TAJIK ALUMINIUM COMPANY
AND ITS SUBSIDIARY

ABBREVIATED
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

CONTENTS

Statement of Management Responsibilities

Management is responsible for the maintenance of accounting records and preparation of consolidated financial statements for Tajik Aluminium Company (the "Company") and its subsidiary (the "Group").

The Group maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with Management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of consolidated financial statements and other financial information. The system contains self-monitoring mechanisms that allow Management to be reasonably confident that controls, as well as the Group's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on judgement and estimates.

S.F.Sharipov
Managing Director

Dated: 20 March 2012

Sh.K. Kurbanov
Chief Accountant

Dated: 20 March 2012

Report of the Independent Auditor to the Managing Director of Tajik Aluminium Company

1. We have audited the consolidated financial statements of Tajik Aluminium Company (the "Company") and its subsidiary (the "Group") for the year ended 31 December 2009, from which the summarised consolidated financial statements were derived, in accordance with International Standards on Auditing.

2. In our report dated 29 March 2012 we expressed an opinion that the consolidated financial statements from which the summarised consolidated financial statements were derived presented fairly, in all material respects the financial position of the Group as of 31 December 2009 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

3. Without qualifying our opinion we drew attention to the fact that the consolidated financial statements from which these summarised consolidated financial statements have been derived were prepared on a going concern basis and to note 6 to the consolidated financial statements that set out the matters considered by Management in concluding that it was appropriate to present consolidated financial statements on a going concern basis. If it were not appropriate to prepare consolidated financial statements on a going concern basis they would be prepared on a break up basis which might result in reduced asset values and increased liabilities.

4. Without qualifying our opinion we drew attention to the fact, that the Company has been involved in litigation with various third parties and the associated uncertainties.

5. Without qualifying our opinion we drew attention to the fact that the audit opinion on the Group's consolidated financial statements for the previous year was qualified as we were unable to ascertain accurately the historical cost of certain fixed assets. As the Group changed its accounting policy on 31 December 2008 to account for certain fixed assets at fair value this limitation of scope did not prevent us confirming year end carrying values. However, we were not able to obtain reasonable assurance regarding the depreciation charge for the year 2008 since no similar valuation had been carried out at the beginning of that year. Our opinion in respect of the current year is not qualified in this regard.

6. In our opinion the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived and on which we expressed a qualified opinion.

7. For a better understanding of the Group's financial position and the results of its operations for the year ended 31 December 2009 and of the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which they were derived and our audit report thereon.

Moore Stephens OOO

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4th Floor, Moore Stephens
115054 Moscow, Russian Federation

24 April 2012

Consolidated Statement of Financial Position
as at 31 December 2009
(in thousands US Dollars unless otherwise stated)

	2009	2008
Non-current assets		
Property, plant and equipment	564,010	619,464
Equipment to be installed	1,470	2,233
Long-term accounts receivable	9,000	12,026
	574,480	633,723
Current assets		
Inventories	70,223	102,759
Corporate profit tax prepaid	1,266	-
Trade and other receivables	5,423	20,086
Bank and cash balances	1,270	216
	78,182	123,061
Less: current liabilities		
Corporate profit tax payable	-	1,337
Trade and other payables	216,441	349,347
Short term debt and current portion of long term debts	14,361	27,187
	230,802	377,871
Net current liabilities	(152,620)	(254,810)
Non-current liabilities		
Long term debt	57,501	57,501
Deferred tax liability	45,586	63,555
Long term trade payable	82,073	-
	185,160	121,056
Net assets	**236,700**	**257,857**
Financed by:		
Charter capital	508,000	496,355
Revaluation reserve	321,473	360,145
Distribution to owner	(11,092)	-
Accumulated deficit	(581,681)	(598,643)
	236,700	**257,857**

Approved on behalf of Management on 20 March 2012

S. F. Sharipov
Managing Director

Sh.K. Kurbanov.
Chief Accountant

The accompanying notes on pages 10 to 22 form an integral part of these abbreviated consolidated financial statements

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2009
(in thousands US Dollars unless otherwise stated)

