STATE UNITARY ENTERPRISE "TAJIK ALUMINIUM COMPANY"

Consolidated Financial Statements for the year ended 31 December 2018 and Independent Auditor's Report

Content:

Independent Auditor's Report

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Tajikistan
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of the State Unitary Enterprise "Tajik Aluminum Company"

Opinion

We have audited the consolidated financial statements of State Unitary Enterprise "Tajik Aluminum Company" (hereinafter "Company"), and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter "consolidated financial statements").

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities in accordance with these standards are further described in the *"Auditor's Responsibilities for the Audit of consolidated financial statements"* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the consolidated statement of cash flow, where indicated that Group has negative cash flow from operating activities and as noted in Note 3 paragraph "g" of the consolidated financial statements the Group has negative EBITDA as at reporting date, however the Group has the continued support of its owner - the Government of Republic of Tajikistan. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Emphasis of matter

Commitment and contingencies - we draw your attention to Note 26 of the consolidated financial statements, where contingent liabilities are stated.

Other income - we draw you attention to Note 9 of the consolidated financial statements, where recognition of other income in amount of USD 141,463 thousand is indicated.

Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another audit firm who expressed "Unmodified opinion" on those consolidated financial statements on 18 December 2018.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Firuz Bulbulov

Audit Partner
License BM № 0000100 dated 01/11/2016
issued by the Ministry of Finance of
Republic of Tajikistan

Qualification certificate of auditor
BM №0000159 dated 26/12/2014
issued by the Ministry of Finance of
Republic of Tajikistan

Dushanbe:

15 -07- 2019

Statement of Management's Responsibilities for the Preparation and Approval of Consolidated Financial Statements for the year ended 31 December 2018

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report, is made with a view to distinguish the respective responsiblities of management of Group and those of independent auditor in relation to the Group's consolidated financial statements.

Management of the Group is responsible for preparation of the consolidated financial statements that presents fairly the consolidated financial position of the Group as at 31 December 2018, the results of its operations, consolidated cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

In preparing the consolidated financial statements management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the consolidated financial statements on going concern basis, unless it is inappropriate to presume that the Group will continue business in the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, through out the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and which enable them to ensure that the consolidated financial statements of the Grouo comply with IFRSs;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Tajikistan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2018 were approved and authorized for issue on 15th of July 2019 by the Management of the Group.

On behalf of the Management

Homidzoda A.
Managing Director

Khonov N.
Chief Accountant

STATE UNITARY ENTERPRISE TAJIK ALUMINIUM COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in thousand US Dollars)

		Year ended 31 December	
	Note	2018	2017
Revenue	5	47,549	49,137
Cost of sales	6	(95,058)	(133,567)
GROSS LOSS		**(47,508)**	**(84,430)**
Distribution expenses	7	(1,859)	(2,321)
Administrative expenses	8	(9,253)	(6,632)
OPERATING LOSS		**(58,620)**	**(93,383)**
Unwinding discount		5,088	(9,526)
Other income and expenses	9	139,876	89,101
Interest expense and finance charges		(2,310)	(159)
Net gain/(loss) on foreign exchange operations		4,593	(4,518)
LOSS BEFORE TAX		**88,626**	**(18,484)**
Income tax expense	10	(11,193)	(4,945)
LOSS FOR THE YEAR		**77,434**	**(23,429)**
Other comprehensive income:			
Items that will not be reclassified as profit or loss:			
Decrease in revaluation reserve - investment in joint venture	13	(478)	-
Annual release of revaluation of property, plant and equipment		-	35,864
		(478)	**35,864**
TOTAL COMPREHENSIVE INCOME		**76,956**	**12,435**

The notes No. 1-27 form an integral part of these consolidated financial statements

On behalf of the Management

Homidzoda A.
Managing Director

Khonov N.
Chief Accountant

STATE UNITARY ENTERPRISE TAJIK ALUMINIUM COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousand US Dollars)

ASSETS	Notes	31 December 2018	31 December 2017
Non-current assets			
Property, plant and equipment	11	268,145	316,308
Equipment to be installed and assets under construction	11	5,160	4,926
Investments	12	16,078	11,854
Investment in joint venture	13	104,748	105,225
Other assets		455	259
Total non-curent assets		**394,587**	**438,572**
Current assets			
Inventories	14	23,574	12,534
Income tax prepaid		-	2,577
Trade and other receivables	15	23,507	138,399
Cash and bank balances	16	16,424	40
Total current assets		**63,506**	**153,550**
TOTAL ASSETS		**458,093**	**592,123**
EQUITY AND LIABILITY			
Equity			
Charter capital	17	569,929	569,929
PPE revaluation reserve	18	228,325	265,213
Accumulated deficit	19	(705,952)	(825,786)
Revaluation reserve - investment in joint ventures	13	104,748	105,226
Total equity		**197,050**	**114,582**
Non-current liabilities			
Deferred tax liability	10	12,640	7,695
Long term trade payables	20	114,381	237,798
Total non-current liabilties		**127,021**	**245,493**
Current liabilities			
Trade and other payables	21	121,358	177,996
Loans and overdrafts	22	12,437	53,786
Provision		228	265
Total current liabilities		**134,022**	**232,048**
Total liability		**261,043**	**477,541**
TOTAL LIABILITY AND EQUITY		**458,093**	**592,122**

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On behalf of the Management

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Managing Director

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Chief Accountant

STATE UNITARY ENTERPRISE TAJIK ALUMINIUM COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousand US Dollars)

	Charter capital	Revaluation reserve investment in joint venture	Revaluation reserve	Accumulated deficit	Total
Balance at 31 December 2016	**569,929**	**-**	**297,748**	**(838,221)**	**29,456**
Annual release from revaluation reserve	-	-	(35,864)	35,864	-
Revaluation surplus-investment in joint venture	-	105,226	-	-	105,226
Deferred tax charges	-	-	3,329	-	3,329
Profit for the year	-	-	-	(23,429)	(23,429)
Other comprehensive income	-	-	-	-	-
Balance at 31 December 2017	**569,929**	**105,226**	**265,213**	**(825,786)**	**114,582**
Annual release from revaluation reserve	-	-	(42,400)	42,400	-
Loss recognised from investment in joint venture	-	(478)	-	-	(478)
Deferred tax charges	-	-	5,512	-	5,512
Profit for the year	-	-	-	77,434	77,434
Other comprehensive income	-	-	-	-	-
Balance at 31 December 2018	**569,929**	**104,748**	**228,325**	**(705,952)**	**197,050**

The notes No. 1-27 form an integral part of these consolidated financial statements

On behalf of the Management

Homidzoda A.
Managing Director

Khonov N.
Chief Accountant

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand US Dollars)

	Year ended 31 December	
	2018	2017
Cash flow from operating activities		
Loss before tax	77,434	(18,484)
Adjustment for:		
Depreciation and amortisation	52,851	92,279
Gain on overdue payables written off	(141,463)	-
Foreign exchange gain/(loss), net	(4,593)	4,517
Transfer value gain on debt restructuring Unwinding discount	(5,088)	9,526
Interest expense	2,310	159
Loss on disposal of property, plant and equipment	19	-
Unused holiday provision	38	(125)
Cash flow from operating activities before movement in working capital	**(18,492)**	**87,872**
Decrease/(increase) in trade and other receivables	24,892	(86,351)
Decrease/(increase) in income tax prepaid	13,034	-
Deacrease/(increase) in other assets	(196)	-
Decrease/(increase) in inventories	(11,041)	12,041
(Increase)/decrease in trade and other payables	(51,494)	22,522
(Increase)/decrease in long term trade payable	18,046	-
Net cash provided by operations	**(6,759)**	**(51,788)**
Income tax paid	(611)	(590)
Interest paid	(7,864)	(7,846)
Net cash flow from operating activities	**(33,725)**	**27,648**
Cash flow from investing activities		
Purchase of property plant and equipment	(4,941)	(24,228)
Decrease in receivables from sale of investment	90,000	-
Increase in investments	(4,224)	-
Change in investment in joint ventures	477	-
Net cash flow from investing activities	**81,312**	**(24,228)**
Cash flow from financing activities		
New borrowings	6,681	4,609
Repayment of borrowings	(42,476)	(5,228)
Net cash flow from financing activities	**(35,795)**	**(619)**
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	**11,792**	**2,801**
Cash and bank balances at the beginning of the year	40	97
Foreign exchange gain/(loss), net	4,593	(2,858)
CASH AND BANK BALANCES AT THE END OF THE YEAR	**16,424**	**40**

