TAJIK ALUMINIUM COMPANY
AND ITS SUBSIDIARY

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

Contents

Independent Auditor's Report on the Summary Consolidated Financial Statements

To the Owner of Tajik Aluminium Company

1. The accompanying Summary Consolidated Financial Statements of State Unitary Enterprise Tajik Aluminium Company and its subsidiary which comprise the Summary Consolidated Statement of Financial Position as at 31 December 2011 and the Summary Consolidated Statement of Comprehensive Income, Summary Consolidated Statement of Changes in Owner's Equity and Summary Consolidated Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes, are derived from the Audited Consolidated Financial Statements of Tajik Aluminium Company and its subsidiary for the year ended 31 December 2011. We expressed an uqualified audit opinion on those financial statements in our audit report dated 17 November 2014.

2. The Summary Consolidated Financial Statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the Summary Consolidated Financial Statements, therefore, is not a substitute for reading the Audited Consolidated Financial Statements of Tajik Aluminium Company and its subsidiary

Management's Responsibility for the Summary Consolidated Financial Statements

3. Management is responsible for the preparation of a summary of the audited Consolidated Financial Statements on the basis described in Note 3.

Auditor's Responsibility

4. Our responsibility is to express an opinion on the Summary Consolidated Financial Statements based on our procedures which were conducted in accordance with International Standard on Auditing 810, "Engagements to Report on Summary Financial Statements".

Audit Opinion

5. In our opinion, the Summary Consolidated Financial Statements derived from the audited Consolidated Financial Statements of Tajik Aluminium Company and its subsidiary for the year ended 31 December 2011 are consistent, in all material respects, with those financial statements, on the basis described in Note 3.

6. Our audit report draws attention to Note 5 of the Audited Consolidated Financial Statements. This note sets out the matters considered by Management in concluding that it is appropriate to present these Consolidated Financial Statements on a going concern basis. Our opinion on the Audited Consolidated Financial Statements is not qualified in respect of this matter.

Moore Stephens ООО

OOO "Moore Stephens"
Nizhniaya Krasnoselskaya 40/12,
Moscow

17 November 2014

Общество с ограниченной ответственностью "Моор Стивенс" ОГРН 1027739140857 Москва

Consolidated Statement of Financial Position
as at 31 December 2011
(in thousands US Dollars)

	Notes	31 December 2011	31 December 2010
Non-current assets			
Property, plant and equipment	5	450,558	512,592
Equipment to be installed and assets under construction	5	2,775	2,362
Investments		11,854	16,844
		465,187	531,798
Current assets			
Inventories	6	61,039	64,451
Income tax prepaid		315	244
Trade and other receivables	7	13,615	24,326
Cash and cash equivalents		313	223
		75,282	89,244
Less: current liabilities			
Trade and other payables	8	92,819	127,173
Short-term debt	9	20,617	16,188
Provision		162,459	162,592
		275,895	305,953
Net current liabilities		(200,613)	(216,709)
Non-current liabilities			
Deferred tax liability		12,705	12,439
Trade payables		94,688	88,730
		107,393	101,169
Net assets		**157,181**	**213,920**
Financed by:			
Charter capital	10	555,896	508,000
Revaluation reserve	11	229,106	282,858
Accumulated deficit	12	(627,821)	(576,938)
		157,181	**213,920**

Approved on behalf of Management on 17 November 2014

S. F. Sharipov
Managing Director

Sh. K. Kurbanov
Chief Accountant

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011
(in thousands US Dollars)

	Notes	2011	2010
Revenue	13	162,913	198,246
Cost of sales	14	(232,414)	(236,481)
Gross loss		(65,901)	(38,235)
Distribution expenses	15	(3,943)	(4,988)
Administrative expenses	16	(36,392)	(24,050)
Operating loss		**(109,836)**	**(67,273)**
Unwinding of discount		(6,300)	(668)
Impairment of assets transferred from Ansol		(4,500)	–
Other income and expenses	17	16,433	20,841
Interest expense and finance charges		(1,069)	(6,115)
Foreign exchange differences		2,748	(548)
Loss before taxation		(102,524)	(53,763)
Taxation		(11,597)	24,168
Loss for the year after taxation		**(114,121)**	**(29,595)**
Total comprehensive loss for the year		(114,121)	(29,595)
Total comprehensive loss attributable to:			
Owner of the Group		**(114,121)**	**(29,595)**

The Group has no items of other comprehensive income.

