



Joint Stock Company “UZBEK LEASING INTERNATIONAL A.O.”

**International Financial Reporting Standards
Financial Statements**

31 December 2017

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Independent auditor's report

To the Shareholders and Supervisory Board of Joint Stock Company "Uzbek Leasing International A.O."

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Joint Stock Company "Uzbek Leasing International A.O." (the "Company") as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss for the year ended 31 December 2017;
- the statement of other comprehensive income for the year ended 31 December 2017;
- the statement of changes in equity for the year ended 31 December 2017;
- the statement of cash flows for the year ended 31 December 2017; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether 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, 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 is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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.

A handwritten signature in blue ink, appearing to read "Utkir", is written above a horizontal line.

Utkir Muhammadiyev
General Director
Certificate of auditor No. 05082
dated 23 February 2013

Audit Organization "PricewaterhouseCoopers" LLC

Audit Organization "PricewaterhouseCoopers" LLC
4 May 2018
Tashkent, Uzbekistan

Joint Stock Company "UZBEK LEASING INTERNATIONAL A.O."
Statement of Financial Position

	Note	31 December 2017 UZS'000	31 December 2016 UZS'000	31 December 2015 UZS'000	31 December 2017 USD'000	31 December 2016 USD'000	31 December 2015 USD'000
ASSETS							
Cash and cash equivalents	7	1,291,663	21,964,265	47,096,677	159	6,797	16,761
Due from banks	8	9,800,892	1,803,166	-	1,207	558	-
Finance lease receivables	9	206,258,115	111,155,871	91,062,960	25,401	34,398	32,407
Equipment for leasing	10	14,680,059	1,884,073	4,411,561	1,808	583	1,570
Prepayments to vendors for leasing equipment	12	6,073,262	4,265,593	220,900	748	1,320	79
Deferred income tax asset	26	984,642	897,336	-	121	278	-
Property and equipment	11	445,037	584,959	604,006	55	181	215
Other assets	13	7,701,102	3,442,946	2,833,689	948	1,065	1,008
TOTAL ASSETS		247,234,772	145,998,209	146,229,793	30,447	45,180	52,040
LIABILITIES							
Borrowings	14,16	144,534,962	48,288,567	57,616,029	17,800	14,943	20,504
Finance lease liabilities	15	6,433,787	4,859,382	7,625,182	792	1,504	2,714
Advances from lessees	17	6,239,764	3,692,389	3,585,325	768	1,143	1,276
Trade payables	18	3,119,513	14,170,005	19,360,177	384	4,385	6,890
Other liabilities	19	1,759,752	1,103,412	1,820,345	217	341	648
TOTAL LIABILITIES		162,087,778	72,113,755	90,007,058	19,961	22,316	32,032

The notes set out on pages 8 to 52 form an integral part of these financial statements.

Joint Stock Company "UZBEK LEASING INTERNATIONAL A.O."
Statement of Financial Position

	Note	31 December 2017 UZS'000	31 December 2016 UZS'000	31 December 2015 UZS'000	31 December 2017 USD'000	31 December 2016 USD'000	31 December 2015 USD'000
EQUITY							
Share capital	20	9,113,589	9,113,589	9,113,589	1,122	2,820	3,243
Additional paid in capital	20	25,714,969	25,714,969	25,714,969	3,167	7,958	9,151
Retained earnings		50,318,436	39,055,896	21,394,177	6,197	12,086	7,614
TOTAL EQUITY		85,146,994	73,884,454	56,222,735	10,486	22,864	20,008
TOTAL LIABILITIES AND EQUITY		247,234,772	145,998,209	146,229,793	30,447	45,180	52,040

Approved for issue and signed on "4" May 2018.


Mustafaev Z.B.
Chief Executive Officer




Lim T.M.
Chief Accountant

Joint Stock Company “UZBEK LEASING INTERNATIONAL A.O.”
Statement of Profit or Loss