The notes No. 1-27 form an integral part of these consolidated financial statements

On behalf of the Management

Homidzoda A.
Managing Director

Khonov N.
Chief Accountant

ҶУМҲУРИИ ТОҶИКИСТОН

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. NATURE OF ACTIVITIES

Tajik Aluminium Company (hereinafter "the 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 Tursunzoda city in the Republic of Tajikistan. The Company is controlled directly by the Government of the Republic of Tajikistan.

The Company and its subsidiaries (hereinafter "Group") are engaged in the production of the 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 2018 and 2017 appriximated 96,624 and 102,937 tons respectively 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 transformed 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 obligatipons of one another.

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

Based on the resolution of the Government of Republic of Tajikistan passed on 22 January 2010 the Company registered a subsidiary Research Institute of Metallurgy of SUE TALCO (hereinafter "NII Metallurgii"). 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 Metalurgii is not considered material to the Group and was not consolidated in these financial statements.

In accordance with a resolution of the Government of the Republic of Tajikistan the Company registered a new subsidiary Joint Tajik-Russian Limited Liability Company Nuron ("hereinafter Nuron") on 27 August 2010. The Company holds 60% of the shares in this Company and 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. Aluminsohtmon on behalf of the Company contributed the share to Nuron in November 2011. Nuron is not considered material to the Group and was not consolidated in these financial statements.

In accordance with the resolution of the Government of the Republic of Tajikistan dated 1 July 2016 the operational management of Takob Joint Stock Company (hereinafter "JSC Takob") was transferred to the Company. According to this resolution, the Company owns 100% of shares of JSC Takob, which was created for the production of fluorite and other raw materials. However, JSC Takob is not considered material to the Group and was not consolidated in these financial statements.

On April 1 2017 Government of the Republic of Tajikistan granted license to the Group for use of gold deposit, afterwards on 24 April 2017 Closed Joint Stock Company "Talco Gold" (hereinafter "CJSC Talco Gold") was established. The main activities of the Company are exploration, extraction, refining or ore and sale of base and precious metals produced from ore. Later, the Group made a share issue of CJSC Talco Gold and sold 50% of shares in December 2017. After the sale, CJSC Talco Gold was restructured into a joint venture under a joint venture agreement between the Company and the Tibetan company Tibet Huayu Mining Co., Ltd from 15 December 2017 for USD 90 million while maintaining 50% as an investment in joint venture.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB").

Amounts are rounded to the nearest thousand, unless otherwise stated.

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers have been applied. Changes to significant accounting policies are described in Note 3. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.
- IFRS 16 Leases

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in accounting policies

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018

The effect of initially applying this standard is mainly attributed to the following:

- timing of recognition of revenue for the transportation services after the control for the related goods has been transferred to customer (revenue is to be recognised over time from goods control transfer till completion of the transportation);
- classification of revenue earned from the contracts which bear price finalisation options as other revenue instead of revenue from contracts with customers;
- disclosures to be presented as required by the new standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue* , IAS 11 *Construction Contracts* and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Tolling services	Customers obtain control of the goods supplied when the goods are delivered to the point when risks are transferred based on Incoterms delivery terms stated in the contract. Invoices are generated and revenue is recognised at that point in time.	Under IAS 18 revenue was recognised when related risks and rewards of ownership were transferred under delivery terms of the contracts. Revenue was recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.
Sales of goods	Comprise sale of primary aluminium, alloys, alumina and other products. Customers obtain control of the goods supplied when the goods are delivered to the point when risks are transferred based on Incoterms delivery terms stated in the contract. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 60 days or in advance. Under certain Group sale contracts the price for the goods shipped is determined based on the London Metal Exchange prices two days before shipment.	Under IAS 18 revenue was recognised when related risks and rewards of ownership were transferred under delivery terms of the contracts. Revenue was recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue is recognised when a customer obtains control of the goods. It has not significantly impacted the Group's revenue recognition approach and the timing of revenue recognition.
Rendering of electricity supply services	The Group is involved in sales of energy to 3rd and related parties. Invoices are issued once a month at the end of month and paid within 30 days.	Under previously effective accounting policies revenue was recognised on the last day of the month. Under IFRS 15 revenue is recognised over time. Effectively it has not impacted either total amount of revenue recognized, or its classification.

The impact of transition to IFRS 15 on retained earnings is not significant. Thus no transitional adjustments were made by the Group.

New IFRS that has not been implemented yet, but could have material effect

IFRS 9 Financial Instruments

FRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effects of the changes to previous accounting policies are set out below.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The Group’s financial assets most fall within category of financial assets measured at amortised cost both under IAS 39 and IFRS 9 requirements. The only exception is investments measured at fair value through profit or loss. The same applies to the Group’s financial liabilities. The impact of IFRS 9 on the impairment of financial assets is unknown because the Group has not impletemented IFRS 9 requirements' yet.

(b) Basis of measurement

The consolidated financial statements have been prepared in accordance with the historical cost basis except as set out in the significant accounting policies in the related notes below.

(c) Functional and presentation currency

Management believes the Group's presentation currency to be the US Dollars (herein after "USD") because it reflects the economic substance of the underlying events and circumstances of the Company. Accordingly, transactions and balances not measured in USD (primarily in Somoni ("TJS")) have been translated into USD.

Liabilities and current assets in other currencies at the reporting date are translated into USD at relevant rates ruling on that date. For the purpose of these Consolidated Financial Statements, liabilities and current assets denominated in TJS have been translated at a rate of : USD 1= TJS 9.4296 and USD 1 = TJS 8.819 for 31 December 2018 and 31 December 2017 respectively.

Transactions during the year denominated in currencies other than the USD have been translated into USD at an average rate for the period or actual rates ruling on the date of the transaction. Property, plant and equipment and Charter Capital have been translated into USD at estimated historic rates.

The differences on exchange arising on the application of the above policy are dealt with in the Statement of Comprehensive Income

The TJS 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 Tajikistan (hereinafter "NBT"). Market rates may differ from the official rates but the difference are, generally, within narrow parameters monitored by the NBT

(d) Use of judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported revenue and costs during the relevant period.

Management bases its judgements and estimates on historical experience and various other factors that are believed to be appropriate and reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(e) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Group information

Name	**Principle activities**	**Country of incorporation**	**% in equity interest 2018**	**2017**	**Consolidation status**
-SSUE Aluminsohtmon	Construction and production of consumer goods	Tajikistan	100	100	Subsidiary, consolidated
-LLC Nuron	Scientific investigation and reserch	Tajikistan	60	60	Insignificant, not consolidated
-CSJC Talco Gold	Exploration, extraction, refining of ore and sale of base and precious metals produced from ore	Tajikistan	50	50	Joint venture, consolidated
-NII Metallurgi	Research	Tajikistan	100	100	Insignificant, not consolidated
-OJSC Takob	Mining of fluorite	Tajikistan	100	100	Insignificant, not consolidated

(ii) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(f) ***Foreign currency transactions***

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items in a foreign currency are measured based on historical cost and translated using the exchange rate at the date of transaction. Foreign currency differences arising on retranslation are recognised in the statement of income.

