TAJIK ALUMINIUM COMPANY
AND ITS SUBSIDIARY

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012 AND
YEAR ENDED 31 DECEMBER 2013

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 Statements of Financial Position as at 31 December 2012 and as at 31 December 2013 and the Summary Consolidated Statements of Comprehensive Income, Summary Consolidated Statements of Changes in Owner's Equity and Summary Consolidated Statements of Cash Flows for the years 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 years ended 31 December 2012 and 31 December 2013. We expressed a qualified aduit 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".

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 years ended 31 December 2012 and 31 December 2013 are consistent, in all material respects, with those financial statements, on the basis described in Note 3. However, the Summary Financial Statements are potentially misstated to the equivalent extent as the audited Consolidated Financial Statements of Tajik Aluminium Company and its subsidiary for the years ended 31 December 2012 and 31 December 2013.

Continued

Independent Auditor's Report on the Summary Consolidated Financial Statements

To the Owner of Tajik Aluminium Company (continued)

6. The potential misstatement of the Audited Consolidated Financial Statements is described in our qualified audit opinion in our report dated 17 November 2014. Our qualified audit opinion is based on the fact that the Group has elected the fair value method as its accounting policy for the recording of buildings, plant and equipment. This policy was adopted in 2008 with the first revaluation made as at 31 December 2008. There have been no revaluations performed since that date and no independent assessments of fair value by an external expert. As a result of the extended period since that date, we were unable to satisfy ourselves as to whether or not the carrying value recorded in the financial statements is materially different to the fair value of buildings, plant and equipment at the reporting date. Our qualified audit opinion states that, except for any possible effects of the matter described in the paragraph above, the Consolidated Financial Statements give true and fair view of the Group's position as at 31 December 2012 and 31 December 2013 and of the Group's financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards. 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 OOO

OOO "Moore Stephens"

Nizhniaya Krasnoselskaya 40/12,
Moscow

17 November 2014

Consolidated Statement of Financial Position
as at 31 December 2012 and 31 December 2013
(in thousands U.S. Dollars)

	Notes	31 December 2013	31 December 2012	31 December 2011
Non-current assets				
Property, plant and equipment	5	342,281	401,289	450,558
Equipment to be installed and assets under construction	5	4,507	5,545	2,775
Investments		11,854	11,854	11,854
		358,642	418,688	465,187
Current assets				
Inventories	6	42,544	68,656	61,039
Income tax prepaid		163	–	315
Trade and other receivables	7	35,031	5,927	13,615
Cash and cash equivalents		78	341	313
		77,816	74,924	75,282
Less: current liabilities				
Trade and other payables	8	333,263	136,986	92,819
Short-term debt	9	26,341	13,814	20,617
Provision		1,302	162,917	162,459
		360,906	313,717	275,895
Net current liabilities		(283,090)	(238,793)	(200,613)
Non-current liabilities				
Deferred tax liability		5,180	8,585	12,705
Trade payables		71,907	67,134	94,688
		77,087	75,719	107,393
Net (liabilities) / assets		**(1,535)**	**104,176**	**157,181**
Financed by:				
Charter capital	10	555,896	555,896	555,896
Revaluation reserve	11	143,060	184,952	229,106
Accumulated deficit	12	(700,491)	(636,672)	(627,821)
		(1,535)	**104,176**	**157,181**

Approved on behalf of Management on 17 November 2014

S. F. Sharipov
Managing Director

Sh. O. Kabirov
Finance and Commercial Director

The accompanying notes on pages 9 to 21 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income
for the years ended 31 December 2012 and 31 December 2013
(in thousands U.S. Dollars)

	Notes	2013	2012	2011
Revenue	13	110,420	148,086	162,913
Cost of sales	14	(184,718)	(209,088)	(232,414)
Gross loss		(74,298)	(61,002)	(69,501)
Distribution expenses	15	(1,639)	(2,087)	(3,943)
Administrative expenses	16	(26,840)	(26,900)	(36,392)
Operating loss		**(102,777)**	**(89,989)**	**(109,836)**
Unwinding discount		(4,770)	(6,746)	(6,300)
Transfer value gain on debt restructuring		–	34,280	–
Impairment of assets transferred from Ansol		–	–	(4,500)
Other income and expenses	17	2,075	9,263	16,433
Interest expense and finance charges		(1,672)	(1,147)	(1,069)
Foreign exchange differences		(659)	(959)	2,748
Loss before taxation		(107,803)	(55,298)	(102,524)
Taxation		(5,301)	(5,499)	(11,597)
Loss for the year after taxation		**(113,104)**	**(60,797)**	**(114,121)**
Total comprehensive loss for the year		**(113,104)**	**(60,797)**	**(114,121)**

The Group has no items of other comprehensive income.