	Note	2017 UZS'000	2016 UZS'000	2017 USD'000	2016 USD'000
Interest income on finance leases	21	59,153,151	32,178,014	13,105	10,838
Interest expense on finance leases	21	(2,298,816)	(1,233,386)	(564)	(415)
Net interest income on finance leases		56,854,335	30,944,628	12,541	10,423
Provision for impairment of finance lease receivables	9	(1,056,767)	(197,423)	(259)	(66)
Net interest income on finance leases after provision for impairment of finance lease receivables		55,797,568	30,747,205	12,282	10,357
Other interest expense	22	(10,100,864)	(5,443,510)	(1,976)	(1,834)
Other operating income	23	11,863,827	1,840,266	2,306	620
Administrative and other operating expenses	24	(15,646,032)	(8,802,307)	(3,267)	(2,965)
Provision for impairment of other assets	13	(1,972,022)	(91,812)	(536)	(31)
Foreign exchange (losses)/ gains, net		(19,375,158)	2,791,242	(3,279)	940
PROFIT BEFORE INCOME TAX		20,567,319	21,041,084	5,530	7,087
Income tax (expense)/ benefit	26	(1,594,671)	897,336	(641)	302
PROFIT FOR THE YEAR		18,972,648	21,938,420	4,889	7,389

Joint Stock Company "UZBEK LEASING INTERNATIONAL A.O."
Statement of Other Comprehensive Income

	Note	2017 UZS'000	2016 UZS'000	2017 USD'000	2016 USD'000
PROFIT FOR THE YEAR		18,972,648	21,938,420	4,889	7,389
Other comprehensive income					
Effect of translation to presentation currency USD		-	-	(15,226)	(3,093)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,972,648	21,938,420	(10,337)	4,296

Joint Stock Company “UZBEK LEASING INTERNATIONAL A.O.”
Statement of Changes in Equity

	Note	Share capital	Additional paid in capital	Retained earnings	Total equity	Share capital	Additional paid in capital	Retained earnings	Total equity
		UZS'000	UZS'000	UZS'000	UZS'000	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2016		9,113,589	25,714,969	21,394,177	56,222,735	3,243	9,151	7,614	20,008
Profit for the year		-	-	21,938,420	21,938,420	-	-	7,389	7,389
Other comprehensive income for the year		-	-	-	-	(423)	(1,193)	(1,477)	(3,093)
Total comprehensive income for 2016		-	-	21,938,420	21,938,420	(423)	(1,193)	5,912	4,296
Dividends declared	25	-	-	(4,276,701)	(4,276,701)	-	-	(1,440)	(1,440)
Balance at 31 December 2016		9,113,589	25,714,969	39,055,896	73,884,454	2,820	7,958	12,086	22,864
Net profit for the year		-	-	18,972,648	18,972,648	-	-	4,889	4,889
Other comprehensive income for the year		-	-	-	-	(1,698)	(4,791)	(8,737)	(15,226)
Total comprehensive income for 2017		-	-	18,972,648	18,972,648	(1,698)	(4,791)	(3,848)	(10,337)
Dividends declared	25	-	-	(7,710,108)	(7,710,108)	-	-	(2,041)	(2,041)
Balance at 31 December 2017		9,113,589	25,714,969	50,318,436	85,146,994	1,122	3,167	6,197	10,486

Joint Stock Company "UZBEK LEASING INTERNATIONAL A.O."
Statement of Cash Flows

	Note	2017 UZS'000	2016 UZS'000	2017 USD'000	2016 USD'000
Cash flows from operating activities					
Interest income received on finance lease		59,153,151	31,572,595	13,105	10,634
Interest paid	16	(10,100,864)	(6,542,791)	(1,976)	(2,204)
Other operating income received		1,622,967	311,753	315	105
Administrative and other operating expenses paid		(7,074,457)	(4,030,967)	(1,477)	(1,358)
Staff costs paid		(6,676,959)	(3,536,754)	(1,394)	(1,191)
Income tax paid		(5,136,238)	-	(1,064)	-
Cash flows from operating activities before changes in operating assets and liabilities					
		31,787,600	17,773,836	8,573	5,986
Net decrease/(increase) in due from banks		4,507,154	(1,531,733)	934	(516)
Net increase in finance lease receivables		(30,104,939)	(8,431,986)	(6,238)	(2,840)
Net (increase)/decrease in equipment for leasing		(5,593,292)	2,527,488	(1,159)	851
Net increase in prepayments made to vendors for leasing equipment		(419,843)	(3,986,346)	(87)	(1,343)
Net increase in other assets		(3,299,026)	(1,005,556)	(684)	(339)
Net increase in advance received from lessees		2,547,375	107,064	528	36
Net decrease in trade payables		(28,066,078)	(8,001,560)	(5,816)	(2,695)
Net decrease in other liabilities		(54,867)	(9,297)	(11)	(3)
Net cash (used in) operating activities		(28,695,916)	(2,558,090)	(3,960)	(863)
Cash flows from investing activities					
Purchase of property and equipment	11	(102,744)	(369,826)	(21)	(125)
Loans issued to employees		(1,111,715)	(284,356)	(230)	(96)
Repayment of loans to employees		271,475	-	56	-
Loans issued to entity		(290,000)	-	(60)	-
Repayment of loans to companies		111,244	-	23	-
Net cash used in investing activities		(1,121,740)	(654,182)	(232)	(221)