(g) ***Going concern basis***

These Consolidated Financial Statements have been prepared on the going concern basis, which assumes that the Group will continue to operate for the foreseeable future. Multiple factors determine whether an entity is able to continue in business and Management cannot predict with complete certainty all relevant future events.

As at 31 December 2018 the Group had net current liabilities of USD 70,516 and at 31 December 2017 USD 78,538. As a result of these factors Management considered whether the Group is able to continue to operate as a going and noted that:

- Elements of the Group's cost structure are competative by international standards, specifically in respect of electricity and payroll expenditure;
- Management is currently considering alternative sources of alumina and other raw materials in order to decrease transportation costs, for instance, the Company commenced to purchase cryolite from a local company, which leads to lower transportation cost, decrease in expenses and as well this way they save time that increase the efficiency of the Company's activities;
- During 2018 Group started to use natural gas as an alternative for coal which decreased the direct cost;
- The Group has the continued support of its owner, the Government of Repubic of Tajikistan;
- The Company has been granted with a license by the Government of the Republic of Tajikistan No.0000019 dated 1 April 2017 for use of gold deposit - "Konchoch", for the purpose of diversification of production and generating additional income from mining of gold. on 24 April 2017 the Group established subsidiary CJSC Talco Gold, and later that year Group made a share issue of CJSC Talco Gold. In December 2017 the Group has come to the agreement with the Company "Tibet Huayu Mining Co. Ltd." on sale of 50% of CJSC Talco Gold shares for USD 90 million, which was transferred to Group in 2018;
- Futhermore, the Group is planning to sell off unused portion of its building, in order to be efficient and affective reducing of burden associated with fixed assets maintanance.
- The Groups EBITDA is lower than industry average level, and indicates high non-monetary costs, which is a specificity of this industry. As at 31 December 2018 and 31 December 2017 EBITDA of the Group is:

	2018	**2017**
Income/(loss) for the year	77,434	(23,429)
Adjustments:		
Income tax expense	11,193	4,945
Gain on overdue payables written off	(141,463)	
Interest expense and finance charges	2,310	159
Depreciation and amortization	52,851	92,279
Foreign exchange (gain)/loss, net	(4,593)	4,517
EBITDA	**(2,268)**	**78,471**

On these grounds Management believes it is appropriate to produce consolidated financial statements on the basis that the Group is a going concern. Consequently, these consolidated financial statements do not include any adjustment that might be necessary should the Group cease to operate.

Property, pland and equipment

Carrying amount of property, plant and equipment

In the year 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 property, plant and equipment in order to ensure that the financial statements provide users with more relevant and reliable infromation than was the case with the previous policy. As a result it was resolved to carry these items at fair value. Following this discussion, property, plant and equipment were revalued by Management as at 31 December 2008 based on valuation 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.

Property, plant and equipment were revalued by Management as at 31 December 2014 based on valuations arrived at by an independent appraisal company, American Appraisal (ARR) Inc.

The Group have been granted license No. 0000030 dated 1 April 2017 for using gold deposit - "Konchoch" for 23 years by the Government of Republic of Tajikistan. Initial recognition of assets of CJSC Talco Gold was in amount of TJS 5,500 (USD 623.6). The Group decided to revaluate the assets on 31 October 2017, and reflected the results of the revaluation in its Consolidated Financial Statements in revalued amount. Increases over initial recognized value arising from the results of revaluation of assets is transferred to a revaluation reserves in the amount of TJS 1,869,501,119 (USD 210,400,000). CSJC Talco Gold has been granted with a license from the Government of the Republic of Tajikistan.

Property, 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.

The Group has the right to identifinitely use the land on which its plant is located. The right has been granted from the Administration of Tursunzoda city. The land is not property of the Group and has not been included in the list of property, plant and equipment.

The Group has title to certain non-production and social assets, primarily building and facilities, which are valued at zero in accompanying consolidated financial statemetns. The costs to maintan these and other long term assets are expensed as incurred.

Depreciation

The carrying amounts of property, plant and equipment (including initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine or mineral lease, if shorter. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated.

The property, plant and equipment is depreciated on a straight-line basis over the respective estimated useful lives as follows:

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 property, plant and equipment are transferred to a revaluation reserve. The revaluation reserve is recognized net of the associated deferred tax liability.

In the event of downward revaluations, decreases are charged to the revaluatuon reserve until they exceed the historical cost book values, than they are charged to the consolidated statement of profit or loss and other comprehensive income.

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

Equipment to be installed and assets under construction

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

The impairement is accrued on those assets if necessary.

Impairement

Assessment of necessity to create allowances for impairement 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 availible at the date the financial statements are signed. However this information is not always full and completed. Where reliable estimates are not possible, 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 utilies 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 Group, however determining an appropirate discount rate is ultimately a subjective matter.

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

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 profit or loss and comprehensive Income because of items of income or expenses 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 enected 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 availible 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 liabilitty is settled, based on tax rates that have been enacted or substatively 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 availible to allow all or part of the deferred tax asset to be utiliesed.

Deferred tax liability is recognized annually on the amount of realuation reserve after accumulated transfers to retained earnings/(accumulated deficit)

Cash and bank balances

Cash and cash equivalents comprises cash in hand and cash in deposited in banks

Trade and other receivables

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

Inventory

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 manafactured 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.

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 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, becasue the expected term of trade and other payables is short, the value is stated at the nominal amount without discounting, which cirresponds wiht fair value.

Borrowing cost

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

Revenue recognition

The Group records processing fees receivables net of VAT at the point processed aluminum is dispatched.

Revenue on other than tolling sales is recognized net of VAT when the contract is obtained by the customer. Generally, title to aluminium passes to customers in the period in which the goods are dispatched from the Group. However contracts with the 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.

Pension and State social fund contribution

The Group contributes to the state pension scheme of the Republic of Tajikistan, which is administered by State Social Fund. The pension scheme is a definied contribution scheme. The Group's contribution to the State Social Fund amounted to 25% (2017: 25%) of employees' salaries as social insurance and 1% (2017:1%) if 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive0 as a result of a pas t 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 uncertainities surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligationm its carrying amount is the present value of those cash flows (when the effect of time value of money is material)

Provisions *(continued)*

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 reimburesement will be received and the amount of receivable can be measured realiably. The reimbursement is treated as a seperate asset.

In the Consolidated Financial Statement of profit or loss and other comprehensive income, the expenses relating to a provision may be presented net of the amount recognised for a reimbursement.

Provisions are reveiwed at the end of each reporting period and adjusted to reftect 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 annual leave provision
* Provision arisen as a result of litigations.

Contingent liabilities

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group’s accounting policies, which are described in Note 3, the Management is required to make judgement, estimates and assumotions about carrying amounts of assets and liabilites that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviwed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in ther period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies and estimates

The following are the critical judements and estimates that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Consolidated Financial Statements.

Fair Value Techniques

For assets and liabilities carried at fair value or initially recognized 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 requres Management to estimate the future cash flows expected to aris from the settlement of the liability and a suitable discount rate.

Impairement losses on receivables

Management reviews all its receivables to assess impairement on an annual basisn. In determining whether an impairement loss should be recorded in the Income Statement, Managaement makes judgements as to whether there is any observalbe data indicating that there is 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. Impairement losses are charged directly to the Income Statement. Historical experience shows that receivables outstanding for more than one year are generally not recoverable.

