1,443,820
Advances received in UZS for balls and rolled metal	12,782,480	11,226,841	8,537,849
Advances received for other products	3,745,194	3,431,867	1,619,214
Other advances received	508,274	300,000	301,771
Total	**39,158,097**	**19,404,944**	**11,902,654**

31. OTHER LIABILITIES

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Salary payables	1,086,769	957,243	1,014,277
Other payables to employees	612,414	380,193	111,498
Dividends payable	576,083	393,870	384,316
Others	20,554,611	7,567,226	19,171,147
Total	**22,829,877**	**9,298,532**	**20,681,238**

32. FINANCIAL INSTRUMENTS

Equity management

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

Its equity structure includes borrowings (Note 27), except for cash and cash equivalents and equity (Note 26).

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

as at 31 December	Note	2017	2016 (unaudited)	2015 (unaudited)
Bank loans	27	433,854,412	102,180,877	94,245,480
Cash	25	(146,501,760)	(52,966,822)	(21,303,760)
Net borrowings		**287,352,652**	**49,214,055**	**72,941,720**
Equity		**902,220,116**	**931,837,080**	**886,598,084**
Debt to equity ratio		**31.85%**	**5.28%**	**8.23%**

(thousands of UZS)

Categories of financial instruments

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Cash	146,501,760	52,966,822	21,303,760
Trade receivables	51,074,562	53,325,110	85,821,926
Other financial assets	27,736,632	21,764,763	2,477,279
Investment in capital	27,039,641	24,061,407	23,340,089
Other assets	3,437,222	7,022,538	4,707,723
Total	**255,789,817**	**159,140,640**	**137,650,777**
Non-current	27,163,186	24,194,686	23,340,089
Current	228,626,631	134,945,954	114,310,688
Total	**255,789,817**	**159,140,640**	**137,650,777**

Liabilities

as at 31 December	2017	2016 (unaudited)	2015 (unaudited)
Trade payables	497,168,803	171,319,313	143,991,801
Bank loans	433,854,412	102,180,877	94,245,480
Other financial liabilities	2,306,257	3,046,449	1,908,223
Other liabilities	1,669,183	1,337,436	1,125,775
Total	**935,028,655**	**277,884,075**	**241,271,279**
Long-term financial liabilities	306,399,236	48,048,467	38,712,847
Short-term financial liabilities	628,629,419	229,835,608	202,558,432
Total	**935,028,655**	**277,884,075**	**241,271,279**

Financial risk management

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

Market risk

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

Currency risk management

The Plant is exposed to currency risk due to its transactions in foreign currencies.

(thousands of UZS)

Foreign currency denominated monetary assets and liabilities are as follows (amounts are shown in the original currency):

as at 31 December	Note	2017	2016 (unaudited)	2015 (unaudited)
Assets denominated in USD		27,477,305	3,943,399	20,090,238
Cash	25	14,190,607	2,626,949	3,444,117
Trade accounts receivable	21	13,286,698	1,316,450	16,646,121
Liabilities denominated in USD		(83,884,073)	(63,844,058)	(34,439,556)
- Accounts payable		(30,454,188)	(32,223,600)	-
- Bank loans		(53,429,885)	(31,620,458)	(34,439,556)
Net position in USD		**(56,406,768)**	**(59,900,659)**	**(14,349,318)**
Assets denominated in Euros		2,635,661	392,831	11,653
- Cash	25	*1,411,547*	392,831	11,653
- Trade accounts receivable	21	*1,224,114*	-	-
- Liabilities denominated in Euros		*(6,534,603)*	(1,511,488)	-
- Accounts payable		(6,534,603)	(1,511,488)	-
Net position in Euros		**(3,898,942)**	**(1,118,657)**	**11,653**
Assets denominated in Roubles (Russia)		35,503,466	1,222,746	126,687
- Cash	25	35,503,466	1,222,746	126,687
- Liabilities denominated in Roubles (Russia)		(347,013)	(284,312)	-
- Trade accounts payable	21	(347,013)	(284,312)	-
- Net position in Roubles (Russia)		**35,156,453**	**938,434**	**126,687**

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 Plant 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.

