

TAJIK ALUMINIUM COMPANY
AND ITS SUBSIDIARY

ABBREVIATED
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Abbreviated Consolidated Financial Statements
for the year ended 31 December 2010

Contents

STATEMENT OF MANAGEMENT RESPONSIBILITIES	3
REPORT OF THE INDEPENDENT AUDITORS TO THE MANAGING DIRECTOR OF TAJIK ALUMINIUM COMPANY	4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF CASH FLOWS.....	7
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY.....	7
1. DESCRIPTION OF BUSINESS	8
2. OPERATING ENVIRONMENT IN THE REPUBLIC OF TAJIKISTAN	9
3. RISK FACTORS AND RISK MANAGEMENT	10
4. BASIS OF PRESENTATION	15
5. BASIS OF CONSOLIDATION.....	16
6. GOING CONCERN BASIS.....	17
7. SIGNIFICANT ACCOUNTING POLICIES.....	17
8. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS.....	23

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Abbreviated Consolidated Financial Statements
for the year ended 31 December 2010

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

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Abbreviated Consolidated Financial Statements
for the year ended 31 December 2010

Report of the Independent Auditors 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 2010, from which the summarised consolidated financial statements were derived, in accordance with International Standards on Auditing.
2. In our report dated 30 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 2010 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. Also without qualifying our opinion in respect of the current year we drew attention to note 4g which explains the uncertainties associated with estimating the value of unquoted investments.
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 2010 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 "Moore Stephens"
38 Stremyanny Pereulok
4th Floor, Moore Stephens
115054 Moscow, Russian Federation



24 April 2012

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Abbreviated Consolidated Financial Statements
for the year ended 31 December 2010

Consolidated Statement of Financial Position
as at 31 December 2010
(in thousands US Dollars unless otherwise stated)

	<u>2010</u>	<u>2009</u>
Non-current assets		
Property, plant and equipment	512,592	564,010
Equipment to be installed	2,362	1,470
Long-term accounts receivable	9,000	9,000
Investments	7,844	-
	<u>531,798</u>	<u>574,480</u>
Current assets		
Inventories	64,451	70,223
Corporate profit tax prepaid	244	1,266
Trade and other receivables	24,326	5,423
Bank and cash balances	223	1,270
	<u>89,244</u>	<u>78,182</u>
Less: current liabilities		
Trade and other payables	232,264	216,441
Short term debt and current portion of long term debts	16,188	14,361
	<u>248,452</u>	<u>230,802</u>
Net current liabilities	<u>(159,208)</u>	<u>(152,620)</u>
Non-current liabilities		
Long term debt	57,501	57,501
Deferred tax liability	12,439	45,586
Trade payables	88,730	82,073
	<u>158,670</u>	<u>185,160</u>
Net assets	<u>213,920</u>	<u>236,700</u>
Financed by:		
Charter capital	508,000	508,000
Revaluation reserve	282,858	321,473
Distribution to owner	-	(11,092)
Accumulated deficit	(576,938)	(581,681)
	<u>213,920</u>	<u>236,700</u>

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 23 form an integral part of these abbreviated consolidated financial statements.

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
 Abbreviated Consolidated Financial Statements
 for the year ended 31 December 2010

Consolidated Statement of Comprehensive Income
 for the year ended 31 December 2010
 (in thousands US Dollars unless otherwise stated)

	<u>2010</u>	<u>2009</u>
Revenue	198,246	175,803
Cost of sales	<u>(236,481)</u>	<u>(235,777)</u>
Gross loss	<u>(38,235)</u>	<u>(59,974)</u>
Distribution expenses	(4,988)	(4,109)
Administrative expenses	<u>(24,050)</u>	<u>(31,794)</u>
Operating loss	<u>(67,273)</u>	<u>(95,877)</u>
(Loss)/gain on rescheduling of debt	(668)	33,599
Other income	20,841	17,782
Interest expense and finance charges	(6,115)	(293)
Foreign exchange differences	<u>(548)</u>	<u>7,819</u>
Loss before taxation	<u>(53,763)</u>	<u>(36,970)</u>
Taxation	<u>24,168</u>	<u>8,435</u>
Loss for the year after taxation	<u>(29,595)</u>	<u>(28,535)</u>
Total comprehensive loss for the year	<u>(29,595)</u>	<u>(28,535)</u>
Total comprehensive loss attributable to:		
Owners of the Group	<u><u>(29,595)</u></u>	<u><u>(28,535)</u></u>

The Group has no items of other comprehensive income.