Consolidated Statement of Cash Flows
for the year ended 31 December 2011
(in thousands US Dollars)

	Notes	2011	2010
Operating activities			
Loss before tax		(102,524)	(53,763)
Adjustments for			
Depreciation		78,964	73,387
Loss / (profit) on disposal of fixed assets		74	(5,246)
Foreign exchange (gain) / loss		(2,748)	548
Fair value adjustment on debt to Hydro Aluminium AS		–	668
Fair value adjustment on debt to CDH Investments Corp.		6,300	5,565
Interest expense		1,069	550
Unrecoverable receivables written off		567	147
Impairment of Ansol assets		4,500	–
Income from payables written off		(497)	(4,231)
Impairment allowance against doubtful receivables		140	(4,772)
Obsolescence allowance		4,227	(1,215)
Unused holidays provision		(133)	67
Operating loss before working capital changes		(10,061)	11,705
Changes in operating assets and liabilities			
Decrease / (increase) in trade and other receivables		10,097	(13,984)
(Increase) / decrease in inventories		(815)	6,987
(Decrease) / increase in trade and other payables		(5,416)	21,372
Interest paid		(1,011)	(310)
Income tax paid		(608)	(2,285)
Net cash (used in) / generated by operating activities		**(7,814)**	**23,485**
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(17,535)	(23,592)
Proceeds from disposal of fixed asset		60	5,977
Acquisition of minority stake		–	(7,844)
Net cash used in investing activities		**(17,475)**	**(25,459)**
Cash flows from financing activity			
New borrowings		43,434	3,819
Repayment of borrowings		(38,504)	(2,900)
Contribution to charter capital	10	17,805	–
Net cash generated by financing activities		**22,735**	**919**
Exchange difference		2,644	8
Net increase / (decrease) in cash and cash equivalents		90	(1,047)
Cash and cash equivalents at the beginning of the year		223	1,270
Cash and cash equivalents at the end of the year		**313**	**223**

Volume of barter transactions during 2011 amounts to 17,273 (2010: 20,700).

Consolidated Statement of Changes in Owner's Equity
for the year ended 31 December 2011
(in thousands US Dollars)

	Charter capital (Note 10)	Revaluation reserve (Note 11)	Accumula–ted deficit (Note 12)	Total
Balance at 31 December 2009	**508,000**	**321,473**	**(592,773)**	**236,700**
Annual release from revaluation reserve	–	(45,430)	45,430	**–**
Deferred tax charge	–	6,815	–	6,815
Comprehensive loss for the year	–	–	(29,595)	(29,595)
Balance at 31 December 2010	**508,000**	**282,858**	**(576,938)**	**213,920**
Owner's contribution	47,896	–	–	47,896
Annual release from revaluation reserve	–	(63,238)	63,238	–
Deferred tax charge	–	9,486	–	9,486
Comprehensive loss for the year	–	–	(114,121)	(114,121)
Balance at 31 December 2011	**555,896**	**229,106**	**(627,821)**	**(157,181)**

1. Description of business

Tajik Aluminium Company is a state–owned enterprise incorporated in the Republic of Tajikistan. The registered office and main operating location of the Company is in the town of Tursunzade in the Republic of Tajikistan. The Company is controlled directly by the Government of the Republic of Tajikistan.

The Company and its subsidiaries are engaged in the production of aluminium under a tolling scheme predominantly for foreign markets. In addition the Group undertakes some production for its own account and also produces consumer goods utilising its own aluminium. Primary aluminium production of the Company in 2011 approximated 278,364 metric tons (2010: 348,897 metric tons) from a single–location mill that was constructed in 1975.

Prior to 27 August 1991 the Company's mill was under the jurisdiction of the Soviet Union. On that date it was transferred to the jurisdiction of the Republic of Tajikistan. The Company and its assets are the national property of Tajikistan and it is engaged in non–commercial projects from time to time, however the Company has the right to use its assets in its activities and to distribute net profits, if any, or transfer them to reserves. The Company and the Republic of Tajikistan are not liable for the obligations of the other.

On 31 October 2008 Tajik Aluminium Company incorporated a 100% subsidiary - Subsidiary State Company Aluminsohtmon (hereafter "Aluminsokhtmon"). Aluminsohtmon's capital was paid up by direct transfer of non–current and current assets in the amount of 21,321 (TJS 72,518 thousands) from Tajik Aluminium Company. The main purpose of incorporating Aluminsohtmon was to separate the production of consumer goods from the Company's main activity, the provision of tolling services.

Based on a Government of Republic of Tajikistan resolution passed on 22 January 2010 the Company registered a subsidiary Research Institute of Metallurgy of SUE TALCO (hereafter "NII Metalurgii"). The Company owns 100% of the charter capital of NII Metallurgii. This subsidiary was established with the objective of improving the efficiency of raw material usage in the Company and the quality of output in order to increase the competitiveness of the Company. NII Metallurgii is not considered material to the Group and was not consolidated in these financial statements.