	USD		Euros		Rouble (Russia)	
For the year ended 31 December	**2017**	**2016 (unaudited)**	**2017**	**2016 (unaudited)**	**2017**	**2016 (unaudited)**
Profit and loss	91,605,156	38,713,796	7,505,229	764,994	(38,672)	(9,966)
Equity	91,605,156	38,713,796	7,505,229	764,994	(38,672)	(9,966)

According to management, the sensitivity analysis does not fully reflect the currency risk inherent in the Plant's activities as the risk at the reporting date does not match the risk existing during the year. The share of export sales (predominantly for USD) from the total sales was 31.08% in 2017 (2016: 19.50%), which significantly exceeds the negative currency position.

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

as at 31 December	2017	2016	2015
Uzbek Soum to USD	8,120.07	3,231.48	2,809.98
Uzbek Soum to Euro	9,624.72	3,419.23	3,074.19
Uzbek Soum to Rouble	139.30	53.10	39.99

As at 31 December 2018, the Uzbek Soum exchange rate to the USD was UZS 8,339.55.

Interest rate risk management

The Plant is exposed to interest rate risk since it borrows funds at fixed 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 Plant's financial result for 2017 would fall (grow) by UZS 140,703 thousand (2016 – by UZS 44,980 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 Plant. The Plant 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 Plant 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. Plant 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. As stated in Note 5, the 10 largest Plant clients account for 53.97% (2016: 47.31%) of all sale revenue.

The credit risk on liquid funds is low as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In addition, the Plant is exposed to credit risk in relation to financial guarantees provided by it. The Plant's maximum exposure in this respect is the maximum amount it would have to pay if the guarantee is called on. As at 31 December 2017, the Plant had no financial guarantees (2016: UZS 328,888 thousand, 2015: UZS 1,181,000 thousand.

Liquidity risk management

The Plant 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 Plant'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 Plant can be required to pay. The tables include both interest and principal cash flows. Contractual maturity is based on the earliest date on which the Plant may be required to pay. Interest payments were calculated at the weighted average interest rate.

(thousands of UZS)

as at 31 December 2017	Up to 30 days	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Trade payables	251,028,787	246,140,016	-	-	-	482,334,405	497,168,803
Bank loans	24,252,684	45,656,965	137,699,934	283,749,327	22,761,868	514,120,778	433,854,412
Other financial liabilities	2,306,257	-	-	-	-	2,306,257	2,306,257
Other liabilities	1,699,183					1,699,183	1,699,183
	279,286,911	**291,796,981**	**137,699,934**	**283,749,327**	**22,761,868**	**1,015,295,021**	**935,028,655**

as at 31 December 2016 (unaudited)	Up to 30 days	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Trade payables	68,527,725	102,791,588	-	-	-	171,319,313	171,319,313
Bank loans	8,065,862	13,821,786	37,690,134	57,230,228	-	116,808,010	102,180,877
Other financial liabilities	3,046,449	-	-	-	-	3,046,449	3,046,449
Other liabilities	1,337,436					1,337,436	1,337,436
	80,977,472	**116,613,374**	**37,690,134**	**57,230,228**	**-**	**292,511,208**	**277,884,075**

As at the reporting date, credit lines of UZS 196,799,375 thousand (2016: n/a; 2015: n/a) had not been used. The Plant 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 Plant's financial assets and liabilities recorded in financial statements is more or less equal to their fair value.

33. RELATED PARTY TRANSACTIONS

Apart from management, Supervisory Board members and the Managing Company, the Plant's related parties are as follows:

- Vtorchermet (scrap collection)
- Bekabad Ogneupor (manufacture)
- TH Stalimpex (trade)
- Bus garage (transportation)
- Donata Pharma (pharmaceuticals)
- Bekabad Matbuot (polygraphy)
- Bekabad Gisht Invest (manufacturing)

Associates:

- UzShindongSilicon (manufacturing)

Jointly controlled companies:

- AMMC (metallurgy)
- NMMC (metallurgy)
- Ipoteka Bank (financial institution)
- Promstroybank (financial institution)
- National Bank of Uzbekistan (financial institution)
- Asaka Bank (financial institution)

(thousands of UZS)

