

Audit Organization
LLC "SFAI-BUXGALTER-AUDIT TASHKENT"

JSC "KARBONAT"

**Financial statements and the auditor's conclusion of
the independent auditor for 2019**

Audit organization LLC "SFAI-BA Tashkent"	Auditor's report on financial reporting of JSC "KARBONAT" for 2019
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AUDIT CONCLUSION OF THE INDEPENDENT AUDITORS

To Shareholders and Management of JSC "Karbonat"

Qualified opinion

We have audited the financial statements of JSC "Karbonat" (hereinafter "the Company"), consisting of Form No. 1 "Balance" as of December 31, 2019, Form No. 2 "Statement of financial results", Form No. 4 "Statement of cash flows ", Form No. 5" Statement of Equity "for the year ended as of that date, as well as an explanatory note to the financial statements, including a summary of the main provisions of accounting policies. '

In our opinion, except for the effect of the matter set out in the Basis for Qualified Opinion section of our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair presentation) the financial position (or financial position) of the Company »As of December 31, 2019, as well as its financial results (or financial results) and cash flows (or flows) for the year ended as of that date, in accordance with the National Accounting Standards of the Republic of Uzbekistan (NAS).

Basis for Qualified Opinion

The "Company" has charged the tax for the use of subsoil at the rate specified in Appendix No. 10 to the Decree of the President of the Republic of Uzbekistan dated December 26, 2018 No. PP-4086 for Sawing stones, rubble and crushed stone - 4000 soums per ton or 1 983 253 520 soums. The "Company" was issued a license GZ No. 0001-F5 dated July 16, 18 for a period of 25 years for the extraction of limestone raw materials for the production of cement in a part of KUTERMINSKOYE field. According to PP -4086/10, the tax rate for the use of subsoil for Limestone for the production of cement from 01.01.2019 to 30.06.19 is -4,000 soums per ton; from 01.07.2019 to 31.12.2019 - the rate is 45000 soums per ton.

State Tax Administration of the Jizzakh region issued a notice No. 18-01938 of 27.05.20 on the tax for the use of subsoil in the amount of 12,353,746,480 soums at a rate of 45,000 soums per ton mined in total for 2019.

According to the submitted documents, the crushing equipment for the production of cement raw materials has been leased to LLC Farishcement. Thus, there was no technical capability for the production of cement raw materials.

The auditor is presented with:

- explanations of officials of the "Company".
- documents for the shipment of rubble limestone to LLC Farishcement,
- documents for the shipment of crushed limestone of different fractions from Farishcement LLC, to organizations that are not cement producers,
- materials of the inventory of LLC "Farishcement"

These documents do not confirm the shipment of cement raw materials from the production volumes of 2019

Thus, for the correct application of the tax rate for the use of subsoil, additional clarifications are needed from the legislative body, which will apply to 2019 and, accordingly, to the financial statements of the "Company" for 2019.

Basis for expression

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

Independence

We are independent in relation to the Company in accordance with the Code of Ethics of Professional Accountants of the Council on International Ethics Standards for Accountants (IESE Code) and ethical requirements applicable to our audit of financial statements in Uzbekistan, and we have fulfilled other ethical obligations in accordance with these requirements and the Code SMSEB. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit issues

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

There are no key audit matters to report.

All matters that are significant in the reporting period are sufficiently deeply disclosed in the explanatory note to the financial statements

Responsibilities of Management and Officials, charged with Corporate management and for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with NAS RUz and for the system of internal control that management considers necessary to prepare financial statements that are free from material misstatement due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as appropriate, going concern information, and for preparing statements on a going concern basis, unless management intends to liquidate the Company, to terminate its activities or when it has no other real alternative other than liquidation or termination of activities.

Those charged with corporate management are responsible for overseeing the preparation of the Company's financial statements.

Auditor's Responsibilities for the Audit of Financial Statements

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we do the following:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; we design and conduct audit procedures in response to these risks; Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement as a result of fraud is higher than the risk of not detecting material misstatement as a result of an error, since fraud may include collusion, forgery, willful omission, misrepresentation, or bypassing internal control;
- gain an understanding of the internal control system relevant to the audit, in order to develop audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management's use of the going concern assumption, and based on the audit evidence obtained, a conclusion about whether there is a material uncertainty in connection with events or conditions that may result in significant doubts about the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we should draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on audit evidence obtained prior to the date of our auditor's report. However, future events or conditions may cause the Company to lose its ability to continue as a going concern;
- We assess the overall presentation of the financial statements, their structure and content, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that ensures their fair presentation.

We communicate with those charged with governance, bringing to their attention, among other things, information about the planned scope and timing of the audit, as well as material comments on the results of the audit, including significant deficiencies in the internal control system that we identify during the audit.

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

From those matters that we have brought to the attention of those charged with governance, we identify those matters that were most significant in the audit of the financial statements of the current period and are therefore key audit matters. We describe these matters in our auditor's report,

unless the public disclosure of these matters is prohibited by law or regulation, or where, in extremely rare cases, we conclude that information about any issue should not be reported in our opinion, since it can reasonably be assumed that the negative consequences of the communication of such information will outweigh the socially significant benefits of its communication.

Manager of the assignment, on results of which the present auditor conclusion of the independent auditors has been issued.

Shaikhiislamova Zulfiya

Director of Auditing Organization LLC "SFAI - BUXGALTER-AUDIT-TASHKENT"

signed

Round seal of Auditing Organization LLC "BUXGALTER-AUDIT"

Tashkent, Republic of Uzbekistan

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May 20, 2020