In accordance with a resolution of the Government of Republic of Tajikistan the Company registered a new subsidiary Joint Tajik–Russian Limited Liability Company Nuron (hereafter "Nuron") on 27 August 2010. The Company holds 60% of the shares in this company and the remaining 40% are owned by the Russian entity Open Joint Stock Company Proton. This subsidiary was established with the objective of developing and producing energy saving diode lamps and illumination devices and their further sale. Aluminsokhtmon on behalf of TALCO contributed the share to Nuron in November 2011. Nuron is not considered material to the Group and was not consolidated in these financial statements.

As at 31 December 2011 the Group employed 10,677 employees (31 December 2010: 11,147 employees).

2. Operating environment in the Republic of Tajikistan

The Tajikistan economy continues to display characteristics of an emerging market. These characteristics include lack of liquidity in the capital markets and the existence of currency control, which causes the national currency to be illiquid outside of the Republic of Tajikistan. The success and stability of the Republic of Tajikistan's economy will be significantly influenced by the Government's actions with regard to supervisory, legal, and economic reforms.

The legal and tax systems in Tajikistan are evolving as the Government transforms itself from a command to a market oriented economy. There were many Tajikistan tax laws and related regulations introduced in recent years. Because these laws are new, relevant officials do not have extensive experience of implementing them and interpretations can vary between and within regulatory authorities. These circumstances create greater uncertainties than are normal in older market economies.

2. Operating environment in the Republic of Tajikistan (continued)

The Group's operations and financial position will continue to be affected by economic developments in Tajikistan including the application of existing and future legislation and tax regulations. These factors could have a significant impact on the Group's financial position, results of operations and its ability to continue operations. The Group does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in the Republic of Tajikistan.

3. Basis of preparation

The Group maintains its records and prepares its statutory financial statements in Tajik Somoni in accordance with Tajik accounting and tax legislation. Although changes to accounting regulations in Tajikistan have been introduced to bring national requirements closer to International Financial Reporting Standards (IFRS), some differences still remain in practice. These financial statements have been prepared from the Group's primary records incorporating adjustments so as to comply with IFRS including recognition of the US Dollar as the Group's functional currency.

The historical cost convention has been applied except where a policy set out in note 4 specifically indicates otherwise.

Legal title to all the fixed assets used by the Company rests with the Republic of Tajikistan. Despite this, the Company has day to day control of the assets and derives the full economic benefit of their use. Generally, IFRS require an enterprise to account only for assets owned by it or held by it under a finance lease. Management have considered this situation and have concluded that the fairest presentation under the circumstances is to record these assets on the balance sheet as this reflects the substance of the situation. The associated cost of depreciation is recognised in the Consolidated Statement of Comprehensive Income.

The preparation of consolidated financial statements requires Management to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities and the reported amounts of revenues and operating costs during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant areas in which estimates and judgements are applied include the following:

a. <u>Fair value techniques</u>

For assets and liabilities carried at fair value or initially recognised at fair value Management applies market prices where these are readily available. Where they are not readily available Management uses a variety of evaluation techniques. These techniques will generally require Management to determine an appropriate discount rate to utilise when discounting anticipated future cash flows. A significant portion of the Group's liabilities, in particular long term trade payables, have been determined based on discounting techniques.

Estimation of the fair value of interest free long–term payable requires Management to estimate the future cash flows expected to arise from the settlement of the liability and a suitable discount rate.

b. <u>Impairment losses on receivables</u>

Management reviews all its receivables to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the Statement of Income, Management makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an asset. Management uses estimates to determine both the amount and timing of future cash flows. Impairment losses are charged directly to the Statement of Income. Historical experience shows that receivables outstanding for more than one year are generally not recoverable.

c. <u>Valuation of buildings, plant and equipment</u>

Following the introduction of a policy of carrying buildings, plant and equipment at fair value the Group will be reviewing the carrying value of these items no less frequently than once every five years. In determining an appropriate carrying value management relies on the opinion of an expert third party valuation company. The experts determine the value of fixed assets as what they could be sold for, assuming an arm's length transaction between a willing buyer and seller. In carrying out such a valuation the experts will make a number of assumptions about future profitability and appropriate discount rates.

3. Basis of preparation (continued)

d. Depreciation

The Group charges depreciation on the basis of the estimated useful lives of fixed assets. These estimates are based on Management's knowledge of the assets and the use to which they are put. Estimates of useful lives are reviewed on an annual basis.

e. Unquoted Investments

In 2010 the Group acquired a 6.9% stake in Open Joint Stock Company Rogunskaya hydroelectric station (hereafter “Rogunskaya HES”) a hydroelectric power station in the process of construction. Management has not been able to assess the fair value of this investment based on market transactions as the investment is not quoted. According to publicly available information Rogunskaya HES was in the process of construction in 2011. Rogunskaya HES was not audited in 2011 and previous years. Management has therefore included the investment in the financial statements based on the cost of 7,296 (31 December 2010: 7,844) at the exchange rate prevailing at year end. Should additional information become available in future Management may reassess the carrying value of this investment.