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

For the year ended 31 December	Product sales		Product purchases	
	2017	2016 (unaudited)	2017	2016 (unaudited)
Subsidiaries	38,267,026	191,175,116	344,658,509	213,674,798
Associates	10,613,423	602,973	43,991,575	15,011,222
Jointly controlled companies	448,439,438	328,045,701	48,814,038	32,528,370
Key management personnel	-	-	1,255,277	138,526
Supervisory Board members	-	-	272,591	212,680

For the year ended 31 December	Related party debt			Amounts due to related parties		
	2017	2016 (unaudited)	2015 (unaudited)	2017	2016 (unaudited)	2015 (unaudited)
Subsidiaries	87,350,584	25,894,883	11,574,727	28,530,559	22,438,420	23,074,083
Associates	8,983,229	23,247,781	7,174,005	142,237	-	-
Jointly controlled companies	91,844,051	30,130,743	31,737,466	465,473,681	87,207,565	80,564,563
Key management personnel	-	458,537	67,900	42,161	-	-
Supervisory Board members	-	-	-	6,708	-	-

Plant 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 Plant assets. No guarantees were issued or received. During the reporting year and previous years, the Plant did not accrue doubtful or bad debt provisions for related party debt, with the exception of Stalimpex LLP of UZS 10,123,426 thousand (2016: UZS 3,585,952 thousand; 2015: UZS 3,343,745 thousand).

The Plant issued short-term loans to certain key managers for a total of UZS 376,875 thousand (2016: UZS 458,537 thousand.; 2015: UZS 67,900 thousand). Loans to key management personnel were not secured by pledges.

Remuneration payments to board of directors members and other key managers are set by the remuneration committee based on performance and labour market trends.

SFI Management Group provided the Plant with management services for which UZS 1,300,000 thousand, of which UZS 900,000 thousand were accrued and paid (2016: no services were provided).

34. NON-CASH TRANSACTIONS

The Plant's non-cash financial and investment transactions not recorded in the statement of cash flows provided below:

- receiving and repaying other financing (Note 28)
- repaying accounts receivable and payable with Almalyk Mining and Metallurgical Combine and Navoi Mining and Metallurgical Combine of UZS 107,499,544 thousand during 2017 (2016: UZS 149,524,976 thousand).

35. DEFERRED LIABILITIES

As at 31 December 2017, deferred liabilities to purchase property, plant and equipment amounted to UZS 125,918,164 thousand (2016: UZS 37,081,233 thousand; 2015: UZS 4,158,871 thousand).

Subsidiaries, associates and joint ventures have no significant deferred liabilities.

36. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Litigation

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

Taxation

Legislation affecting business in Uzbekistan continues to change rapidly. Management's interpretation of it as applied to Plant 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.

Contingent liabilities

During 2018 and 2017, the Company has been audited by multiple government departments, which included an audit of its tax position and submissions for the period from 2009 until 2017. As a result, the Company was served a tax assessment for additional taxes and penalties of UZS 550.3 billion, which consisted of additional taxes of UZS 353.4 billion, penalties and fines of UZS 196.9 billion (both "Tax Charges"). According to the tax audit, the additional tax assessment was primarily driven by the perceived difference in revenue as a result of previous management performing fixed rate tolling services rather than trading directly (purchases and sales) with third parties.

Previous management's decisions on tolling services, which resulted in these additional tax assessments, is subject to further investigation by the state authorities and the outcome of court proceedings. As a major Company shareholder, the government has delayed the tax prosecution and any final ta assessment is dependent upon the completion of proceedings against previous management. Further, given the Company's strategic importance for Uzbekistan and its role in implementing elements of the government-approved investment development programme, the government has reiterated its support for the Company and its current Management.

Considering the matters described above, Management believes that the Government will not impose additional tax charges on the Company if they are found to be the consequence of the actions of previous management, who should be made accountable for damages if found guilty by a court. As such, current management believes there is significant uncertainty on the amount and timing of any additional tax payment, if any, and considers any additional tax charges, fines and penalties as contingent liabilities under IAS 37.

37. EVENTS AFTER THE REPORTING PERIOD

In November 2017, a decision was taken to increase Plant charter capital by issuing 819,380 common shares with a par value of UZS 5 thousand, to UZS 4,096,900. Charter capital was formed by transferring the Public Catering Plant to Plant ownership. The assets and liabilities were valued by OJSC Toshkentshakharbakholash va Consulting Markazi.