	2009	2008
Gross sales	175,803	204,810
Cost of sales	(235,777)	(189,294)
Gross (loss)/profit	(59,974)	15,516
Distribution expenses	(4,109)	(6,180)
Administrative expenses	(31,794)	(102,372)
Operating loss	**(95,877)**	**(93,036)**
Gain on rescheduling of debt	33,599	-
Other income	17,782	74,975
Loss on disposal of fixed assets	-	(6,387)
Interest expense	(293)	(2,514)
Foreign exchange difference	7,819	3,203
Loss before taxation	(36,970)	(23,759)
Taxation	8,435	(2,239)
Loss for the year after taxation	**(28,535)**	**(25,998)**
Total comprehensive loss for the year	(28,535)	(25,998)
Total comprehensive loss attributable to:		
Owner of the Group	**(28,535)**	**(25,998)**

The Group has no items of other comprehensive income.

The accompanying notes on pages 10 to 22 form an integral part of these abbreviated consolidated financial statements

Consolidated Statement of Cash Flows
for the year ended 31 December 2009
(in thousands US Dollars unless otherwise stated)

	2009	2008
Operating activities		
Loss before tax	(36,970)	(23,759)
Adjustments for		
Depreciation	71,254	16,077
Interest expense	293	2,514
Loss on disposal of fixed assets	-	6,387
Foreign exchange gain	(7,819)	(3,203)
Write-off of loans	-	(17,396)
Impairment allowance against doubtful debtors	(1,883)	1,637
Obsolescence allowance	12	1,763
Operating loss before working capital changes	24,887	(15,980)
Changes in operating assets and liabilities		
(Increase)/Decrease in trade and other receivables	16,041	(17,315)
(Increase)/Decrease in inventories	21,432	(10,196)
Increase/(Decrease) in trade payables	(28,437)	109,607
Increase/(Decrease) in other payable	(9,572)	10,526
Cash generated from operations	**24,351**	**76,642**
Profit tax paid	(5,312)	(8,945)
Net cash generated by operating activities	**19,039**	**67,697**
Cash flows from investing activities		
Purchases of property, plant and equipment	(18,752)	(50,946)
Proceeds from disposal of fixed asset	1,852	-
Net cash used in investing activities	(16,900)	(50,946)
Cash flows from financing activity		
New borrowings	-	-
Repayment of liabilities	(1,000)	(20,500)
Net cash used in financing activities	(1,000)	(20,500)
Exchange difference	(85)	3,203
Net increase in cash	1,054	(546)
Cash at the beginning of the year	216	762
Cash at the end of the year	**1,270**	**216**

The accompanying notes on pages 10 to 22 form an integral part of these abbreviated consolidated financial statements

Consolidated Statement of Changes in Owners' Equity
for the year ended 31 December 2009 (in thousands US Dollars unless otherwise stated)

	Charter capital	Accumulated deficit	Revaluation reserve	Total
Balance at 31 December 2007	**496,355**	**(572,645)**	**-**	**(76,290)**
Revaluation of fixed assets	-	-	423,700	423,700
Deferred tax charge	-	-	(63,555)	(63,555)
Loss for the year	-	(25,998)	-	(25,998)
Balance at 31 December 2008	**496,355**	**(598,643)**	**360,145**	**257,857**
Contributions by owners	11,645	-	-	11,645
Annual release from revaluation reserve	-	45,497	(45,497)	-
Deferred tax release	-	-	6,825	6,825
Distribution to owner	-	(11,092)	-	(11,092)
Loss for the year	-	(28,535)	-	(28,535)
Balance at 31 December 2009	**508,000**	**(592,773)**	**321,473**	**236,700**

The accompanying notes on pages 10 to 22 form an integral part of these abbreviated consolidated financial statements

1. Description of business

Tajik Aluminium Company (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 town of Tursunzade in the Republic of Tajikistan. The Company has no immediate parent but is ultimately controlled by the Government of the Republic of Tajikistan.

The Company and its subsidiary Aluminsohtmon (the Group) are engaged in the production of aluminium under a tolling scheme predominantly for foreign markets. In addition the Group undertakes some production for its own account and also produces consumer goods utilising its own aluminum. Primary aluminium production of the Company in 2009 approximated 359,386 mt (2008 – 399,450 mt) from a single-location mill that was constructed in 1975.