During 2011 the Group contributed its share to Nuron, a non–consolidated subsidiary. The contribution was made by transfer of a non–current asset with carrying amount of 58. It is also an unquoted company.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Tajik Aluminium Company and its Subsidiary (refer to note 1), drawn up to 31 December 2011. The financial statements of Aluminsohtmon are prepared for the same reporting period as the financial statements of Tajik Aluminium Company based on uniform accounting policies. All intragroup balances, transactions, income, expenses, and profits and losses resulting from intragroup transactions that are recognised in assets, are eliminated in full.

4. Significant accounting policies

a) Property, plant and equipment

Carrying value of property, plant and equipment

In the years up to and including the year ended 31 December 2007 all of the Group’s property, plant and equipment were stated at estimated historical cost less accumulated depreciation.

In 2008 Management resolved to change the accounting policy in respect of buildings and plant and equipment in order to ensure that the financial statements provide users with more relevant and reliable information than was the case with the previous policy. As a result it was resolved to carry these items at fair value. Following this decision, buildings, plant and equipment were revalued by Management as at 31 December 2008 based on valuations arrived at by an independent appraisal company, American Appraisal (AAR) Inc. A market value approach was used for valuation of assets commonly traded in the market, an income or depreciated replacement cost approach was used for estimating the fair value of the specialized property.

Other fixed assets are stated at cost less depreciation.

Buildings, plant and equipment are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined by using fair value at the end of each reporting period. But, in any case, at least once in every five years.

In accordance with IAS 36 provision is made for impairment losses in relation to fixed assets when the recoverable amount of the asset is less than the carrying amount of that asset.

The Group has the right to indefinitely use the land on which its plant is located. This right has been granted from the town administration of Tursunzade. The land is not the property of the Group and has not been included in the list of fixed assets.

The Group has title to certain non–production and social assets, primarily buildings and facilities, which are valued at zero in the accompanying consolidated financial statements. The costs to maintain these and other long term assets are expensed as incurred.

4. Significant accounting policies (continued)

a) Property, plant and equipment (continued)

Depreciable lives of property, plant and equipment

Depreciation is computed on a straight line basis on the following remaining useful lives of the assets:

Buildings	9–55 years
Plant and equipment	2–35 years
Other	2–6 years

Useful lives are reviewed annually.

Revaluation reserve

Increases over historical cost book values arising from the revaluation of buildings, plant and equipment are transferred to a revaluation reserve. The revaluation reserve is recognised net of the associated deferred tax liability.

In the event of downward revaluations decreases are charged to the revaluation reserve until they exceed historical cost book values when they are charged to the Statement of Income.

The balance of the reserve is released to retained earnings in equal instalments over the remaining anticipated useful lives of the assets, or on disposal if earlier.

b) Equipment to be installed and assets under construction

Items of equipment to be installed are recorded on the balance sheet at cost. These balances are not depreciated until construction is completed and assets are put into use.

The impairment is accrued on those assets if necessary.

c) Impairment

The creation of allowances for impairment of assets requires Management to consider events after the balance sheet date and in some cases events which are yet to occur at the date of signing financial statements. Management uses the best information available at the date the financial statements are signed. However, this information is not always full and complete. Where reliable estimates are not possible Management makes no allowances and instead describes all relevant facts and uncertainties. Where a reasonable estimate can be made allowances are created within the financial statements. However, as these are partially based on predictions of future events actual results could differ from the estimates made by Management. In making certain allowances Management utilises discounting techniques to take account of the time value of money. Discount rates are determined by Management based on the current cost of capital for the Company, however determining an appropriate discount rate is ultimately a subjective matter.

d) Income tax

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Consolidated Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. Significant accounting policies (continued)

Deferred tax

Deferred profit tax assets and liabilities are calculated in respect of temporary differences using a balance sheet liability method. Deferred profit tax is provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred profit tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred profit tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax liability is recognised annually on the amount of revaluation reserve after accumulated transfers to retained earnings / (accumulated losses).

e) Foreign currency

Management believes the Group's functional currency to be the US Dollar as the majority of its revenues, purchases of property, plant and equipment, raw materials and debt are either priced, incurred, payable or otherwise measured in US Dollars. Accordingly, transactions and balances not already measured in US Dollars (primarily Tajik Somoni) have been translated into US Dollars.