Within the framework of the Uzmetkombinat development programme for 2018-2020, the Plant began to realise the "Construction of a Casting and Rolling Complex" investment project with production capacity of 1,040 thousand tonnes of sheet metal per year at a cost of EUR 532.4 million.

From 28 July 2018, Almalyk Mining and Metallurgical Combine became a related party through common management by the SFI Management Group.

In August 2018, T Azamatov was appointed Acting Chairman of the Board. B Kadirov was appointed Deputy Chairman of the Board for Financial Matters.

38. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and revised IFRS issued but not yet effective

The Plant has not applied the following new and revised IFRS that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*[1]
- IFRS 15 *Revenue from Contracts with Customers (and the related Clarifications)*[1]
- IFRS 16 *Leases*[2]
- IFRS 17 *Insurance Contracts*[3]
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*[1]
- IFRIC 23 *Uncertainty Over Income Tax Treatments*[2]
- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*[1]
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
- Amendments to IAS 40 – *Transfers of Investment Property*[1]
- Amendments to IFRS 4 – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
- Amendments to IFRS 9 – *Prepayment Features With Negative Compensation*[2]
- Amendments to IAS 28 – *Long-Term Interests in Associates and Joint Ventures*[2]
- Annual Improvements to IFRSs 2014-2016 Cycle[1]
- Annual Improvements to IFRSs 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined. Earlier application is permitted.

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Plant's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances existing at that date, Plant management has assessed the impact of IFRS 9 on the Plant's preliminary financial statements as follows:

Classification and measurement

Unlisted shares classified as available-for-sale investments carried at fair value: these shares qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Plant's profit or loss and other comprehensive income but will not affect total comprehensive income.

All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost will be subject to the impairment provisions of IFRS 9.

The Plant expects to apply a simplified approach to recognise lifetime expected credit losses for its trade receivables,

In general, management anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Stage 1: Identify the contract with the customer
- Stage 2: Identify the performance obligations in the contract
- Stage 3: Determine the transaction price
- Stage 4: Allocate the transaction price to the performance obligations in the contracts
- Stage 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Plant recognises revenue from the following main activities:

- Sales of steel products;
- Provision of tolling services for the production of steel products (discontinued since 2018)
- Production and sale of consumer goods;
- Providing various services.

With the exception of the requirement for more detailed disclosure of information on revenue, management does not expect that the application of IFRS 15 will have a significant impact on the financial position and results of operations of the Plant.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

A right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

With the exception of the requirement for more detailed disclosure of information on revenue, management does not expect that the application of IFRS 16 will have a significant impact on the financial position and results of operations of the Plant.

IFRS 17 Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts:

- IFRS 17 outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.
- The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty; it takes into account market interest rates and the impact of policyholders' options and guarantees.
- Profit from selling insurance policies is deferred in a separate liability component on day 1 and aggregated in groups of insurance contracts; it is then reported systematically through profit or loss over the period during which insurers provide cover after making adjustments from changes in assumptions relating to future coverage.
- Considering scope, some fixed fee service contracts meeting specified criteria will be able to be accounted under IFRS 15 *Revenue from Contracts with Customers* instead of applying the requirements in IFRS 17.

The new standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted for entities that apply IFRS 9 and IFRS 15 at or before the date of initial application of IFRS 17. Entities should apply IFRS 17 retrospectively, unless impracticable, in which case the modified retrospective approach of the fair value approach is applied.

Management does not anticipate that the application of this standard will have a material impact on the Plant's preliminary financial statements as the Plant does not have any insurance contracts.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
   - The original liability is derecognised
   - The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date and
   - Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. Plant management does not anticipate that the application of the amendments in the future will have a significant impact on the Plant's preliminary financial statements as the Plant does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in the standard may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

Management anticipates that the application of these amendments may have an impact on the Plant's preliminary financial statements in future periods should there be a change in use of any of its properties.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. Plant management anticipates that the application of these amendments may have an impact on the Plant's preliminary financial statements in future periods should such transactions arise.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

Plant management does not anticipate that the application of this IFRIC will have a material impact on the Plant's preliminary financial statements as the Plant currently uses the approach prescribed in IFRIC 22.