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

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

In addition to Aluminsohtmon, the Group had one further legal subsidiary during 2008, Yavanskaya Tets. Ownership of this company was temporary and, in the opinion of Management, in substance the entity was never a subsidiary. According to a decision of the Government ownership of Yavanskaya Tets was transferred to JSC Barki Tojik at 31 December 2008.

As at 31 December 2009 the Group employed 11,380 employees (2008: 12,305 employees).

2. Operating environment in the Republic of Tajikistan

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

The legal and tax systems in Tajikistan are evolving as the Government transforms itself from a command to a market oriented economy. There were many Tajikistan tax laws and related regulations introduced in 2009 and previous years. Because these laws are new relevant officials do not have extensive experience of implementing them and interpretations can vary between and within regulatory authorities. These circumstances create greater uncertainties than are normal in older market economies.

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

3. Risk factors and risk management

a) Commercial concentration

The Group has worked with Talco Management Ltd since 2007. Talco Management Ltd acts as the Group's major trading partner, being the sole customer for the Group's tolling services. It also arranges the purchase of raw materials for the Group.

Dependence on a single key trading partner may significantly increase the risk to which an enterprise is exposed since it enhances the negotiating position of the trading partner to the potential detriment of the enterprise. Significant concentration in either suppliers or customers may also increase fraud risk as it facilitates collusion between key individuals within the enterprise and the suppliers or customers in question.

Although commercial concentration remains significant, Management believes that risk has been substantially mitigated through the introduction of the tolling scheme which places a greater degree of commercial risk on the Company's trading partner and the introduction of a tender process to select the Company's main trading partner. Management is not aware of any losses accruing to the Group as a result of the concentration of risk.

b) Nature as a State Owned Enterprise

The Group conducts a 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 were:

Barki Tojik	- Electricity generator and supplier
TojikTransGas	- Supplier of gas

The Group is a supplier of aluminium to certain other state owned entities. Management also believes Talco Management Ltd to be operating under the direction of the Government of Tajikistan.

Transactions with state owned entities may not be conducted or settled on a fully commercial basis since transactions may be entered into in order to further Government policy rather than purely for the commercial benefit of the Company. As a state owned enterprise the Company may become involved in projects of a social nature in which a privately owned enterprise might not become involved.

Management monitors the extent of trade with other state entities but has limited ability to change this position.

c) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The majority of the Group's borrowings are at fixed interest rates. As a result the Group is largely exposed to fair value interest rate risk rather than cash flow interest rate risk. Management monitors interest rate fluctuations on a continuous basis and acts accordingly.

Notes to the Consolidated Abbreviated Financial Statements (in thousands US Dollars unless otherwise stated)

3. Risk factors and risk management (continued)

d) Credit risk

Credit risk arises from the possibility that future cash inflows from financial assets on hand at the balance sheet date may be reduced by the failure of counter parties to discharge their obligations. As described above the Group has a limited number of major customers and is therefore exposed to a concentration of credit risk in respect of trade debtors.

At 31 December, the Group had the following age distribution of trade and other receivables:

	2009		**2008**	
	Total book value	Allowance for impairment	Total book value	Allowance for impairment
Current trade receivables	3,978	-	13,121	-
Trade receivables overdue more than 1 year	1,328	(1,328)	2,582	(2,582)
	5,306	**(1,328)**	**15,703**	**(2,582)**
Current other receivables	1,445	-	4,902	-
Other receivables overdue more than 1 year	4,374	(4,374)	5,003	(5,003)
	5,819	**(4,374)**	**9,905**	**(5,003)**

Other financial assets of the Group with exposure to credit risk include cash. The Group has limited cash balances and as a result has limited credit exposure to any financial institution. Cash is placed with banks controlled by Government. As such, Management does not expect any counterparty to fail to meet their commitments.

e) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The majority of the Group's balances and transactions are denominated in US Dollars. At the year end the Group had no significant exposure to foreign currencies other than the Tajik Somoni. The Group's major Tajik Somoni balances are those with other state entities (see below). Management does not believe it faces significant currency risk as a result. The Group's policy is not to enter any currency hedging transactions as these products are not readily available in the Republic of Tajikistan.