The accompanying notes on pages 10 to 23 form an integral part of these abbreviated consolidated financial statements.

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Abbreviated Consolidated Financial Statements
for the year ended 31 December 2010

Consolidated Statement of Cash Flows
for the year ended 31 December 2010
(in thousands US Dollars unless otherwise stated)

	<u>2010</u>	<u>2009</u>
Operating activities		
Loss before tax	(53,763)	(36,970)
Adjustments for		
Depreciation	73,387	71,254
Interest expense	550	293
Profit on disposal of fixed assets	(5,246)	-
Foreign exchange gain	548	(7,819)
Fair Value adjustment on Hydro debt	668	-
Impairment allowance against doubtful debtors	(4,772)	(1,883)
Obsolescence allowance	(1,215)	12
Operating loss before working capital changes	<u>10,157</u>	<u>24,887</u>
Changes in operating assets and liabilities		
(Increase)/Decrease in trade and other receivables	(13,984)	16,041
Decrease in inventories	6,987	21,432
Increase/(Decrease) in trade payables	24,778	(28,437)
Decrease in other payables	(1,858)	(9,572)
Cash generated from operations	<u>26,080</u>	<u>24,351</u>
Profit tax paid	(2,285)	(5,312)
Net cash generated by operating activities	<u>23,795</u>	<u>19,039</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(23,592)	(18,752)
Proceeds from disposal of fixed asset	5,977	1,852
Acquisition of minority stake (note 4g)	(7,844)	-
Net cash used in investing activities	<u>(25,459)</u>	<u>(16,900)</u>
Cash flows from financing activity		
New borrowings	3,819	-
Repayment of liabilities	(2,900)	(1,000)
Interest paid	(310)	-
Net cash used in financing activities	<u>609</u>	<u>(1,000)</u>
Exchange difference	8	(85)
Net (decrease) / increase in cash	<u>(1,047)</u>	<u>1,054</u>
Cash at the beginning of the year	1,270	216
Cash at the end of the year	<u><u>223</u></u>	<u><u>1,270</u></u>

The accompanying notes on pages 10 to 23 form an integral part of these abbreviated consolidated financial statements.

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Abbreviated Consolidated Financial Statements
for the year ended 31 December 2010

Consolidated Statement of Changes in Owners' Equity
for the year ended 31 December 2010
(in thousands US Dollars unless otherwise stated)

	Charter capital	Accumulated deficit	Revaluation reserve	Total
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)	-
Distribution to owner	-	(11,092)	-	(11,092)
Deferred tax charge	-	-	6,825	6,825
Loss for the year	-	(28,535)	-	(28,535)
Balance at 31 December 2009	508,000	(592,773)	321,473	236,700
Annual release from revaluation reserve	-	45,430	(45,430)	-
Deferred tax charge	-	-	6,815	6,815
Loss for the year	-	(29,595)	-	(29,595)
Balance at 31 December 2010	508,000	(576,938)	282,858	213,920

The accompanying notes on pages 10 to 23 form an integral part of these abbreviated consolidated financial statements.

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Notes to the Abbreviated Consolidated Financial Statements (in thousands US Dollars unless otherwise stated)

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 is controlled directly by the Government of the Republic of Tajikistan.