IFRIC 23 Uncertainty over Income Tax Treatment

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or together and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. Entities can apply the Interpretation either fully retrospectively (if it is possible without the use of hindsight) or to apply modified retrospective approach without restatement of comparatives.

Management does not anticipate that the application of this IFRIC will have a material impact on the Plant's preliminary financial statements as the Plant currently uses the approach to recognition of uncertain tax position, which is consistent with IFRIC 23.

Amendments to IFRS 10 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments provide entities meeting a criterion for engaging in predominantly insurance activities with the option to continue current IFRS accounting and to defer the application of IFRS 9 until the earlier of the application of the new insurance Standard or periods beginning on or after 1 January 2021 (the "sunset clause"). The assessment of predominance has to be made at the reporting entity level and at the annual reporting date immediately preceding 1 April 2016. Thereafter it should not be reassessed, unless there is a significant change in the entity's activities that would trigger a mandatory reassessment. An entity shall apply those amendments, which permit insurers that meet specified criteria to apply a temporary exemption from IFRS 9, for annual periods beginning on or after 1 January 2018.

Separately, the amendments provide all entities with contracts within the scope of IFRS 4 with an option to apply IFRS 9 in full but to make adjustments to profit or loss to remove the impact of IFRS 9, compared with IAS 39, for designated qualifying financial assets. This is referred to as the 'overlay approach' and is available on an asset-by asset basis with specific requirements around designations and de-designations. An entity shall apply those amendments, which permit insurers to apply the overlay approach to designated financial assets, when it first applies IFRS 9.

Management does not anticipate that the application of these amendments will have a material impact on the Plant's preliminary financial statements as the Plant does not have any insurance contracts to which IFRS 4 applies.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The narrow-scope amendments remedy an unintended consequence to the notion of 'reasonable additional compensation'. The amendments allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the SPPI condition if specified criteria are met.

In addition to that, the IASB considered the accounting for financial liabilities that are modified or exchanged that do not lead to derecognition and as a result included in the Basis for Conclusion two paragraphs on that matter. In those paragraphs the Board observes that the accounting in such cases is the same as it is for modifying a financial asset. If the gross carrying amount is changed it will lead to an immediate gain or loss in profit or loss.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

Management anticipates that the application of these amendments will have a material impact on the Plant's preliminary financial statements as the Plant has several financial liabilities for which there were non-substantial modifications in the past, which were accounted for prospectively through revision of the effective interest rate. The Plant is in process of assessing the quantitative impact of adoption of these amendments on its preliminary financial statements.

Amendments to IAS 28 Long-Term Interests in Associates and Joint Ventures

The amendments clarify that IFRS 9, including its impairment requirements, applies to long-term interests in associates and joint ventures that form part of an entity's net investment in these investees. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

Management does not anticipate that the application of these amendments will have a material impact on the Plant's preliminary financial statements, as the Plant does not have any other long-term interests in associates and joint ventures, except for the equity investments accounted for using the equity method.

Annual Improvements to IFRS 2014-2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Plant. The package also includes amendments to IFRS 12 which is mandatorily effective for the Plant in the current year – see the details of application in section Amendments to IFRS affecting amounts reported in the financial statements.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. Plant management does not anticipate that the application of the amendments in the future will have any impact on the Plant's preliminary financial statements as the Plant is neither a first-time adopter of IFRS nor a venture capital organisation. Furthermore, the Plant does not have any associate or joint venture that is an investment entity.

Annual Improvements to IFRS 2015-2017 Cycle

Annual Improvements to IFRS 2015-2017 Cycle makes amendments to several standards.

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

All amendments are effective for annual periods beginning on or after 1 January 2019.

Management does not anticipate that the application of these amendments will have a material impact on the Plant's preliminary financial statements.