Notes to the Consolidated Abbreviated Financial Statements (in thousands US Dollars unless otherwise stated)

3. Risk factors and risk management (continued)

e) Currency risk (continued)

An analysis of the Group's financial assets and liabilities by currency is set out below:

As at 31 December 2009	USD	EUR	RUR	TJS	Total
Assets					
Cash and cash equivalents	568	479	3	220	1,270
Trade and other receivables	3,001	-	-	2,422	5,423
Total assets	**3,569**	**479**	**3**	**2,642**	**6,693**
Liabilities					
Short term trade and other payables	(192,905)	-	(95)	(10,003)	(203,003)
Long term trade payables	(82,073)	-	-	-	(82,073)
Short term debts	(6,000)	-	-	(8,361)	(14,361)
Long term debts	(57,501)	-	-	-	(57,501)
Total liabilities	**(338,479)**	**-**	**(95)**	**(18,364)**	**(356,938)**
Net balance sheet position	**(334,910)**	**479**	**(92)**	**(15,722)**	**(350,245)**

As at 31 December 2008	USD	EUR	RUR	TJS	Total
Assets					
Cash and cash equivalents	13	6	11	186	216
Trade and other receivables	5,423	14	67	14,582	20,086
Total assets	**5,436**	**20**	**78**	**14,768**	**20,302**
Liabilities					
Trade and other payables	(309,952)	-	-	(16,429)	(326,381)
Short term debts	(6,915)	-	-	(20,272)	(27,187)
Long term debts	(57,501)	-	-	-	(57,501)
Total liabilities	**(374,368)**	**-**	**-**	**(36,701)**	**(411,069)**
Net position	**(368,932)**	**20**	**78**	**(21,933)**	**(390,767)**

At 31 December 2009, if the functional currency (US Dollar) had weakened / strengthened by 20% against the Tajik Somoni with all other variables held constant, post-tax profit for the period would have been 2,672 lower / higher.

At 31 December 2009 the balances of financial assets and liabilities in other currencies are not material so a weakening / strengthening of the functional currency in respect of these currencies would not have had a material effect.

At 31 December 2008, if the functional currency (US Dollar) had weakened / strengthened by 20% against the Tajik Somoni with all other variables held constant, post-tax profit for the period would have been 3,290 lower / higher.

Notes to the Consolidated Abbreviated Financial Statements (in thousands US Dollars unless otherwise stated)

3. Risk factors and risk management (continued)

e) Currency risk (continued)

At 31 December 2008 the balances of financial assets and liabilities in other currencies were not material so a weakening / strengthening of the functional currency in respect of these currencies would not have had a material effect.

f) Liquidity risk

The Group's Management monitors the Group's liquidity on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2009	No fixed Maturity	On demand and less than 1 year	1 to 5 years	Total	Book value
Overdraft	-	4,889	-	4,889	3,992
Interest payable on promissory note	-	4,369	-	4,369	4,369
Current portion of Hydro Aluminium debt	-	6,000	-	6,000	6,000
Long term debt	57,501	-	-	57,501	57,501
Short term trade and other payables	-	203,003	-	203,003	203,003
Long term trade payables	-	-	115,673	115,673	82,073
Total	**57,501**	**218,261**	**115,673**	**391,435**	**356,938**

As at 31 December 2008	No fixed Maturity	On demand and less than 1 year	1 to 5 years	Total	Book value
Restructured debt	-	14,754	-	14,754	14,754
Interest payable on promissory note	-	5,518	-	5,518	5,518
Current portion of Hydro Aluminium debt	-	7,000	-	7,000	6,915
Long term debts	57,501	-	-	57,501	57,501
Trade and other payables	-	326,381	-	326,381	326,381
Total	**57,501**	**353,653**	**-**	**411,154**	**411,069**

The Group's short term liabilities exceed cash and short term receivables. However, Management does not anticipate that this will result in a liquidity problem for the Group. Management takes this view as it anticipates that certain payables to Tajik state-owned companies will be restructured as its ultimate controlling party (the Republic of Tajikistan) will manage overall cash flows amongst state owned entities in a manner that will enable all to continue trading. In addition, Management anticipates that certain liabilities will be settled later than contracted maturities.

g) Capital management

The Company considers its capital to be charter capital funds and its revaluation surplus less its accumulated deficit. The Group has no liabilities that it considers to be capital. The Group is not subject to externally imposed capital requirements.