Liabilities and current assets in other currencies at the balance sheet date are translated into US Dollars at relevant rates ruling on that date. For the purposes of these consolidated financial statements, liabilities and current assets denominated in Tajik Somoni have been translated at a rate of: USD 1 = TJS 4.7585 (2010: USD 1 = TJS 4.4031).

Transactions during the year denominated in currencies other than the US Dollar have been translated into US Dollars at an average rate for the period or actual rates ruling on the date of the transaction. Fixed assets and owner's capital have been translated into US Dollars at estimated historic rates.

Differences on exchange arising on the application of the above policy are dealt with in the Statement of Income.

The Tajik Somoni is not a fully convertible currency outside the territory of the Republic of Tajikistan. Within the Republic of Tajikistan, official exchange rates are determined daily by the National Bank of the Republic of Tajikistan (the "NBRT"). Market rates may differ from the official rates but the differences are, generally, within narrow parameters monitored by the NBRT.

d) Foreign currency translation (continued)

The fact that these consolidated financial statements are presented in US Dollars should not be taken to imply that amounts can or will be settled in that currency. As of 31 December 2011, the official exchange rate was USD 1 = TJS 4.7585. The effect of the post balance sheet fluctuation in the exchange rate on Tajik Somoni denominated assets and liabilities has not been calculated.

f) Cash

Cash comprises cash in hand and cash deposited in banks.

g) Trade and other receivables

Trade and other receivables are stated at cost, being original invoice amount less impairment losses. An impairment allowance is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Trade and other receivables are stated inclusive of value added tax ("VAT").

4. Significant accounting policies (continued)

h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. An allowance is recorded against slow–moving and obsolete inventories.

Primary raw materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at above cost.

i) Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received. Trade and other payables are stated inclusive of VAT which is reclaimable from the tax authorities upon the later of receipt of goods and services and the payment of the payable. Subsequently trade and other payables are measured at amortised cost, because the expected term of trade and other payables is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

j) Borrowing costs

Group recognises borrowing costs in profit and loss in the period in which they are incurred. .

k) Revenue recognition

The Group records processing fees receivable net of VAT at the point processed aluminium is dispatched.

Revenue on other that tolling sales is recognised net of VAT when the risks and rewards are transferred to the buyer. Generally title to aluminium passes to customers in the period in which the goods are dispatched from the Group, and invoices are raised. However contracts with certain customers require that goods be delivered to the ultimate buyers. In such instances, revenue recognition is deferred until the actual delivery of goods.

Irrecoverable VAT is recorded as an expense within administrative expenses.

Payments received for future shipments are recorded as deferred revenue within accrued liabilities.

l) Pension and State Social Fund Contributions

The Group contributes to the state pension scheme of the Republic of Tajikistan, which is administered by the State Social Fund. The pension scheme is a defined contribution scheme. The Group's contribution to the State Social Fund amounted to 25% (2010: 25%) of employees' salaries as social insurance and 1% (2010: 1%) of employees' salaries as pension contribution and are expensed as incurred. The Group has no other programme or obligation for payment of postretirement benefits to its employees.

m) Financial instruments

The Group classifies its financial assets and financial liabilities based on the following categories:

<u>Financial assets at fair value through profit or loss</u> – relates to financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. As at 31 December 2011 and 31 December 2010, the Group did not have any financial assets in this category.

<u>Held–to–maturity investments</u> – relate to non–derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group have the positive intention and ability to hold to maturity. After initial measurement, held to maturity investments are measured at amortised cost. As at 31 December 2011 and 31 December 2010, the Group did not have any financial assets in this category.

4. Significant accounting policies (continued)

Loans and receivables – relate to non–derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment.

Available–for–sale financial assets – relate to non–derivative financial assets that are designated as available for sale or are not classified in any of the three preceding categories. After initial measurement, available for sale financial assets are measured at fair value with unrealised gains or losses being recognised directly in equity. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the income statement. Available for sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by Management are stated at historical cost less impairment provision where appropriate.

Financial liabilities at fair value through profit or loss – relate to financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. As at 31 December 2011 and 31 December 2010 the Group did not have any financial liabilities of this category.

Financial liabilities measured at amortised cost – relate to all other financial liabilities.

n) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where 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 time value of money is material).

Where some or all of the expenditure required for settling a provision is expected to be covered by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably. The reimbursement is treated as a separate asset.

n) Provisions (continued)

In the Consolidated Statement of Comprehensive Income, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. The following provisions are created by the Group:

- Unused holiday leave provision,
- Provision arisen as result of litigations.

o) Contingent liabilities

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Each class of contingent liability is disclosed at the end of the reporting period with a brief description of the nature of the contingent liability and, where practicable:

- an estimate of its financial effect. The amount recognised as contingent liability shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period;
- an indication of the uncertainties relating to the amount or timing of any outflow; and
- the possibility of any reimbursement.