Joint Stock Company "UZBEK LEASING INTERNATIONAL A.O."
Statement of Cash Flows (Continued)

	Note	2017 UZS'000	2016 UZS'000	2017 USD'000	2016 USD'000
Cash flows from financing activities					
Dividends paid	25	(8,318,464)	(4,423,315)	(2,224)	(1,490)
Repayment of finance lease liabilities	16	(12,245,369)	(5,845,445)	(2,537)	(1,969)
Proceeds from borrowings	16	68,559,307	16,995,348	14,206	5,724
Repayment of borrowings	16	(39,658,291)	(28,654,853)	(8,218)	(9,652)
Net cash from / (used in) financing activities		8,337,183	(21,928,265)	1,227	(7,387)
Effect of exchange rate changes on cash and cash equivalents					
		807,871	8,125	(3,673)	(1,493)
Net decrease in cash and cash equivalents					
		(20,672,602)	(25,132,412)	(6,638)	(9,964)
Cash and cash equivalents at the beginning of the year	7	21,964,265	47,096,677	6,797	16,761
Cash and cash equivalents at the end of the year	7	1,291,663	21,964,265	159	6,797
Non cash transactions					
Finance lease liabilities issued by KDB Bank Uzbekistan (UzKDB)	16	7,202,694	2,596,971	1,492	875
Transfer prepayments from other assets into finance lease liabilities and borrowings after issue	16	169,015	67,718	35	23

1 Introduction

These financial statements of Uzbek Leasing International A.O. (the “Company”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the period ended 31 December 2017.

The Company was incorporated and is domiciled in the Republic of Uzbekistan. The Company is a joint stock company limited by shares and was established on 20 March 1996 in accordance with Decree dated 5 January 1995 of the Cabinet of Ministers of Uzbekistan.

The shareholders of the Company are as follows:

	31 December 2017	31 December 2016
National Bank for Foreign Economic activity of Uzbekistan (National Bank of Uzbekistan - NBU)	41.6%	41.6%
Uzbek-Omon Investment Company LLC	38.7%	38.7%
Malayan Banking Berhad	19.7%	19.7%
Total	100%	100%

Principal activity. The Company’s principal activity is providing finance leases to entities within the Republic of Uzbekistan. The Company had 54 employees as at 31 December 2017 (31 December 2016: 47 employees).

Registered address and place of business. The Company’s registered address and principal place of business is: 1, Beshyog’och street, Tashkent, 100066, Republic of Uzbekistan.

Presentation currency. These financial statements are presented in Uzbek Soums (“UZS”) and US Dollars (“USD”), unless otherwise stated.

2 Operating Environment of the Company

Republic of Uzbekistan. The Uzbekistan economy continues to display characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Also, the financial sector in Uzbekistan is particularly impacted by local political, legislative, fiscal and regulatory developments.

Economic stability in Uzbekistan is largely dependent upon the effectiveness of economic measures undertaken by the Government of Uzbekistan, together with other legal, regulatory and political developments, all of which are beyond the Company’s control.

The Company’s financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations, which greatly impact Uzbek financial markets and the economy overall. Management is unable to predict all developments, which could have an impact on the lending sector generally and on the financial position of the Company in particular.

Following the Presidential Resolution #УП-5177 “On priority measures for liberalization of currency policy” of 2 September 2017, Uzbek legal entities have been free to purchase foreign currencies for payment of current international transactions (imports of goods and services, loan repayments, business travel expenses, etc.) at commercial banks from 5 September 2017. The mandatory transfer of foreign currency from export revenues to the government was also abolished, which was 50%, and then 25% in the past. This means that the country’s monetary policy, which was very restrictive for many years, is now highly liberalized.

Uzbekistan experienced the following key economic indicators in 2017:

- Inflation: 14.4% (2016: 5.7%);
- GDP growth: 5.3% (2016: 7.8%);
- Refinancing rate of the Central Bank of Uzbekistan (“CBU”) – 14.0% (2016: 9.0%).