The accompanying notes on pages 9 to 21 form an integral part of these financial statements.

Consolidated Statement of Cash Flows
for the years ended 31 December 2012 and 31 December 2013
(in thousands U.S. Dollars)

	Notes	2013	2012	2011
Operating activities				
Loss before tax		(107,803)	(55,298)	(102,524)
Adjustments for				
Depreciation		66,740	66,225	78,964
Loss / (profit) on disposal of fixed assets		(63)	11	74
Foreign exchange (gain) / loss		659	959	(2,748)
Transfer value gain on debt restructuring		–	(34,280)	–
Unwinding discount		4,770	6,746	6,300
Interest expense		1,672	1,147	1,069
Unrecoverable receivables written off		–	(501)	567
Impairment of Ansol assets		–	–	4,500
Income from payables written off		–	(4,017)	(497)
Impairment allowance against doubtful receivables		92	1,389	140
Obsolescence allowance		4,164	(184)	4,227
Unused holidays provision		(170)	458	(133)
Operating loss before working capital changes		**(29,939)**	**(17,345)**	**(10,061)**
Changes in operating assets and liabilities				
(Increase) / decrease in trade and other receivables		(26,842)	6,954	10,097
Decrease / (increase) in inventories		21,948	(7,433)	(815)
Increase / (decrease) in trade and other payables		34,800	44,155	(5,416)
Interest paid		(1,672)	(1,147)	(1,011)
Income tax paid		(1,441)	(1,520)	(608)
Net cash (used in) / generated by operating activities		**(3,146)**	**23,664**	**(7,814)**
Cash flows from investing activities				
Purchases of property, plant and equipment	5	(9,212)	(20,173)	(17,535)
Proceeds from disposal of fixed asset		216	436	60
Net cash used in investing activities		**(8,996)**	**(19,737)**	**(17,475)**
Cash flows from financing activity				
New borrowings		24,570	13,717	43,434
Repayment of borrowings		(12,024)	(16,490)	(38,504)
Contribution to charter capital	10	–	–	17,805
Net cash generated by (used in) financing activities		**12,546**	**(2,773)**	**22,735**
Exchange difference		(667)	(1,126)	2,644
Net (decrease)/increase in cash and cash equivalents		**(263)**	**28**	**90**
Cash and cash equivalents at the beginning of the year		**341**	**313**	**223**
Cash and cash equivalents at the end of the year		**78**	**341**	**313**

Non-cash transactions are disclosed in the Note 18.

The accompanying notes on pages 9 to 21 form an integral part of these financial statements.

Consolidated Statement of Changes in Owner's Equity
for the years ended 31 December 2012 and 31 December 2013
(in thousands U.S. Dollars)

	Charter capital (Note 10)	Revaluation reserve (Note 11)	Accumulated deficit (Note 12)	Total
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**
Annual release from revaluation reserve	–	(51,946)	51,946	–
Deferred tax charge	–	7,792	–	7,792
Comprehensive loss for the year	–	–	(60,797)	(60,797)
Balance at 31 December 2012	**555,896**	**184,952**	**(636,672)**	**104,176**
Annual release from revaluation reserve	–	(49,285)	49,285	–
Deferred tax charge	–	7,393	–	7,393
Comprehensive loss for the year	–	–	(113,104)	(113,104)
Balance at 31 December 2013	**555,896**	**143,060**	**(700,491)**	**(1,535)**

The accompanying notes on pages 9 to 21 form an integral part of these financial statements.

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 and processing of the Company in 2013 approximated 217,937 metric tons, in 2012 approximated 273,433 metric tons (2011: 278,949 metric tons) from a single-location mill that was constructed in 1975.

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 one another.

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 2013 the Group employed 9,701 employees and as at 31 December 2012 was 10,453 employees (31 December 2011: 11,677 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.

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 accounts preparation

a). 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. The Group's Audited Consolidated Financial Statements were 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. These Summary Consolidated Financial Statements have been prepared based on the Group's Audited Consolidated Financial Statements by reducing the level of disclosure provided in the notes to the financial statements for the purpose of achieving greater brevity. As a consequence, 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.

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.

b). Functional and presentation 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 4.7741 as at 31 December 2013 and USD 1 = TJS 4.7644 (2011: USD 1 = TJS 4.7585).

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.

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.

c). 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 2013 and 31 December 2012. 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, the revaluation ought to be performed 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.

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.