(in thousands U.S. Dollars, unless otherwise stated)

5. Property, plant and equipment, equipment to be installed and assets under construction

	Buildings at fair value	Plant and equipment at fair value	Other at cost	Total	Equipment to be installed and assets under construc–tion
COST OR FAIR VALUE					
Balance at 31 December 2009	**320,186**	**315,028**	**31**	**635,245**	**1,470**
Additions	412	18,207	17	18,636	4,956
Transferred from equipment to installed and assets under construction	–	3,614	–	3,614	(3,614)
Disposals	(76)	(341)	(1)	(418)	(450)
Balance at 31 December 2010	**320,522**	**336,508**	**47**	**657,077**	**2,362**
Additions	176	15,080	2	15,258	2,152
Transferred from equipment to installed and assets under construction	–	1,731	8	1,739	(1,739)
Disposals		(187)	–	(187)	–
Balance at 31 December 2011	**320,698**	**353,132**	**57**	**673,887**	**2,775**
ACCUMULATED DEPRECIATION					
Balance at 31 December 2009	**20,050**	**51,176**	**9**	**71,235**	**–**
Depreciation charge	20,067	53,313	7	73,387	–
Released on disposal	(9)	(127)	(1)	(137)	–
Balance at 31 December 2010	**40,108**	**104,362**	**15**	**144,485**	**–**
Depreciation charge	19,929	59,027	8	78,964	–
Released on disposal	–	(120)	–	(120)	–
Balance at 31 December 2011	**60,037**	**163,269**	**23**	**223,329**	**–**
Net Book Value at 31 December 2010	**280,414**	**232,146**	**32**	**512,592**	**2,362**
Net Book Value at 31 December 2011	**260,661**	**189,863**	**34**	**450,558**	**2,775**

The Group does not insure its fixed assets.

No assets were pledged as securities under Group’s obligations.

Under the cost model the carrying amount as at 31 December 2011 would have been 152,473 (2010: 105,211) for buildings, 105,572 (31 December 2010: 80,728) - for plant and equipment, 52 (31 December 2010: 41) - for other and 6,294 (31 December 2010: 7,808) - for equipment to be installed and assets under construction.

There are fully depreciated assets with total fair value of 11,676 (31 December 2010: 8,549) included within buildings - at fair value of 838 (31 December 2010: 90), plant and equipment - at fair value of 10,676 (31 December 2010: 8,300) and other fixed assets - at cost of 162 (31 December 2010: 159).

(in thousands U.S. Dollars, unless otherwise stated)

6. Inventories

	31 December 2011	31 December 2010
Work in progress:		
Aluminium	21,465	23,238
Anodes	3,569	3,461
Primary raw materials	6,256	7,404
Finished goods	471	291
Other materials	36,232	32,784
Total inventories	**67,993**	**67,178**
Obsolescence allowance	(6,954)	(2,727)
Total	**61,039**	**64,451**

Primary raw materials include approximately 17,000 metric tons of alumina with a carrying value of 5,631 (31 December 2010: 6,036) which the Group keeps as reserve stock in order to secure production in case of supply issues.

The cost of inventories recognised as an expense during the year was USD 38 million (2010: USD 44 million).

Movement in the allowance for obsolescence stock:

	2011	2010
Balance at beginning of the year	2,727	3,941
Accrued/(Released) (note 16)	4,227	(1,214)
Balance at the end of the year	**6,954**	**2,727**

7. Trade and other receivables

	31 December 2011	31 December 2010
Trade receivables	11,541	23,675
Advances paid	1,137	–
Less: allowance for impaired trade receivables	(431)	(583)
Net trade receivables	12,247	23,092
Other taxes prepaid	–	215
Other receivables	1,585	1,366
Less: allowance for impaired other receivables	(217)	(347)
Net other receivables	1,368	1,019
Total	**13,615**	**24,326**

As at 31 December 2011 the Group had no impaired receivable balances in respect of related parties (31 December 2010: 163).

Movement in the allowance for impaired trade and other receivables are as follows:

	2011	2010
Balance at beginning of the year	930	5,702
Impairment losses recognised / (reversed) on receivables (Note 16)	140	879
Impairment allowance written off with bad debt	(422)	(5,651)
Balance at the end of the year	**648**	**930**

(in thousands U.S. Dollars, unless otherwise stated)

8. Trade and other payables

	31 December 2011	31 December 2010
Trade accounts payable	65,822	96,219
Non–income taxes payable	15,448	12,205
Other payables	9,052	16,764
Salaries and wages payable	2,332	1,985
Corporate profit tax payable	165	–
Total	**92,819**	**127,173**

As at 31 December 2011 other payables in amount of 427 (31 December 2010: 5,333) were owed to TALCO Management for alumina and other raw materials. This amount represents borrowing of raw materials from TALCO Management. The balance with TALCO Management can be either receivable or payable depending on whether TALCO Management borrows from TALCO or vice versa. The balance is to be settled by delivery of relevant raw materials.