Notes to the Consolidated Abbreviated Financial Statements (in thousands US Dollars unless otherwise stated)

3. Risk factors and risk management (continued)

g) Capital management (continued)

The Group manages its capital at the direction of the Government of Tajikistan to ensure that Government policy is met. This strategy remains unchanged from the previous year.

The capital structure of the Group consists of net debt and equity of the Group.

The gearing ratio at the end of the reporting period was as follows:

	2009	2008
Debt	67,493	79,170
Cash and bank balances	(1,270)	(216)
Net debt	66,223	78,954
Equity	**236,700**	**257,857**
Net debt to equity ratio	28%	31%

h) Measurement of profitability

The main tool used by management to monitor profitability is Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA"). EBITDA is not a measure of financial performance in accordance with IFRS. Therefore EBITDA should not be considered as an alternative to net profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. The calculation of EBITDA as performed by Management of the Company may differ from the calculation used by other reporting entities and therefore comparability may be limited.

EBITDA for the year ended 31 December 2009 has been calculated as follows:

	SUE TALCO	DGUP Aluminsohtmon	Total
Loss before taxation	(36,697)	(273)	(36,970)
Adjustments			
Interest expense	293	-	293
Depreciation and amortisation	70,913	341	71,254
EBITDA	**34,509**	**68**	**34,577**

EBITDA for the year ended 31 December 2008 has been calculated as follows:

	SUE TALCO	DGUP Aluminsohtmon	Total
Loss before taxation	(14,327)	(9,432)	(23,759)
Adjustments			
Interest expense	2,514	-	2,514
Depreciation and Amortisation	15,879	-	15,879
EBITDA	**4,066**	**(9,432)**	**(5,366)**

As at 31 December 2008 the Group restated its tangible fixed assets at market value. In the current reporting period the depreciation charge was based on the revalued amounts and applicable remaining useful lives. This has had a significant effect on the depreciation charge included in the Statement of Comprehensive Income but is not reflected in the Group's EBITDA.

4. Basis of presentation

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

The historical cost convention has been applied except where a policy set out in note 7 specifically indicates otherwise.

Legal title to all the fixed assets used by the Company rests with the Republic of Tajikistan. Despite this, the Company has day to day control of the assets and derives the full economic benefit of their use. Generally, IFRS require an enterprise to account only for assets owned by it or held by it under a finance lease. Management have considered this situation and have concluded that the fairest presentation under the circumstances is to record these assets on the balance sheet as this reflects the substance of the situation. The associated cost of depreciation is recognised in the Statement of Income. As a consequence of the adoption of this basis of presentation all the balances and transactions associated with aluminium production at the Group are recorded in a single set of consolidated financial statements.

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

a. Fair value techniques

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

b. Impairment losses on receivables

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

c. Valuation of buildings, plant and equipment

Following the introduction of a policy of carrying buildings, plant and equipment at fair value (see note 7a) the Group will be reviewing the carrying value of these items no less frequently than once every five years. In determining an appropriate carrying value management relies on the opinion of an expert third party valuation company. The experts determine the value of fixed assets as what they could be sold for, assuming an arm's length transaction between a willing buyer and seller. In carrying out such a valuation the experts will make a number of assumptions about future profitability and appropriate discount rates.

d. Depreciation

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

e. Legal cases

In preparing these financial statements Management has used significant judgement concerning the outcome of legal disputes.

5. Basis of consolidation

The consolidated financial statements incorporate the financial statements of Tajik Aluminium Company and its Subsidiary (refer to note 1), drawn up to 31 December 2009 after elimination of all intercompany transactions. The financial statements of Aluminsohtmon are prepared for the same reporting period as the financial statements of Tajik Aluminium Company based on uniform accounting policies. All intragroup balances, transactions, income, expenses, and profits and losses resulting from intragroup transactions that are recognised in assets, are eliminated in full.