4. Significant accounting policies (continued)

c) Impairment

Assessment of necessity to create 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, or on individual companies turnover when no taxable profit is generated in the period. 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.

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) Cash

Cash comprises cash in hand and cash deposited in banks.

e) 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”).

f) 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.

4. Significant accounting policies (continued)

g) 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.

h) Borrowing costs

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

i) Revenue recognition

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

Revenue on other than 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.

j) 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% (2012 and 2011: 25%) of employees' salaries as social insurance and 1% (2012 and 2011: 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.

k) 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 2013, 31 December 2012 and 31 December 2011, 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 2013, 31 December 2012 and 31 December 2011, the Group did not have any financial assets in this category.

<u>Loans and receivables</u> - 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.

<u>Available-for-sale financial assets</u> - 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.

<u>Financial liabilities at fair value through profit or loss</u> - 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 2013, 31 December 2012 and 31 December 2011 the Group did not have any financial liabilities of this category.

<u>Financial liabilities measured at amortised cost</u> - relate to all other financial liabilities.

(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 construction
COST OR FAIR VALUE					
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**
Additions	1,648	11,427	51	13,126	7,047
Transferred from equipment to installed and assets under construction	–	4,277	–	4,277	(4,277)
Disposals	–	(678)	–	(678)	–
Balance at 31 December 2012	**322,346**	**368,158**	**108**	**690,612**	**5,545**
Additions	1,233	2,212	14	3,459	5,753
Transferred from equipment to installed and assets under construction	–	4,426	–	4,426	(4,426)
Disposals	(36)	(363)	–	(399)	(2,365)
Balance at 31 December 2013	**323,543**	**374,433**	**122**	**698,098**	**4,507**
ACCUMULATED DEPRECIATION					
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**	**–**
Depreciation charge	19,504	46,712	9	66,225	–
Released on disposal	–	(231)	–	(231)	–
Balance at 31 December 2012	**79,541**	**209,750**	**32**	**289,323**	**–**
Depreciation charge	18,561	48,162	17	66,740	–
Released on disposal	(10)	(236)	–	(246)	–
Balance at 31 December 2013	**98,092**	**257,676**	**49**	**355,817**	**–**
NET BOOK VALUE					
as at 31 December 2011	**260,661**	**189,863**	**34**	**450,558**	**2,775**
as at 31 December 2012	**242,805**	**158,408**	**76**	**401,289**	**5,545**
as at 31 December 2013	**225,451**	**116,757**	**73**	**342,281**	**4,507**

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

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

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 2013 would have been 148,172 (2012: 150,400) for buildings, 108,748 (2012: 111,876) – for plant and equipment, 61 (2012: 69) – for other and 8,031 (2012: 9,231) – for equipment to be installed and assets under construction.

As at 31 December 2013 there are fully depreciated assets with total fair value of 78,239, included within buildings – at fair value of 5,962, plant and equipment – at fair value of 72,249 and other fixed assets – at cost of 28.

As at 31 December 2012 there are fully depreciated assets with total fair value of 58,415, included within buildings – at fair value of 5,233, plant and equipment – at fair value of 53,175 and other fixed assets – at cost of 7.

As at 31 December 2011 there are fully depreciated assets with total fair value of 50,037, included within buildings – at fair value of 1,234, plant and equipment – at fair value of 48,797 and other fixed assets – at cost of 6.

6. Inventories

	31 December 2013	31 December 2012	31 December 2011
Work in progress:			
Aluminium	11,353	20,503	21,465
Anodes	1,837	9,922	3,569
Primary raw materials	1,847	6,752	6,256
Finished goods	5,112	1,004	471
Spare parts	16,862	17,680	14,957
Metal and rotable spares	8,285	8,518	3,229
Other materials	8,182	11,047	18,046
Total inventories	**53,478**	**75,426**	**67,993**
Obsolescence allowance	(10,934)	(6,770)	(6,954)
Total	**42,544**	**68,656**	**61,039**

As at 31 December 2012 primary raw materials included approximately 17,000 metric tons of alumina with a carrying value of 5,538 (31 December 2011: 5,631) which the Group kept as reserve stock to ensure uninterrupted production in case of supply issues.

Movement in the allowance for obsolescence stock:

	2013	2012	2011
Balance at beginning of the year	6,770	6,954	2,727
Accrued / (Released) (Note 16)	4,164	(184)	4,227
Balance at the end of the year	**10,934**	**6,770**	**6,954**

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

7. Trade and other receivables

	31 December 2013	31 December 2012	31 December 2011
Trade receivables	32,263	4,529	11,541
Advances paid	2,938	1,477	1,137
Less: allowance for impaired trade receivables	(723)	(607)	(431)
Net trade receivables	34,478	5,399	12,247
Other taxes prepaid	4	39	–
Other receivables	1,797	1,765	1,585
Less: allowance for impaired other receivables	(1,248)	(1,276)	(217)
Net other receivables	549	489	1,368
Total	**35,031**	**5,927**	**13,615**

As at 31 December 2013 and 31 December 2012 the Group had no impaired receivable balances in respect of related parties (31 December 2011: nill).