9. Short–term debt

	31 December 2011	31 December 2010
Loan and overdraft balances	14,000	7,811
Accrued interest on promissory note	4,017	4,337
Debt to Hydro Aluminium AS	2,600	4,040
Total	**20,617**	**16,188**

Loans and overdrafts are unsecured. As at 31 December 2011 short–term debt owed to related parties was 4,017 (31 December 2010: 6,154).

As at 31 December 2011 overdue amount payable to Hydro was 400 out of 2,600 (31 December 2010: 600 out of 4,040). During 2011 Group and Hydro signed amended repayment schedule determining maturity date in August 2012. The difference in fair value of the outstanding liability at a discount rate of 7.1% (which is management's best estimate of the cost of finance for the Group) before and after the rescheduling has been recognised as an expense.

Accrued interest on promissory notes is amount due to Barki Tojik. On 19 December 2003 the Group signed a loan agreement with Barki Tojik for an amount of TJS 24 million (approximately 8,093 at the exchange rate prevailing at that date). The loan was provided for 5 years at an interest rate equal to the quarterly inflation rate in Tajikistan plus 1%. In accordance with an agreement dated 18 December 2008 an Order of Government of Republic of Tajikistan was issued on 1 February 2009 setting part of the debt due by the Group to Barki Tojik against balances owed to the Group for restoration works on heat and power plant Yavanskaya in the amount of TJS 24 million. The remaining accrued interest was not written off and its repayment is under review.

Details of loans and overdrafts are presented below:

Bank	Type of borrowing	Currency of borrowing	Interest rate	Maturity date	31 December 2011	31 December 2010
Amonatbank	Loan	TJS	14%	31 January 2011	–	1,817
Orienbank	Overdraft	TJS	14%	20 March 2011	–	5,994
Orienbank	Overdraft	USD	18%	30 June 2012	5,000	–
Orienbank	Overdraft	USD	12%	8 February 2012	9,000	–
					14,000	**7,811**

(in thousands U.S. Dollars, unless otherwise stated)

9. Short–term debt (Continued)

During 2011 the group has agreed with Hydro an updated schedule of the debt repayment. Any differences between net present value of the updated debt repayment schedule and previously recognised net present value of the debt discounted at 7.1% (Management's best estimate of the Group's cost of capital) was recognized in statement of comprehensive income.

10. Charter capital

In accordance with its Charter the Company is fully owned by the Republic of Tajikistan. The Company's capital is therefore not divided into shares.

The Company's charter capital at the time of its transfer to the jurisdiction of Tajikistan was 668,096 thousand Soviet Roubles. On 31 October 1995, the Company's charter was amended to increase the nominal value of charter capital to 997,121 thousand Roubles. Under legislation in Tajikistan, this and subsequent changes in the charter capital were made largely as a result of periodic revaluations of its inventories and plant and equipment to market value, and, as such, did not increase the carrying amount of capital in the IFRS accounts.

During 2011 charter capital was increased twice. On the basis of the Resolution of Government of Republic of Tajikistan # 312–12 dd. 30 July 2011 the charter capital of the Company was increased by the amount of TJS 83.9 million (equivalent of USD 17.8 million). The contribution was made in cash.

On the basis of the Resolution of Government # 634 dd. 30 December 2011 the charter capital of the Company was increased by writing off of a liability to Barki Tojik arising from the consumption of electricity in the amount TJS 143.7 million (equivalent of USD 30.2 million). This is a non–cash transaction and did not affect the cash flow statement of the Group.

At 31 December 2011, the statutory amount of the Company's charter capital was TJS 306,429 thousand - an equivalent of 555,896 (31 December 2010: 508,000).

11. Revaluation reserve

	Revaluation amount	Annual release	Deferred taxation	Net
Balance at 31 December 2009	**423,700**	**(45,497)**	**(56,730)**	**321,473**
Movement	–	(45,430)	6,815	(38,615)
Balance at 31 December 2010	**423,700**	**(90,927)**	**(49,915)**	**282,858**
Movement	–	(63,238)	9,486	(53,752)
Balance at 31 December 2011	**423,700**	**(154,165)**	**(40,429)**	**229,106**

12. Accumulated deficit

In accordance with legislation in the Republic of Tajikistan and its charter, the Company can distribute its net profits as dividends or transfer them to reserves.