Valuation of property, plant and equipment

As explained in note 3, property, plant and equipment have been carried at estimated fair since 31 December 2008. Management reviews the carrying value of property, plant and equipment on an annual basis and would normally expect to engage an external independent appraisal company to reassess fair value no less frequently than once every five years. The basis on which this appraisal is carried out is market value for assets commonly traded in the market and an income or depreciated replacement cost approach for estimating specialised assets. In arriving at an estimate of fair value, Management and the experts upon which they rely make a number of assuptions including assuptions about the comparability of the assets owned by the Group and those of other entities, future profitability and appropriate discount rates. The resulting valuations are sensitive to changes in these assumptions. An external independent assessment of fair value is shceduled to be carried in 2019.

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 uses to which they are put. Estimates of useful lives are reviewed on an anuual basis.

Unquoted investments

In 2010 the Group acquired a 6.9% stake in Open Joint Stock Company Rogunskay Hydroelectric Power Station (hereinafter "Rogunskaya HES"). Rogunskaya HES is currently 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. Management has therefore included the investment in the consolidated financial statemetns based in the cost of USD 7,296 thousand (31 December 2017: USD 7,296 thousand) at the exchange rate prevailing at the date of transaction. Should additional information become available in future Management may reassess the carrying value of this investment.

Investment in associated and joint ventures

On 1 April 2017 Republic of Tajikistan granted the Group with the right to use gold deposit - "Konchoch", afterwards on 24 April 2017 Closed Joint-Stock Company Talco Gold was established and registered in the Ministry of Justice of the Republic of Tajikistan as subsidiary of SUE Talco. The principla activities of the CJSC Talco Gold is exploration, refining of ore and sale of base and precious metals produced from ore. The recognition of subsidiary was TJS 5,500 (nominal payment for license). On 31 October 2017 Manament of Group revalue CJSC Talco Gold to 210,4 million USD and recognised in its financial statement as investment held for sale. Lately in 15 December 2017 Group have sold 50% of CJSC Talco Gold's shares to Chinese company - Tibet Huayu Mining Co., Ltd. according to the Joint Venture Contract between SUE Talco and Tibet Huayu Mining Co., Ltd. for 90 million USD while keeping remaining 50% as investment in joint venture. As a result the investment in joint venture for Group on 2018 and 2017 amounted to 105.2 million USD respectively.

Income tax

At each reporting date Group estimates the future effect of deferred incoe tax by reconciliation of the carrying value of assets and liabilities in financial statement and their tax base. Deferred income tax assets and liabilites are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax legsilation), which were effective and were implemented as at reporting date. The Group's Management made an estimation as to when the timing differences would reverse, and applied corresponding income tax rates.

5. REVENUE

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers and key accounting policies applied are described in Note 3. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

	Year ended 31 December	
	2018	2017
Revenue from contract with customers	USD thousand	USD thousand
Provision of services	**39,824**	**45,404**
Tolling services	39,824	45,404
Sale of products	**7,725**	**3,733**
Sale of primary aluminium and alloys	4,860	3,601
Sale of other products	2,865	132
TOTAL	**47,549**	**49,137**
Total revenue by type of customers	**47,549**	**49,137**
Related party	39,824	45,404
Third party	7,725	3,733

The Group's customer base is not diversified and includes only one major customer - Talco Management Limited - with whom transactions have exceeded 89% (2017:92%) of the Group's revenue. In 2018 revenues from tolling services to this customer amounted to USD 39,824 thousand and 94,854 tons (2017: USD 45,404 thousand and 101,367 tons). The tolling fee is set on a contractual basis monthly or quarterly and does not vary based on London Metal Exchange (LME) pricing. Under the tolling agreement, the average gross tolling fee earned by the Group for 2018 and 2017 was USD 500 per metric ton inclusive of VAT.

During the 2018 and 2017 the Group has made nil of non-monetary sales of aluminium.

The main customers during 2018 and 2017 were as follows:

	Year ended 31 December			
	2018	2018	2017	2017
	Tons sold	USD thousand	Tons sold	USD thousand
Talco Management Limited	94,854	39,824	101,867	45,404
LLC Nokili Talco	979	2,371	712	1,635
LLC Nokili Tursunzoda	572	1,397	620	1,380
Others customers	219	1,092	238	718
Other unweighted products		2,865		-
	96,624	**47,549**	**103,437**	**49,137**

6. COST OF SALES

	Year ended 31 December	
	2018	2017
	USD thousand	USD thousand
Depreciation	52,726	92,112
Electricity	21,564	21,954
Salary and related taxes	10,215	7,108
Raw materials utilised and other expenses	5,433	6,216
Other inventories	5,120	6,177
	95,058	**133,567**

7. DISTRIBUTION EXPENSES

	Year ended 31 December	
	2018	2017
	USD thousand	USD thousand
Customs duties and payments	365	326
Railway transportation expenses	162	137
Other distribution expenses	1,332	1,858
	1,859	**2,321**

8. ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2018	2017
	USD thousand	USD thousand
Taxes, other than income tax	3,960	1,473
Administrative payroll costs	1,096	1,440
Depreciation	125	36
Fines	54	177
Legal fees	-	(13)
Other administrative expenses	4,018	3,519
	9,253	**6,632**

9. OTHER INCOME AND EXPENSES

		Year ended 31 December	
		2018	2017
Other income	**Notes**	**USD thousand**	**USD thousand**
Gain on overdue payables written off	**9.1**	141,463	-
Recognition of investment in TAKOB		5,502	-
Gain from sales of investment		-	90,000
Total other income		**146,965**	**90,000**
Other expenses			
Other non-operating expenses		(1,991)	(899)
Accrual of provision for tax advance payments		(5,098)	-
Total other expenses		**(7,089)**	**(899)**
NET OTHER INCOME/(EXPENSES)		**139,876**	**89,101**

9.1 During 2018, the Group introduced a procedure for reconciliation of balances with large counterparties and found that at the end of 31 December 2018 the Group had no liabilities in amount of 141,463 thousand USD, which the Group wrote off to other income of the period.

10. INCOME TAX

The Republic of Tajikistan was the only tax jurisdiction in which the Group's income was subject to taxation.

The statutory corporate profit tax rates were 13% in 2017 and 13% in 2018. The Group had last taxable profits back in the year 2010. Starting from 2011 the Group has been incurring losses and therefore it is not subject to a direct profit tax. However, according to Tax Code of Republic of Tajikistan loss making companies are subject to a minimal income tax charged as 1% on total income.