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

	2013	2012	2011
Balance at beginning of the year	1,883	648	930
Impairment losses recognised on receivables (Note 16)	88	1,235	140
Impairment allowance written off with bad debt	–	–	(422)
Balance at the end of the year	**1,971**	**1,883**	**648**

8. Trade and other payables

	31 December 2013	31 December 2012	31 December 2011
Liabilities arising under Hamer case	161,445	–	–
Trade accounts payable	152,032	113,731	65,822
Corporate profit tax payable	192	157	165
Non-income taxes payable	9,532	7,404	15,448
Other payables	8,013	13,298	9,052
Salaries and wages payable	2,049	2,396	2,332
Total	**333,263**	**136,986**	**92,819**

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

9. Short-term debt

	31 December 2013	31 December 2012	31 December 2011
Loan and overdraft balances	23,741	11,214	14,000
Accrued interest on promissory note	-	-	4,017
Debt to Hydro Aluminium AS	2,600	2,600	2,600
Total	**26,341**	**13,814**	**20,617**

Loans and overdrafts are all unsecured.

During 2011 Group and Hydro signed an amended repayment schedule determining maturity date in August 2012. However as at 31 December 2013 the repayment was not made in full. As at 31 December 2013 overdue amount payable to Hydro was 2,600 (31 December 2012: 2,600 and 31 December 2011: 400).

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 written off later in 2012 after the 3 years allowed for claim period has expired.

Details of loans and overdrafts are presented below:

Bank	Type of borrowing	Currency	Interest rate	Maturity date	31 December 2013	31 December 2012	31 December 2011
Orienbank	Loan	TJS	18%	30.12.2014	17,805	–	–
Amonatbank	Loan	TJS	15%	19.09.2014	5,236	–	–
Sohibkorbank	Loan	USD	24%	02.06.2014	500	–	–
Sohibkorbank	Loan	USD	24%	08.05.2014	200	–	–
Orienbank	Overdraft	USD	12%	31.12.2013	–	8,989	9,000
Orienbank	Overdraft	TJS	18%	31.12. 2013	–	2,225	–
Orienbank	Overdraft	USD	18%	30.07.2012	–	–	5,000
					23,741	**11,214**	**14,000**

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.

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

10. Charter capital (continued)

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).

There were no movements in charter capital during the years 2012 and 2013. However in January 2014 Tajik government has issued a government order to increase the Company's capital by capitalisation of the debt to Barki Tojik. See details of subsequent events in Note 19.

11. Revaluation reserve

	Revaluation amount	Annual release	Deferred taxation	Net
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**
Movement	–	(51,946)	7,792	(44,154)
Balance at 31 December 2012	**423,700**	**(206,111)**	**(32,637)**	**184,952**
Movement	–	(49,285)	7,393	(41,892)
Balance at 31 December 2013	**423,700**	**(255,396)**	**(25,244)**	**143,060**

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 700,491 as at 31 December 2013 (31 December 2012: 636,672 and 31 December 2011: 627,821), 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 2013, the Company and its subsidiary had combined retained losses of TJS 348 million (USD 73 million) (31 December 2012: the Company and its subsidiary had a combined accumulated deficit of TJS 254 million or USD 53 million) in its statutory financial statements.

13. Revenue

	2013	2012	2011
Tolling	84,604	127,699	135,280
Sale of aluminium	18,050	12,613	19,543
Sale of consumer goods	6,877	6,725	6,143
Construction contract revenue	889	1,049	1,947
Total	**110,420**	**148,086**	**162,913**

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

13. Revenue (continued)

During the year the Group made 13,821 (2012: 8,952) of non-monetary sales of aluminium. Non-monetary sales of aluminium were predominantly made in exchange for purchases of electricity.

In 2013, the volume of aluminium supplied under the tolling agreement was 199,661 metric tons (2012: 264,621 metric tons, 2011: 269,071 metric tons) and non-tolling sales volumes were 12,063 metric tons (2012: 8,480 metric tons, 2011: 9,695 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 gross tolling fee earned by the Company for 2013 was USD 500 per metric ton (2012: USD 570 per metric ton, 2011: USD 593 per metric ton) inclusive of VAT.