The Company and its subsidiaries (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 aluminium. Primary aluminium production of the Company in 2010 approximated 348,897 mt (2009 – 359,386 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 in the amount of 21,321 (TJS 72,518 thousands) from Tajik Aluminium Company. The main purpose of incorporating Aluminsohtmon was to separate the production of consumer goods from the Company's main activity, the provision of tolling services.

Based on a Government resolution passed on 22 January 2010 the Company registered a subsidiary "NII Metallurgii". The Company owns 100% of the share capital of "NII Metallurgii". This subsidiary was established with the objective of improving the efficiency of raw material usage in the Company and the quality of output in order to increase the competitiveness of the Company. "NII Metallurgii" is not considered material to the Group and was not consolidated in these financial statements.

In accordance with a resolution of the Government the Company registered a new subsidiary "Nuron" on 27 August 2010. The Company holds 60% of the shares in this company and the remaining 40% are owned by the Russian company "Proton". This subsidiary was established with the objective of developing and producing energy saving diode lamps and illumination devices and their further sale. "Nuron" is not considered material to the Group and was not consolidated in these financial statements.

As at 31 December 2010 the Company and its subsidiary (the "Group") employed 11,147 employees (2009: 11,380 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 2010 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.

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

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

3. 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.

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Notes to the Abbreviated Consolidated Financial Statements (in thousands US Dollars unless otherwise stated)

3. Risk factors and risk management (continued)

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.

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:

	2010		2009	
	Total book value	Allowance for impairment	Total book value	Allowance for impairment
Current trade receivables	23,092	-	3,978	-
Trade receivables overdue more than 1 year	583	(583)	1,328	(1,328)
	23,675	(583)	5,306	(1,328)
Current other receivables	1,019	-	1,445	-
Other receivables overdue more than 1 year	347	(347)	4,374	(4,374)
	1,366	(347)	5,819	(4,374)

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 reputable banks. 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. 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.

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Notes to the Abbreviated Consolidated 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 assets and liabilities by currency is set out below:

As at 31 December 2010	USD	EUR	RUR	TJS	Total
Assets					
Cash and cash equivalents	-	-	10	213	223
Trade and other receivables	18,290	-	-	6,036	24,326
Total assets	18,290	-	10	6,249	24,549
Liabilities					
Trade and other payables	(210,128)	-	-	(9,931)	(220,059)
Long term trade payables	(88,730)	-	-	-	(88,730)
Short term debts	(4,040)	-	-	(12,148)	(16,188)
Long term debts	(57,501)	-	-	-	(57,501)
Total liabilities	(360,399)	-	-	(22,079)	(382,478)
Net balance sheet position	(342,109)	-	10	(15,830)	(357,929)

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					
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)

At 31 December 2010, 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 2,691 lower / higher.

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Notes to the Abbreviated Consolidated Financial Statements (in thousands US Dollars unless otherwise stated)

3. Risk factors and risk management (continued)

e) Currency risk (continued)

At 31 December 2010 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 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.

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 2010	No fixed Maturity	On demand and less than 1 year	1 to 5 years	Total	Book value
Overdraft	-	6,775	-	6,775	5,994
Interest payable on promissory note	-	4,337	-	4,337	4,337
Current portion of Hydro Aluminium debt	-	4,100	-	4,100	4,040
Loan	-	1,838	-	1,838	1,817
Long term debts	57,501	-	-	57,501	57,501
Short term trade and other payables	-	220,059	-	220,059	220,059
Long term trade payables	-	-	116,764	116,764	88,730
Total	57,501	237,109	116,764	411,374	382,478

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
Current portion of Hydro Aluminium debt	-	6,000	-	6,000	6,000
Interest payable on promissory note	-	4,369	-	4,369	4,369
Long term debts	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

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Notes to the Abbreviated Consolidated Financial Statements (in thousands US Dollars unless otherwise stated)

3. Risk factors and risk management (continued)

f) Liquidity risk (continued)

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.