	Year ended 31 December	
	2018	2017
	USD thousand	USD thousand
Profit/Minimal tax expenses - current	736	590
Deferred tax charge	10,457	4,355
	11,193	**4,945**

INCOME TAX ***(continued)***

Profit befor taxation for financial reporting purposes is reconciled to the income tax charge as follows:

	Year ended 31 December	
	2018	**2017**
	USD thousand	**USD thousand**
IFRS income/(loss) before taxation - Aluminsohtmon	(291)	(661)
IFRS income/(loss) before taxation - Group	88,626	(18,484)
Accounting income/(loss) in accordance with Tajikistan GAAP before taxation - Aluminsohtmon	(291)	(661)
Adjustment for allowable deduction	-	838
Accounting income/(loss) in accordance with Tajikistan GAAP before taxation - Group	(104,020)	(33,946)
Adjustment for allowable deduction	295	328
Taxable profit as per Tajikistan GAAP	**(15,681)**	**(52,586)**
Corporate profit tax (2018:13%, 2017:13%)	-	-
Revenue as per Tajikistan GAAP - Group	73,565	153,200
Minital tax rate at 1% of revenue - Group	736	1,532
Total income tax	**736**	**1,532**

The following are the major deferred tax assets/(liabilities) recognized by the Group:

Deferred tax (liability)/assets in relation to:	**2017 USD thousand**	**Differences recognised in Equity**	**Differences recognised profit or loss**	**Year ended 31 December 2018**
Property, plant and equipment	(17,525)	5,512	(407)	(12,420)
Long-term accounts receivable	(625)	-	625	-
Loans	(1,143)	-	1,143	-
Long term trade payables	-	-	(2,064)	(2,064)
Accounts payable	623	-	(623)	-
Inventory	4,203	-	(2,777)	1,426
Accounts receivable	9,635	-	(9,217)	418
Others	(2,863)	-	2,863	-
	(7,695)	**5,512**	**(10,457)**	**(12,640)**

Deferred tax (liability)/assets in relation to:	**2016 USD thousand**	**Differences recognised in Equity**	**Differences recognised profit or loss**	**Year ended 31 December 2017**
Property, plant and equipment	(15,933)	3,329	(4,921)	(17,525)
Long-term accounts receivable	(625)	-	-	(625)
Loans	(2,079)	-	936	(1,143)
Accounts payable	623	-	-	623
Inventory	6,155	-	(1,952)	4,203
Accounts receivable	8,053	-	1,582	9,635
Others	(2,863)	-	-	(2,863)
	(6,669)	**3,329**	**(4,355)**	**(7,695)**

Deferred tax assets arisen as at reporting dates were not recognised as Management believes that it is not probable that sufficient taxable profit will be availible to allow all or part of these deferred tax assets to be utilised.

11. PROPERTY, PLANT AND EQUIPMENT

REVALUED AMOUNT *(USD thousand)*	Buildings	Plant and equipment	Other	Total	Equipment to be installed and assets under construction
Balance at 1 January 2017	**419,551**	**1,227,227**	**47,796**	**1,694,574**	**3,864**
Additions	4,892	9,791	19	**14,702**	9,197
Disposals	(10)	(18)	-	**(28)**	(326)
Internal movement	103	7,706	-	**7,809**	(7,809)
Balance at 31 December 2017	**424,536**	**1,244,706**	**47,815**	**1,717,057**	**4,926**
Balance at 1 January 2018	424,536	1,244,706	47,815	1,717,057	4,926
Additions	-	15	-	**15**	4,926
Disposals	-	(104)	(2)	**(106)**	
Internal movement	-	4,607	85	**4,692**	(4,692)
Balance at 31 December 2018	**424,536**	**1,249,224**	**47,897**	**1,721,658**	**5,160**
ACCUMULATED DEPRECIATION *(USD thousand)*					
Balance at 1 January 2017	**(172,138)**	**(1,116,577)**	**(21,609)**	**(1,310,324)**	
Depreciation charge	**(7,017)**	**(81,832)**	**(1,576)**	**(90,425)**	
Depreciation on disposal	**-**	**-**	**-**	**-**	
Balance at 31 December 2017	**(179,155)**	**(1,198,409)**	**(23,185)**	**(1,400,749)**	
Balance at 1 January 2018	(179,155)	(1,198,409)	(23,185)	(1,400,749)	
Depreciation charge	(13,991)	(38,534)	(326)	**(52,851)**	
Depreciation on disposal	-	85	2	87	
Balance at 31 December 2018	**(193,146)**	**(1,236,858)**	**(23,508)**	**(1,453,513)**	
NET BOOK VALUE *(USD thousand)*					
Balance at 31 December 2017	**245,381**	**46,297**	**24,630**	**316,308**	**4,926**
Balance at 31 December 2018	**231,390**	**12,366**	**24,389**	**268,145**	**5,160**

The Group does not insure its property, plant and equipment

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

Property, plant and equipment were not revalued by Management as at 31 December 2018 and 2017

As at 31 December 2018, and 2017 there are fully depreciated assets in amount of 74,141 thousand USD and 30,286 respectively.

12. INVESTMENTS

Investments classified as fair value through other comprehensive income represents 6.9% share in Rogunskaya HES and 60% share in LLC Nuron. These shares are not quoted and it is not possibel to estimate a fair value for these assets. As a consequence, the investments are shown at cost which equals Management's best estimate of the value of the investments. Rogunskaya HES owns a hydro-electric facility that is in the process of construction.

	Year ended 31 December	
	2018 USD thousand	2017 USD thousand
OJSC Rogunskaya HES	7,296	7,296
Assets trasferred from Ansol	4,500	4,500
OJSC Takob	4,224	-
LLC Nuron	58	58
	16,078	**11,854**

INVESTMENTS *(continued)*

Assets transferred from ansol

In May 2005 the Company lodged a claim againts Ansol and related parties for loss of profit diverted away from the Company. The initial claim was for approximately USD 220 million. This was later increased to USD 485 million. Ansol lodged a counter clain against RusAl and the Company for approximately USD 200 million. RusAl and Ansol reached a settlement in February 2007.

On 18 November 2008 the suit was withdrawn from the court by the Company and a final settlement was agreen with Ansol and its related parties. Under the settlement all debts of the Company to Ansol and its related parties were eleminated and it was agreed that the Company would receive all the assets owned by Ansol and its related parties on the territory of Tajikistan. These assets include business involved in the processing of cotton, the processing of vegetable oil and the distribution of petroleum.

The Company has recognised the outcome of the settlement agreement by writing off all amounts payable to Ansol and its related partiy in the Company's financial statements by including a receivable based on Management's estimate of the fair value of the other assets in the amount of USD 4,500.

13. INVESTMENT IN JOINT VENTURE

The Group has a 50% shares in CSJC Talco Gold, as per agreement between Group and Tibet Huayu Mining Co Ltd. there is a joint arragement in which the both entities are a joint venturer holding equal amount of shares. The Group's shares in CJSC Talco Gold is accounted for using the equity method in the Consolidated Financial Statements. Summarised financial information of the joint venture, based in IFRS financial statements, and reconciliation with the carrying amount of the investment in Consolidated Financial Statements are set out below:

	Year ended 31 December	
	2018	**2017**
	USD thousand	**USD thousand**
ASSETS		
Non-current assets		
Property, plant and equipment	96,824	95,491
Intangible assets	9,736	9,734
	106,560	**105,225**
Current assets		
Inventory	15	-
Trade and other receivables	688	-
Cash and cash equivalents	145	-
	848	**-**
TOTAL ASSETS	**107,408**	**105,225**
EQUITY AND LIABILITIES		
Equity		
Accumulated deficit	(478)	-
Intangible assets revaluation surplus	105,223	105,223
Charter capital	1	1
Total equity	**104,746**	**105,224**
Non-current liabilities		
Loans and long term payables	2,301	-

	2,301	**-**

INVESTMENT IN JOINT VENTURE*(continued)*

	Year ended 31 December	
	2018	**2017**
Current liabilities	**USD thousand**	**USD thousand**
Short term payables	177	-
Accrued liabilities	150	-
Other taxes payable	34	1
	361	**1**
Total liabilities	**2,662**	**1**
TOTAL EQUITY AND LIABILITIES	**107,408**	**105,225**

	Year ended 31 December	
	2018	**2017**
	USD thousand	**USD thousand**
Revenue	-	-
Cost of sales	-	-
Gross margin	**-**	**-**
General and administrative expenses	(513)	-
Finance expenses	(14)	-
Loss on disposal of long term assets	(5)	-
Gain on revaluation	54	
Other operational expenses	-	-
Net loss for the year	**(478)**	**-**