The main customers during 2013 and 2012 were as follows:

		2013		2012		2011	
Customer	**Product / Service**	**Tons sold**	**Revenue received from customer**	**Tons sold**	**Revenue received from customer**	**Tons sold**	**Revenue received from customer**
TML	Tolling	199,661	84,604	264,621	127,699	269,071	135,280
Barki Tojik	Barter sale of aluminium in exchange for electricity	7,025	13,821	4,244	8,952	8,212	17,273
Others		3,332	4,229	2,448	3,661	1,483	2,270
		210,018	**102,654**	**271,313**	**140,312**	**278,766**	**154,823**

Volumes of aluminium sold during the year 2013 exclude metal sold inside the group of 1,706 MT in the amount of 3,399 (2012: 1,788 MT in the amount of 3,352).

14. Cost of sales

	2013	2012	2011
Electricity	49,559	65,192	82,455
Depreciation	66,643	66,111	78,825
Salary and related taxes	33,466	37,186	34,443
Raw materials utilised and other expenses	21,925	46,523	34,314
Movement in stock balances	13,125	(5,924)	2,377
Total	**184,718**	**209,088**	**232,414**

15. Distribution expenses

	2013	2012	2011
Railway transportation expenses	187	99	591
Customs duties and payments	313	795	620
Other distribution expenses	1,139	1,193	2,732
Total	**1,639**	**2,087**	**3,943**

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

16. Administrative expenses

	2013	2012	2011
Taxes	8,183	11,213	12,534
Other administrative expenses	4,254	3,628	6,097
Repairs	4,177	4,641	4,256
Movement on obsolescence allowance (Note 6)	4,164	(184)	4,227
Administrative payroll costs	3,825	4,178	2,498
Social expenditure	2,052	1,941	2,471
Fines	–	134	1,739
Legal fees	–	–	2,291
Depreciation	97	114	139
Impairment allowance on receivables (Note 7)	88	1,235	140
Total	**26,840**	**26,900**	**36,392**

17. Other income and expenses

	2013	2012	2011
Other non-operating income	408	9,663	13,835
Sales of other materials	3,428	747	1,556
Other operating income	(1,824)	(1,136)	619
Result of equipment disposals	63	(11)	(74)
Gain on overdue payables written off	–	–	497
Total	**2,075**	**9,263**	**16,433**

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 2013 and 2012 91% and 89% of the Group’s revenue (2011: 97%) 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	**2013**	**2012**	**2011**
Key management personnel			
Short-term employee benefits	151	143	138
Entities under common control			
Tolling	84,601	127,696	135,280
Electricity purchases (non-cash)	49,647	56,110	82,589
Purchase of raw materials and other expenses (non-cash)	26,139	74,180	57,820
Sale of aluminium	13,820	11,002	17,273
Repayment of loan	5,237	–	1,817
Construction revenue (non-cash)	1,907	2,033	5,800
Other income (non-cash)	–	5,164	14,563
Non-consolidated subsidiaries			
Research costs	226	209	155
Purchase of other materials	–	–	16

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

18. Related party transactions (continued)

Balances	31 December 2013	31 December 2012	31 December 2011
Current balances due from related parties:			
Entities under common control			
Trade and other receivables	29,279	1,987	10,215
Investments	7,258	7,258	7,884
Non-consolidated subsidiaries			
Investments	58	58	58
Accounts receivable	38	45	38
Current balances due to related parties:			
Entities under common control			
Trade and other creditors	(193,205)	(97,727)	(146,872)
Loan received	(5,237)	–	–
ST loan	–	–	(4,017)
Non-consolidated subsidiaries			
Accounts payable	–	–	(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 2013 and 31 December 2012 (31 December 2011: nil). No expense was recognised in these periods in respect of bad and doubtful debts due from related parties (2011: nil).

19. Events after the reporting date

Joint company

A joint company was established between Aluminsohtmon and China National Building Materials & Equipment Import and Export Corporations. The shares of TALCO and the Chinese company are 30% and 70%, respectively. The new company will be named CNBM-TALCO Cement Co., Ltd; the main activity is the production of cement. The joint entity is dormant as no share capital was introduced at the date when these financial statements were issued.

Increase in capital of SUE TALCO

On 16 January 2014 the Government of Tajikistan has approved a resolution to increase charter capital of the Company by converting 14,045 (66,995,222 Somoni at the rate as at 31 December 2013) payable to the electricity supplier Barki Tojik, a related party, into equity.

Modernisation of cells

On 15 October 2014 a memorandum of understanding was signed between TALCO, TML and Glencore International for the restarting of 200 cells.