6. 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 2009 the Group had net current liabilities of US $131 million (2008 – US $255 million). As shown in note 3 the Group had significant liquidity issues as at 31 December 2009. Furthermore the Group is currently involved in litigation that could result in additional liabilities. As a result of these factors Management has considered whether the Group is able to continue to operate as a going concern and has noted that:

- The Group's cost structure is competitive by international standards;
- The Group has positive net assets;
- Conditions in the aluminium market are such that Management believes it is possible to improve the financial position of the Group through profitable trading; and
- The Group has the continued support of its owner, the Government of Tajikistan.

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 adjustments that might be necessary should the Group cease to operate.

7. Significant accounting policies

a) Property, plant and equipment

Carrying value of property, plant and equipment

The majority of the Group's property, plant and equipment were acquired prior to the dissolution of the Soviet Union. In this period the exchange rates that existed between the Rouble and foreign currencies were not indicative of true commercial exchange rates and at certain times more than one exchange rate existed simultaneously. Consequently it is extremely difficult to determine an appropriate exchange rate for the conversion of balances originally denominated in Roubles. As a result Management cannot be confident that the dollar values attributed to fixed assets purchased before the dissolution of the Soviet Union are indicative of the true dollar cost of these items.

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

In the previous period Management resolved to change the accounting policy in respect of buildings and plant and equipment in order to ensure that the financial statements provide users with more relevant and reliable information than has been the case with the previous policy. As a result it was resolved to carry these items at fair value.

Following this decision, buildings, plant and equipment were revalued by Management as at 31 December 2008 based on valuations arrived at by an independent appraisal company.

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

7. Significant accounting policies (continued)

a) Property, plant and equipment (continued)

Carrying value of property, plant and equipment (continued)

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

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

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

Depreciable lives of property, plant and equipment

In these consolidated financial statements the cost of fixed assets is written off over remaining useful lives as determined by Management. In estimating remaining useful lives Management has taken into account their expert knowledge and past experience. However, as with all predictions of future events an element of uncertainty remains. Management reviews the reasonableness of current estimates on an annual basis.

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

Buildings	40 years
Machinery and equipment	10 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Computers	3 years

Revaluation reserve

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

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

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

b) Allowances

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

7. Significant accounting policies (continued)

c) Profit tax

Current tax

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

Deferred tax

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

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

d) Foreign currency translation

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

Liabilities and current assets in other currencies at the balance sheet date are translated into US Dollars at relevant rates ruling on that date. For the purposes of these consolidated financial statements, liabilities and current assets denominated in Tajik Somoni have been translated at a rate of – US $ 1 = TJS 4.371 (2008 – US $ 1 = TJS 3.4519).

Transactions during the year denominated in currencies other than the US Dollar have been translated into US Dollars at an average rate for the period or actual rates ruling on the date of the transaction. Fixed assets and charter capital have been translated into US Dollars at estimated historic rates. Fixed assets acquired prior to 31 December 2008 have been subject to revaluation subsequent to initial recognition (please see note 7 (a) for further information on carrying values of fixed assets).

Fixed assets acquired prior to 1991 were originally translated at an estimated rate intended to approximate to a commercial rate of exchange for the Soviet Union. The majority of such assets have subsequently been revalued. Opening capital has been translated at the same estimated rate.

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

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

7. Significant accounting policies (continued)

d) Foreign currency translation (continued)

The fact that these consolidated financial statements are presented in US Dollars should not be taken to imply that amounts can or will be settled in that currency.

As of 31 December 2009, the official exchange rate was US $ 1 = TJS 4.371. The effect of the post balance sheet fluctuation in the exchange rate on Tajik Somoni denominated assets and liabilities has not been calculated.

e) Cash

Cash comprises cash in hand and cash deposited in banks.

f) Trade and other receivables

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

g) Inventories

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

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

h) Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received. Trade and other payables are stated inclusive of value added taxes ("VAT") which are 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. In most cases, because the expected payment period for other payables is short, the amortised value is the nominal amount without discounting, which corresponds with fair value.

i) Borrowing costs

Borrowing costs are expensed as incurred. The Group does not have any qualifying assets for which the borrowing costs can be capitalised.

j) Revenue recognition

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

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

Irrecoverable VAT is recorded as an expense within administrative expenses.