	Year ended 31 December	
	2018	**2017**
	USD thousand	**USD thousand**
Investment in Joint Venture		
Opening balance	**105,225**	**-**
Operation during the period (other comprehensive income)	(478)	105,225
Closing balance	**104,747**	**105,225**

14. INVENTORIES

	Note	Year ended 31 December 2018 USD thousand	2017 USD thousand
Metal and rotable spares		9,567	7,147
Primary raw materials		8,112	42
Spare parts		7,028	6,894
Unfinished production		5,383	4,781
Anodes		2,009	1,361
Finished goods		1,068	963
Aluminium		11	140
Other materials		1,365	2,175
TOTAL		**34,543**	**23,503**
Obsolescence allowance	**14.1**	(10,969)	(10,969)
Inventories,net		**23,574**	**12,534**

14.1 Movement in the allowance for obsolescence inventory:

	Year ended 31 December 2018 USD thousand	2017 USD thousand
Beginning balance	**10,969**	**10,969**
Accrued/(recovered)	-	-
Closing balance	**10,969**	**10,969**

15. TRADE AND OTHER RECEIVABLES

As at 31 December 2018 and 31 December 2017 the Group has no impaired receivable balances in respect of related parties. Movement in the allowance for impaired trade and other receivables are as follows:

	Year ended 31 December 2018 USD thousand	2017 USD thousand
Trade receivables	22,462	20,207
Advances paid	3,553	27,397
Less:allowance for impaired trade receivables	(1,971)	(1,971)
Net trade receivables	**23,507**	**45,633**
Other taxes prepaid	-	2,520
Other receivables	711	1,494
Tibet Huayu Mining Co., Ltd.	-	90,000
Less: allowance for impaired other receivables	(711)	(1,248)
Net other receivables	**-**	**92,766**
Total Trade and other receivables	**23,507**	**138,399**

16. CASH AND BANK BALANCES

	Year ended 31 December 2018 USD thousand	2017 USD thousand
Cash in hand	4	14
Bank balances	16,419	26
	16,424	**40**

17. CHARTER CAPITAL

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

The Group'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 Group'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 capita were made largely as a result of periodic revaluations of its inventories and property, plant and equipment to market value, and as such, did not increase the carrying amount of capital in IFRS accounts.

During 2011 charter capital was increased twice. On the basis of the Resolution of Government of Republic of Tajikistan #313-12 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 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 statemetn of the Group.

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

There were no movements in Charter capital during years 2018 and 2017.

As at 31 December 2018 and 31 December 2017, the statutory amount of the Group's charter capital was USD 569,929 thousand.

18. PROPERTY, PLANT AND EQUIPMENT REVALUATION RESERVE

(in USD thousand)	Revaluation amount	Annual release	Deferred taxation	Net
Balance at 31 December 2016	666,855	(355,928)	(13,179)	**297,748**
Movement	-	(35,865)	3,329	**(32,535)**
Balance at 31 December 2017	**666,855**	**(391,793)**	**(9,850)**	**265,213**
Movement		(42,400)	5,512	**(36,888)**
Balance at 31 December 2018	**666,855**	**(434,193)**	**(4,338)**	**228,325**

19. ACCUMULATED DEFICIT

In accordance with the legislation in the Republic of Tajikistan and its Charter, the Group can distribute its net profit as dividends or transfer them to reserves.

The Group's accumulated deficit of 705,952 and 825,785 as at 31 December 2018 and 31 December 2017, as shown in these Consolidated Financial Statements does not equal to the combined retained earnings of the Company and its subsidiaries as shown in consolidated financial statements prepared in accordance with accounting regulations in Tajikistan.

20. LONG TERM TRADE PAYABLE

	Year ended 31 December	
	2018	**2017**
	USD thousand	**USD thousand**
Beginning balance	**237,798**	**103,529**
Repayment/write-off	(120,675)	(64)
Unwinding of discount	(5,088)	9,526
Reclass from curret trade and other payables	-	124,740
Other	2,346	67
Total	**114,381**	**237,798**

LONG TERM TRADE PAYABLE ***(continued)***

According to an agreement reached between CDH Investment Corp. (hereinafter "CDH") and the Company on 7 December 2009, the settlement of the disputed liability of the Group to CDH under agreement CDH-NOPQR-1/2005 posponed until 31 December 2014. It is agreed that no interest should accrue on the debt outstanding during this period. The repayment schedule subsequent to 31 December 2014 has not been agreed. In order to reflect the time value of money, the nominal liability outstanding to USD 115.7 million was discounted to USD 82.1 million using a discount rate of 7.1%. The credit ti the Consolidated Statement of Comprehensive Income was recored in 2009. Subsequent debits to the Consolidated Statement of Comprehensive Income arising on the unwinding of the discount are recognised as a financial charge.

Later in 2012, before the previous arragements expired, the Group signed another agreement with CDH extending the period of the debt repayment until the end of the year 2020 with no interest to be charged in the outstanding debt. The nominal liability outstanding of USD 116.4 million was discounted to USD 67.1 million using a discount rate of 7.1%. The credit to the Consolidated Statement of Comprehensive Income was recognised in 2012. Subsequent debtis to the Consolidated Statement of Comprehensive income arising on the unwinding of the discount are recognised as a financial charge.

21. TRADE AND OTHER PAYABLES

	Year ended 31 December	
	2018	**2017**
	USD thousand	**USD thousand**
Trade accounts payable	114,369	151,026
Salaries and wages payable	3,224	2,540
Non-income tax payable	2,821	3,124
Corporate profit tax payable	291	166
Other payables	653	21,141
Total	**121,358**	**177,997**

22. LOANS AND OVERDRAFTS

	Note	Year ended 31 December	
		2018	**2017**
		USD thousand	**USD thousand**
Loan and overdraft balances	**22.1**	12,437	53,786
Total		**12,437**	**53,786**

Loans and overdrafts are all unsecured

22.1 Breakdown of loans and overdraft balances

					Year ended 31 December	
					2018	**2017**
Bank	**Type**	**Currency**	**% rate**	**Maturity**	**USD thousand**	**USD thousand**
SUE Amonatbank	Loan	TJS	14%	31-12-21	6,681	-
OJSC Orienbank	Loan	USD	14%	24-12-16	-	15,200
OJSC Orienbank	Loan	USD	24%	14-09-17	-	15,000
OJSC Orienbank	Loan	TJS	13%	31-12-19	-	4,252
OJSC Orienbank	Loan	TJS	13%	31-12-19	-	301
SUE Amonatbank	Loan	TJS	18%	29-04-18	-	3,742
SUE Amonatbank	Loan	TJS	14%	15-05-18	-	3,402
SUE Amonatbank	Loan	TJS	18%	21-12-16	-	658
Other	Overdraft	USD			134	56
Subtoal					**6,815**	**42,611**
Interest accrued					5,622	11,175
Total loans and overdrafts					**12,437**	**53,786**

23. FINANCIAL INSTRUMENTS

23.1 *Nature of a State owned Enterprise*

The Group conducts significant amount of trade with other state owned entities and is dependent on other state owned entities for the supply of various inputs to the production process, in particular the supply of energy. The most significant state owned suppliers to the Group are:

* Open Joint Stock Holding Company Barki Tojik (hereinafter "Barki Tojik") - Electricity generator and supplier
* Open Joint Stock Company TojikTransGas (hereinafter "TojikTransGas') - Supplier of gas

The Group is supplier of aluminium to certain other state owned entities

Transaction with state owned entities may not be conducted or settled on a fully commercial basis since transactions may be entered into in order to comply with Government policy rather than purely for the commercial benefit of the Group. Management monitors the extent of trade with other state entities but has limited ability to change this position. As a state owned enterprise might not become involved. The amount of social expenditure is disclosed.