The Group's accumulated deficit of USD 628 million as at 31 December 2011 (31 December 2010: USD 577 million), as shown in these consolidated financial statements does not equal to the combined retained earnings of the Company and its subsidiary as shown in financial statements prepared in accordance with accounting regulations in Tajikistan. At 31 December 2011, the Company and its subsidiary had combined retained losses of TJS 126 million (USD 27 million) (31 December 2010: the Company and its subsidiary had a combined accumulated deficit of TJS 203 million or USD 46 million) in its statutory financial statements.

(in thousands U.S. Dollars, unless otherwise stated)

13. Revenue

	2011	**2010**
Tolling	135,280	168,020
Sale of aluminium	19,543	21,036
Sale of consumer goods	6,143	5,105
Construction contract revenue	1,947	4,055
Other sales	–	30
Total	**162,913**	**198,246**

During the year the Group made USD 17.3 million (2010: USD 20.7 million) of non–monetary sales of aluminium. Non–monetary sales of aluminium were predominantly made in exchange for purchases of electricity.

In 2011, the volume of aluminium supplied under the tolling agreement was 269,071 metric tons (2010: 338,018 metric tons) and non–tolling sales volumes were 8,275 metric tons (2010: 10,766 metric tons). The tolling fee is set on a contractual basis monthly or quarterly and does not vary based on London Metal Exchange pricing. Under the tolling agreement, the average tolling fee earned by the Company for 2011 was USD 593 per metric ton (2010: USD 570 per metric ton).

The main customers during 2011 were as follows:

Customer	**Product / Service**	**Tons dispatched**	**Revenue received from customer**
TALCO Management Limited	Tolling	269,071	135,280
Barki Tojik	Barter sale of aluminium in exchange for electricity	6,792	17,273
Others		1,483	2,270
Total metal sales		**277,346**	**154,823**

14. Cost of sales

Cost of services rendered

	2011	**2010**
Electricity	82,455	83,618
Depreciation	78,825	73,381
Salary and related taxes	34,443	35,448
Raw materials utilised and other expenses	35,206	40,194
Movement in stock balances	1,485	3,840
Total	**232,414**	**236,481**

(in thousands U.S. Dollars, unless otherwise stated)

15. Distribution expenses

	2011	2010
Railway transportation expenses	591	505
Customs duties and payments	620	1,194
Other distribution expenses	2,732	3,289
Total	**3,943**	**4,988**

16. Administrative expenses

	2011	2010
Taxes	12,534	8,114
Other administrative expenses	6,097	3,799
Repairs	4,256	3,643
Movement on obsolescence allowance (note 6)	4,227	(1,214)
Administrative payroll costs	2,498	2,111
Social expenditure	2,471	4,567
Fines	1,739	1,163
Legal fees	2,291	835
Expenses from receivables written off	–	147
Depreciation	139	6
Net change in impairment allowance on trade and other receivables (note 7)	140	879
Total	**36,392**	**24,050**

17. Other income and expenses

	2011	2010
Other non–operating income	13,835	4,033
Sales of other materials	1,556	3,362
Other operating income	619	2,846
Creditors written off	497	4,231
(Loss) / gain on sales of property, plant and equipment	(74)	5,246
Income from fines and penalties	–	1,123
Total	**16,433**	**20,841**

(in thousands U.S. Dollars, unless otherwise stated)

18. Related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, exercise significant influence over the other party in making financial or operational decisions or the two parties are under common control as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The majority of the Group's clients as well as suppliers are companies related to the Group. In 2011 99% of the Group's revenue (2010: 98%) was generated by sales to related parties.

During the year the Group entered into the following transactions and had the following year end balances with related parties.

Transactions	**2011**	**2010**
Key management personnel		
Short–term employee benefits	138	117
Entities under common control		
Tolling	135,280	168,020
Sales of aluminium	17,273	20,700
Construction contract revenue	5,800	5,208
Purchases of electricity	82,589	83,562
Purchases of raw materials and other expenses	57,820	46,522
Other income	14,563	651
Repayment of loan	1,817	–
Non–consolidated subsidiaries		
Research costs	171	90

Balances	**31 December 2011**	**31 December 2010**
Current balances due from related parties:		
Entities under common control		
Trade and other receivables	10,215	22,341
Investments	7,354	7,844
Non–consolidated subsidiaries		
Other receivables	38	35
Investments	58	–
Current balances due to related parties:		
Entities under common control		
Trade and other payables	(146,872)	(81,391)
Short term debt	(4,017)	(6,154)
Non–consolidated subsidiaries		
Other payables	(1)	–

Outstanding balances at the reporting date are not secured and will be settled in cash. No guarantees were given or received in their respect.

There was no impairment allowance for doubtful debts created on related parties' balances as at 31 December 2011 (31 December 2010: 163). No expense was recognised in the period in respect of bad and doubtful debts due from related parties (2010: nil).