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:

	<u>2010</u>	<u>2009</u>
Debt	69,352	67,493
Cash and bank balances	(223)	(1,270)
Net debt	<u>69,129</u>	<u>66,223</u>
Equity	<u>213,920</u>	<u>236,700</u>
Net debt to equity ratio	<u>32%</u>	<u>28%</u>

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 2010 has been calculated as follows:

	<u>SUE TALCO</u>	<u>DGUP Aluminsohmon</u>	<u>Total</u>
Loss before taxation	(53,360)	(403)	(53,763)
Adjustments			
Interest expense	550	-	550
Interest income	-	-	-
Depreciation and Amortisation	72,993	394	73,387
EBITDA	<u>20,183</u>	<u>(9)</u>	<u>20,174</u>

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Notes to the Abbreviated Consolidated Financial Statements (in thousands US Dollars unless otherwise stated)

3. Risk factors and risk management (continued)

h) Measurement of profitability (continued)

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

	<u>SUE TALCO</u>	<u>DGUP Aluminsohmon</u>	<u>Total</u>
Loss before taxation	(36,697)	(273)	(36,970)
Adjustments			
Interest expense	293	-	293
Depreciation and	70,913	341	71,254
Amortisation	-	-	-
EBITDA	<u>34,509</u>	<u>68</u>	<u>34,577</u>

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 Consolidated Statement of Comprehensive 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.

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

4. Basis of presentation (continued)

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.

f. Unquoted Investments

During the year the Group acquired a minority stake in Rogunskaya GES, a hydroelectric power station in the process of construction. Management has not been able to assess the fair value of this investment based on market transactions as the investment is not quoted. Management also does not have access to detailed cash flow projections for Rogunskaya GES. Management has therefore included the investment in the financial statements based on the purchase price of USD 7.8 million. Should additional information become available in future Management may reassess the carrying value of this investment.

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 2010 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 2010 the Group had net current liabilities of US \$141 million (2009 – US \$131 million). As shown in note 3 the Group had significant liquidity issues as at 31 December 2010. 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 2008 Management resolved to change the accounting policy in respect of buildings and plant and equipment in order to ensure that the financial statements provide users with more relevant and reliable information than was the case with the previous policy. As a result it was resolved to carry these items at fair value. Following this decision, buildings, plant and equipment were revalued by Management as at 31 December 2008 based on valuations arrived at by an independent appraisal company.

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.

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.

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Notes to the Abbreviated Consolidated Financial Statements (in thousands US Dollars unless otherwise stated)

7. Significant accounting policies (continued)

a) Property, plant and equipment (continued)

Carrying value of property, plant and equipment (continued)

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 4.4031 (2009 – US \$ 1 = TJS 4.371).

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

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.

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Notes to the Abbreviated Consolidated Financial Statements (in thousands US Dollars unless otherwise stated)

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 2010, the official exchange rate was US \$ 1 = TJS 4.4031. 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, because the expected term of trade and other payables is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

i) Borrowing costs

Borrowing costs are expensed as incurred.

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.

Tajik Aluminium Company (formerly Tajik Aluminium Plant) and its Subsidiary
Notes to the Abbreviated Consolidated Financial Statements (in thousands US Dollars unless otherwise stated)

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 (2009 - 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 applied 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 balance sheet 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.

7. Significant accounting policies (continued)

n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 Consolidated Statement of Comprehensive Income, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

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

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.

8. Adoption of new or revised standards and interpretations

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

Amendments to IAS 7 "Statement of Cash Flows" (annual improvements 2008)

Amendments to IAS 39, "Financial Instruments: Recognition and Measurement"
(annual improvements 2008)

New interpretations:

IFRIC 19: "Extinguishing Financial Liabilities with Equity Instruments"

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:

- 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"

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in
2009)

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not
relevant to its classification as current or noncurrent.

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.

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:

	<u>Effective date</u>
New standards	
IFRS 9: "Financial Instruments"	<u>1 January 2013</u>
Revised standards	
IAS 24 (revised): "Related party Disclosures"	<u>1 January 2011</u>

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.