23.2 *Fair values*

Management believes that the fair values of short-term financial assets and liabilities approximate their carrying amounts.

The methods used to estimate the fair values of the financial instruments are as follows:

Trade and other receivables, **cash and cash equivalents and trade and other payables**: the carrying amounts approximate fair value because of the short maturity period of the instruments.

Derivatives: the fair value of derivative financial instruments, including embedded derivatives, is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Option-based derivatives are valued using Black-Scholes models and Monte-Carlo simulations. The derivative financial instruments are recorded at their fair value at each reporting date.

The following table presents the fair value of Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined by IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

* Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
* Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
* Level 3 valuations: Fair value measured using significant unobservable inputs.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Fair values(continued)

The Group measures a number of items at fair value.

- Revalued buildings&equipment - Property, Plant and Equipment (note 11)
- Financial instruments (22)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

23.3 ***Risk Management***

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and bank balances
- Investments in unquoted equity securities
- Trade and Other payables
- Bank overdrafts
- Fixed rate Bank loans

(ii) Financial instruments by category ***(in thousands USD)***

	Fair value through profit or loss		**Amortised cost (Loans and receivables 2017)**		**Fair value through Other comprehensive income (Available- for-sale 2017)**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Investments	-	-	-	-	16,078	11,854
Investment in joint venture	-	-	-	-	104,748	105,225
Trade and other receivables	-	-	23,507	138,399	-	-
Cash and bank balances	-	-	16,424	40	-	-
Total financial assets	**-**	**-**	**39,931**	**138,439**	**120,826**	**117,079**

(ii) Financial instruments by category (continued) ***(in thounsands USD)***

	Fair value through profit or loss		Amortised cost (Loans and receivables 2017)		Fair value through Other comprehensive income (Available- for-sale 2017)	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Long term trade payables	-	-	114,381	237,798	-	-
Trade and other payables	-	-	121,358	177,996	-	-
Loans and overdrafts	-	-	12,437	53,786	-	-
Total financial liabilities	**-**	**-**	**248,175**	**469,580**	**-**	**-**

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value of loans and borrowings, which are classified in level 3 of the fair value hierarchy, refer to note 27.

(iv) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below.

31 December 2018	**Level 1**		**Level 2**		**Level 3**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Financial asset (in thousand TJS)	**TJS**	**TJS**	**TJS**	**TJS**	**TJS**	**TJS**
Investments (fair value through other comprehensive income)	-	-	-	-	16,078	11,854
Investment in joint venture (fair value through other comprehensive income)	-	-	-	-	104,748	105,225

There were no transfers between levels during the period.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions.

Cash and cash equivalents

A significant amount of cash is held with the following institutions ***(in thousands TJS):***

Institution	**Rating**	**Cash at bank**
OJSC "Orien bank"	Not rated	15,969
LLC MDO "Argun"	Not rated	7
CJSC "IBT"	Not rated	5
Other		443
Total		**16,424**

The Management monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss.

Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

The Group is exposed to cash flow interest rate risk from loans and overdrafts at fixed rate.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency.

Foreign exchange risk (continued)

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency) with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserves.

The Group is predominantly exposed to currency risk on purchases made from a major supplier based in USD.

Apart from these particular cash-flows the Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

As of 31 December the Group's net exposure to foreign exchange risk was as follows:

	USD		TJS		OTHER		Total	
Financial asset(in TJS' 000)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Investments	-	-	16,078	11,854	-	-	**16,078**	**11,854**
Investment in joint venture	-	-	104,748	105,225	-	-	**104,748**	**105,225**
Trade and other receivables	15,481	130,655	7,468	7,260	558	484	**23,507**	**138,399**
Cash and bank balances	15,959	-	463	40	2	-	**16,424**	**40**
Total financial assets	**31,440**	**130,655**	**128,756**	**124,379**	**560**	**484**	**160,757**	**255,518**
Financial liabilities(in TJS' 000)								
Long term trade payables	(111,936)	(237,798)	-	-	(2,445)	-	**(114,381)**	**(237,798)**
Trade and other payables	-	(167,317)	(121,358)	(4,894)	-	(5,786)	**(121,358)**	**(177,997)**
Loans and overdrafts	(5,224)	(15,525)	(7,213)	(38,261)	-	-	**(12,437)**	**(53,786)**
Total financial liabilities	**(117,160)**	**(420,640)**	**(128,570)**	**(43,155)**	**(2,445)**	**(5,786)**	**(248,175)**	**(469,581)**
TOTAL NET EXPOSURE	**(85,720)**	**(289,985)**	**186**	**81,224**	**(1,885)**	**(5,302)**	**(87,418)**	**(214,063)**

The effect of a 5% strengthening of the TJS against USD at the reporting date on the USD-denominated trade payables carried at that date would, all other variables held constant, have resulted in a decrease in post-tax profit for the year and decrease of net assets of USD 9 (2017: USD 4,061). A 5% weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by USD 9 (2017: USD 4,061).

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on its loans and overdrafts.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances.At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down on its agreed overdraft facility.

The liquidity risk of each group entity is managed centrally by the group treasury function. Each operation has a facility with group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board in advance, enabling the Group's cash requirements to be anticipated. Where facilities of group entities need to be increased, approval must be sought from the group finance director. Where the amount of the facility is above a certain level, agreement of the board is needed.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 December 2018 (in TJS' 000)	**Up to 6 months**	**Between 6 to 12 months**	**Between 1 to 2 years**	**Between 2 and 5 years**	**Over 5 years**	**TOTAL**
Long term trade payables	-	-	496	113,885	-	**114,381**
Trade and other payables	2,999	10,849	6,631	100,879	-	**121,357**
Loans and overdrafts	5,756	-	-	6,681	-	**19,118**
TOTAL	**8,754**	**10,849**	**7,127**	**221,445**	**-**	**254,856**
At 31 December 2017 (in TJS' 000)						
Long term trade payables	-	-	-	-	237,798	**237,798**
Trade and other payables	108,578	69,418	-	-	-	**177,996**
Loans and overdrafts	42,089	7,144	4,553	-	-	**53,786**
TOTAL	**150,667**	**76,562**	**4,553**	**-**	**237,798**	**469,580**

The following table presents an analysis of balance sheet liquidity and interest rate risk as at 31 December 2018:

Financial assets (in thousand TJS)	**Up to 6 months**	**Between 6 to 12 months**	**Between 1 to 2 years**	**Between 2 and 5 years**	**Over 5 years**	**TOTAL**
-Investments	-	-	-	-	16,078	**16,078**
-Investment in joint venture	-	-	-	-	104,748	**104,748**
-Trade and other receivables	1,055	21,547	614	291	-	**23,507**
-Cash and bank balances	16,424	-	-	-	-	**16,424**
Total financial assets	**17,479**	**21,547**	**614**	**291**	**120,826**	**160,757**
Financial liabilities(in thousand TJS)						
Long term trade payables	-	-	496	113,885	-	**114,381**
Trade and other payables	2,999	10,849	6,631	100,879	-	**121,357**
Loans and overdrafts	5,756	-	-	6,681	-	**12,437**
Total financial liabilities	**8,754**	**10,849**	**7,127**	**221,445**	**-**	**248,175**
Difference between financial assets and liabilities	**8,724**	**10,698**	**(6,513)**	**(221,154)**	**120,826**	**(87,418)**

The following table presents an analysis of balance sheet liquidity and interest rate risk as at 31 December 2017:

Financial assets (in thousand TJS)	**Up to 6 months**	**Between 6 to 12 months**	**Between 1 to 2 years**	**Between 2 and 5 years**	**Over 5 years**	**TOTAL**
-Investments	-	-	-	-	11,854	**11,854**
-Investment in joint venture	-	-	-	-	105,225	**105,225**
-Trade and other receivables	6,211	126,859	3,615	1,713	-	**138,399**
-Cash and bank balances	40	-	-	-	-	**40**
Total financial assets	**6,251**	**126,859**	**3,615**	**1,713**	**117,079**	**255,518**
Financial liabilities(in thousand TJS)						
Long term trade payables	-	-	-	-	237,798	**237,798**
Trade and other payables	108,578	69,418	-	-	-	**177,996**
Loans and overdrafts	42,089	7,144	4,553	-	-	**53,786**
Total financial liabilities	**150,667**	**76,562**	**4,553**	**-**	**237,798**	**469,580**
Difference between financial assets and liabilities	**(144,416)**	**50,297**	**(938)**	**1,713**	**(120,719)**	**(214,062)**

Capital disclosures

The Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, non-controlling interest, retained earnings, and revaluation reserve) other than amounts in the cash flow hedging reserve.

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt adjusted capital as defined above. Net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents The debt-to-adjusted-capital ratios at 31 December 2018 and at 31 December 2017 were as follows:

	As at 31 December 2018 (in TJS' 000)	**As at 31 December 2017 (in TJS' 000)**
Loans and overdrafts	12,437	53,786
Less: cash and bank balances	(16,424)	(40)
Net debt	**(3,987)**	**53,746**
Equity	197,050	114,582
Net debt to equity ratio	**2%**	**(47%)**

The decrease in the debt to adjusted capital ratio during 2018 resulted primarily from the increase in equity due to the profit and the increase of cash resulting from operating activities and collection of receivables from sale of 50% share of Talco Gold.

24. RELATED PARTY TRANSACTION

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.

Transactions between related parties are not necessarily conducted on the same basis as transactions with third parties.

RELATED PARTY TRANSACTION *(continued)*

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2018 and 31 December 2017 is detailed below:

Related party	Relationship
Government of the Republic of Tajikistan	Owner
Executive Office of President of Republic of Tajikistan	Under common control
Open Joint Stock Holding Company Barki Tojik	Under common control
Talco Management Limited	Under common control
Open Joint Stock Company TojikTransGas	Under common control
State Unitary Enterprice Rohi Okhani Tajikiston	Under common control
State Savings Bank of Republic of Tajikistan Amonatbonk	Under common control
Open Joint Stock Company Rogunskaya hydroelectric station	Under common control
State Service of Oversight Over Energy Sector	Under common control
Joint Tajik-Russian Limited Liability Company Nuron	Unconsolidated subsidiary
Research Institute of Metallurgy of SUE TALCO	Unconsolidated subsidiary
A. Khomidzoda	Key management
B.M. Saidov	Key management
Sh.O. Kabirov	Key management
M.G. Mirzoev	Key management
N.A. Kadirov	Key management
P.I. Dick	Key management
Sh.A. Muminov	Key management
Sh.M. Nazirov	Key management
A.B. Kholov	Key management
B.M. Azimov	Key management
S.A. Tursunov	Key management
D.T. Bakoev	Key management
N.A. Ismatulloev	Key management
Kh. Safiev	Key management
Zh. S. Pardaev	Key management
N.S. Honov	Key management

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

Transactions	31 December 2018 in thousand TJS	31 December 2017 in thousand TJS
Key management personnel		
Short-term employee benefits	109	97
Entities under common control		
Tolling	39,824	45,404
Elecricity purchases	25,168	21,954
Purchase of raw materials and other axpenses	4,469	5,113
Repayment of loan	7,802	5,228

RELATED PARTY TRANSACTION (continued)

Balances	31 December 2018 in thousand TJS	31 December 2017 in thousand TJS
Trade and other receivables	18,814	37,319
Investments	7,296	7,258
Non consolidated subsidiaries		
Investments	4,282	58
Account receivable	5	5
Entities under common control		
Trade and other creditors	(100,414)	(293,844)
Loan received	12,303	53,730

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 2018 and 31 December 2017.

25. EVENTS AFTER THE REPORTING DATE

On February 2019 the Group has signed agreement with LLC "UzAuto TRAILER" for improvement of international business between Tajikistan and Uzbekistan.

The Group is considering attraction of investment for reconstruction of electrolyte building for increase of production of aluminium up to 300 thousand tons per year. The Group has engaged with the China Machinary Corporation which is potential investor and implementor of this project.

At the date of the issue of the financial statements of the Company there were no events that must be disclosed in the financial statements in accordance with IAS 10 "Events after the reporting period", except above mentioned.

26. COMMITMENTS AND CONTIGENCIES

Operating environment

Emerging markets such as the Republic of Tajikistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Republic of Tajikistan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic of Tajikistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

In 2015, economies of the CIS countries experienced political and economic turmoil, which significantly affected Tajikistan economy. Currency exchange market was unstable and the Tajik Somoni depreciated substantially against major foreign currencies. The National Bank of Tajikistan introduced a range of measures aimed at limiting outflow of customer deposits from the banking system, improving liquidity of banks, and supporting the exchange rate of the Tajikistan Somoni.

Stabilization of the economic situation in Tajikistan depends, to a large extent, upon success of the Tajikistan government's efforts and future condition of the Russian economy and political developments in the CIS. Outcome of these efforts and developments is at this stage difficult to determine.

COMMITMENTS AND CONTIGENCIES *(continued)*

Taxation contingencies

Tajik commercial legislation and tax legislation of the Republic of Tajikistan in particular may give rise to varying interpretations and amendments, which may be retrospective in nature. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no provision has been made in the financial statements.

Property, plant and equipment

As disclosed in note 11, the Group has not insured its property, plant and equipment and as a result is exposed to the risk of unrecoverable losses if these assets are damaged or destroyed. Management does not consider this risk to be significant.

Trade and other payables

LLC "Talco Resource"

Starting from September 2018 the Group has not recorded in it accounting system purchased coal from LLC "Talco Resourse" and it liability thereof. The liability and expenses for purchased coal is not recognised because the qaulity of coal provided by the LLC "Talco Resources" does not comply with the invoice provided.

Talco Management Limited

Other payables

In accordance with Target Financing Agreement TMD-GUP/01/10 dated 10.01.2010. Talco Management will recostruct medical health complex in Ishkashim district of GBAO. As of reporting date Talco Management Limited has completed recostruction services in amount of 3.3 million USD. The Group has not recognised this liability becasue as of the reporting date no any supporting documents were provided.

Subsidiary loan agreement

SUE "Tajik Aluminium Company" together with Talco Management Limited and Ministry of Finance of Republic of Tajikistan have signed subsidiary loan agreement for the Project "Construction of factory for production of Cryolite, Sulfuric acid aluminium fluoride as a part of reconstruction and modernization of TALCO in Yavan district.

As per signed contract, Ministry of Finance of Republic of Tajikistan will reissue loan recived form Chinese Export Import Bank ("EXIMBank of China") to sub-borrowers (SUE "Tajik Aluminium Company" and Talco Management Limited). Both Talco Management and SUE "Tajik Aluminium Company" are obliged for repayment of the loan. As of reporting date the amount of loans the Group is obliged to pay, in case of default, is USD 42 million and Yuan 248 million.

27. CORRESPONDING FIGURES

Corresponding figures have not been re-arranged for the purpose of comparison.

On behalf of the Management

Homidzoda A.
Managing Director

Khonov N.
Chief Accountant