39. SIGNIFICANT ACCOUNTING POLICIES

39.1. 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

Revenue from the sale of goods is recognised when goods are delivered and title has passed, at which time all the following conditions are met:

- The Plant has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Plant retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Plant; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The sale of goods from which clients receive programme bonus points are accounted for as component transactions and the fair value of the consideration received or due is allocated among the goods supplied and bonuses provided. The cost of the consideration allocated among bonuses is estimated based on their fair value, i.e. specific bonus sales prices. Any such consideration is not carried in revenue at the moment an initial purchase/sale transaction is concluded, but relates to future periods and is recognised as revenue at the moment bonus points are redeemed and Plant liabilities are executed.

Provision of services

Revenue from service contracts is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is determined as follows:

- Installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- Servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- Revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

The Plant's policy for recognition of revenue from construction contracts is described in note 4.9 below.

Dividend and interest income

Dividend income is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Plant and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Plant and the amount of income can be measured reliably. Interest income is accrued based on the carrying amount of the financial asset (exclusive of interest) and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(thousands of UZS)

39.2. Foreign currencies

In preparing the financial statements of each individual company entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these preliminary financial statements, the assets and liabilities of the Plant's foreign operations are translated into Russian Roubles using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate 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 equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Plant's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Plant are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Plant losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Plant losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Below are the exchange rates as at year end that were used by the Plant for the purpose of these preliminary financial statements:

as at 31 December	Note	2017	2016	2015
Uzbek Soum / USD		8,120.07	3,231.48	2,809.98
Uzbek Soum / Euros		9,624.72	3,419.23	3,074.19
Uzbek Soum / Roubles (Russia)		139.30	53.10	39.99

39.3. 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.

39.4. Taxation

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 Plant 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 Plant expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Plant management reviewed the Plant's investment property portfolios and concluded that none of the Plant's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the management has determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Plant has not recognised any deferred taxes on changes in fair value of the investment properties as the Plant is not subject to any income taxes on the fair value changes of the investment properties on disposal.

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.

39.5. Property, plant and equipment

Land, buildings and constructions held for use in the production or supply of goods or services, or for administrative purposes, are recorded in a preliminary statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Plant's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated based on the following annual rates:

Property, Plant and Equipment	Depreciation rate
Buildings and structures	2.7%
Equipment	4.5%
Vehicles	4.9%
Others	28.5%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

39.6. Investment real estate

Investment real estate is properties held to earn rent and/or for capital appreciation (including property under construction for such purposes). Investment real estate is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment real estate is measured at fair value. Gains and losses arising from changes in the fair value of investment real estate are included in profit or loss in the period in which they arise.

Investment real estate is derecognised upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

39.7. 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.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

39.8. Impairment of tangible and intangible assets

At the end of each reporting period, the Plant 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). When it is not possible to estimate the recoverable amount of an individual asset, the Plant estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

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

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 its carrying amount, the carrying amount of the asset (or 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 (see note 4.16 above).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 (or 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 (see note 4.16 above).

39.9. 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.

39.10. Provisions

Provisions are recognised when the Plant has a present obligation (legal or constructive) as a result of a past event, it is probable that the Plant 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, its 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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Plant has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Plant's obligation.

Contingent liabilities and assets

Contingent liabilities are not recognised in the preliminary statement of financial position, but are disclosed in the notes to preliminary financial statements, unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the statement of financial position but are disclosed in the financial statements when an inflow of economic benefits is probable.

39.11. Financial instruments

Financial assets and financial liabilities are recognised when the Plant 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.

39.12. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' (HTM) investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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. 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) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Plant has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) HTM investments or (c) financial assets at FVTPL.

Listed redeemable notes held that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Plant also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because management considers that fair value can be reliably measured). Fair value is determined in the manner described in note 41. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Plant's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others [describe]) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty or
- Breach of contract, such as a default or delinquency in interest or principal payments or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation or
- The disappearance of an active market for that financial asset because of financial difficulties

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Plant's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Plant derecognises a financial asset 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 Plant neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Plant recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Plant retains substantially all the risks and rewards of ownership of a transferred financial asset, the Plant continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Plant retains an option to repurchase part of a transferred asset), the Plant allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

39.13. Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Plant 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 Plant entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Plant'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 Plant's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially recognised at fair value less transaction costs. Subsequently they are measured at amortised cost using the effective interest method.

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 Plant entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 and
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Plant derecognises financial liabilities when, and only when, the Plant'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 is recognised in profit or loss.