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

7. Significant accounting policies (continued)

k) Pension and State Social Fund Contributions

The Group contributes to the state pension scheme of the Republic of Tajikistan, which is administered by the State Social Fund. The pension scheme is a defined contribution scheme. The Group's contribution to the State Social Fund amounted to approximately 25% of employees' salaries and is expensed as incurred (2008 - 25%). The Group has no other programme or obligation for payment of postretirement benefits to its employees.

l) Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or "other financial liabilities". The Group has no financial liabilities "at fair value through profit or loss".

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Fair value is obtained through discounting future cash flows at the current market interest rate applicable to financial instruments with similar terms. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Realised and unrealised gains and losses arising from changes in the fair value are included in income or expenses in the Statement of Income in the period in which they arise.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Loans are classified as long-term liabilities if they are expected to be settled more than 12 months after the reporting date. Trade payables are generally not interest bearing and are recognised and carried at original invoice amount. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

m) Equipment to be installed

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

n) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset.

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

7. Significant accounting policies (continued)

n) Provisions (continued)

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

o) Contingent liabilities

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

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

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

p) Change in accounting policy

As more fully described in note 7(a) above, the Group changed its accounting policy for buildings, plant and equipment with effect from 31 December 2008. This change has been made on a prospective basis as envisaged by International Accounting Standards. As a consequence the Group's results for the previous period were unaffected by the change in policy. The change in policy has resulted in an increase in the carrying value of fixed assets as at 31 December 2008 by 433,948 and an increase in depreciation charge in the current period by 58,463.

Notes to the Consolidated Abbreviated Financial Statements (in thousands US Dollars unless otherwise stated)

8. Adoption of new or revised standards and interpretations

During the period the following Standards relevant to the Group became effective:

IAS 1: "Presentation of Financial Statements". Comprehensive revision including requiring a statement of comprehensive income.

The main change is that it will be mandatory to capitalise borrowing costs incurred on qualifying assets. There are various transitional provisions to cope with companies which have previously written off such costs.

IFRS 3: *"Business Combinations"*
It supersedes IFRS 3 *Business Combinations* (issued in 2004). The revised IFRS 3 is required to be applied from 1 July 2009, but earlier application is permitted.

IAS 32: "Financial Instruments: Presentation". Amendments relating to puttable instruments and obligations arising on liquidation.

IAS 23: "Borrowing Costs" Comprehensive revision to prohibit immediate expensing.

No significant adjustments to financial statements were required in respect of new Standards which became effective during the period.

At the end of the reporting period, the following Standards and Interpretations were in issue but not yet effective:

	Effective date
New standards	
IFRS 9: "Financial Instruments"	1 January 2013
Revised standards	
IAS 24 (revised): "Related party Disclosures"	1 January 2011
Amendments to IAS 7 "Statement of Cash Flows" (annual improvements 2008)	1 January 2010
Amendments to IAS 39, "Financial Instruments: Recognition and Measurement" (annual improvements 2008)	1 January 2010
New interpretations:	
IFRIC 19: "Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010
Business combination project resulted in revisions to IFRS 3 "Business Combinations", IAS 27, "Consolidated and Separate Financial Statements", IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures" and consequential amendments to:	1 July 2009

- IAS 1 "Presentation of Financial Statements"
- IAS 7 "Cash flow statement"
- IAS 12 "Income Taxes"
- IAS 16 "Property, Plant and Equipment"
- IAS 21 "The Effects of Changes in Foreign Exchange Rates"
- IAS 32 "Financial Instruments: Presentation"
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
- IAS 39 "Financial Instruments: Recognition and Measurement"
- IFRS 7 "Financial Instruments: Disclosures"

The IASB improvements project is an annual occurrence. The improvements to IFRSs issued in April 2009 impact on over ten standards and interpretations. These changes are effective for accounting periods beginning on or after 1 January 2010 and in some cases on or after 1 July 2009.

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group other than in respect of presentational matters.