Khojagii Manziliyu-Kommunali SUE

Financial statements

for the year ended 31 December 2015
with independent auditors' report

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Independent auditors' report

To the Management of the State Committee on Investments and State Property Management of the Republic of Tajikistan:

We were engaged to audit the financial statements of Khojagii Manziliyu - Kommunali SUE (the Company), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Departures from International Financial Reporting Standards

1. The Company's accounting policy in respect of its buildings is revaluation model. In the presence of indicators of change in the fair value, the Company has not performed revaluation of buildings with the carrying value of 7,714,432 Somoni and 7,968,044 Somoni as at 31 December 2014 and 31 December 2015, respectively, as required by IAS 16 *Property, Plant and Equipment*. The effects of this departure from International Financial Reporting Standards cannot be determined.
2. In the presence of indicators of impairment of other classes of property, plant and equipment with the carrying value of 9,690,660 Somoni as at 31 December 2014, the Company did not perform an impairment test to assess the recoverable amount of property, plant and equipment as required by IAS 36 *Impairment of assets*. Carrying value of other classes of property plant and equipment as at 31 December 2015 was equal to 5,642,847. The effects of this departure from International Financial Reporting Standards cannot be determined.
3. The Company's representative offices applied cash basis for accounting in 2014. Recorded operating expenses of representative offices for 2014 in the amount of 990,223 Somoni are based on the amount of funds transferred to representative offices which is not in accordance with International Financial Reporting Standards. The effects of this departure from International Financial Reporting Standards cannot be determined

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Basis for Disclaimer of Opinion

Due to the condition of the Company's accounting records, we were unable to obtain sufficient appropriate audit evidence in respect of the following:

- Current income tax and deferred income tax assets and liabilities as at 31 December 2015 and 2014 and current income and deferred income tax charges for 2015 and 2014.

As a result of these matters, we were unable to determine whether any adjustments to the financial statements for 2015 and 2014 might have been found necessary.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Ernst & Young LLP

Paul Cohn
Audit Partner

30 June 2016

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

In Somoni	Notes	2015	2014
Assets			
Non-current assets			
Property, plant and equipment	4	**13,497,641**	17,405,092
Intangible assets		**4,735**	5,935
Loans provided to related parties, long-term	5	**80,885,084**	51,651,859
Investment securities available-for-sale		**44,000**	44,000
Advances given for non-current assets		**307,312**	622,342
		94,738,772	69,729,228
Current assets			
Inventories		**124,025**	47,608
Trade accounts receivable	6	**1,558,348**	1,346,139
Prepayments	7	**193,160**	199,106
Loans provided to related parties, short-term	5	**12,611,488**	1,236,396
Other current assets	8	**361,996**	128,455
Cash and cash equivalents	9	**412,525**	244,558
		15,261,542	3,202,262
Total assets		**110,000,314**	72,931,490
Equity and liabilities			
Equity			
Charter capital	10	**375,009**	375,009
Additional paid-in capital	10	**(1,258,030)**	(1,258,030)
Revaluation reserve		**6,071,215**	6,071,215
Retained earnings / (accumulated deficit)		**5,303,704**	(628,080)
		10,491,898	4,560,114
Non-current liabilities			
Loans and borrowings, long-term	11	**80,885,083**	51,651,857
Government grants, long-term	12	**4,589,062**	4,648,022
		85,474,145	56,299,879
Current liabilities			
Loans and borrowings, long-term	11	**11,344,520**	5,292,740
Trade accounts payable	13	**329,105**	355,640
Advances received	14	**163,695**	848,163
Income tax liabilities		**962,227**	565,430
Taxes payable	15	**410,325**	364,829
Government grants, short-term	12	**598,743**	3,156,169
Other current liabilities	16	**225,656**	1,488,526
		14,034,271	12,071,497
Total equity and liabilities		**110,000,314**	72,931,490

Signed and authorized for issue on 30 June 2016.

General Director Islomzoda A.T.

Chief Accountant Nazirov I.S.

The accounting policies and explanatory notes on pages 6 through 28 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

In Somoni	Notes	2015	2014
Management fee	17	**7,370,152**	8,518,854
Other income	18	**3,290,208**	1,009,956
		10,660,360	9,528,810
Personnel expenses	19	**(2,881,805)**	(4,192,867)
Depreciation and amortization	4	**(1,050,094)**	(604,803)
Loss on disposals of property, plant and equipment		**(2,713,723)**	(103,764)
Other operating expenses	20	**(1,958,650)**	(2,694,641)
Foreign exchange gain/(losses), net		**4,272,493**	(5,824,801)
Finance income	22	**1,073,950**	1,548,563
Finance costs	11	**(1,073,950)**	(913,507)
Profit/(loss) before income tax		**6,328,581**	(3,257,010)
Income tax (expense)/benefit	21	**(396,797)**	50,674
Profit/(loss) for the year		**5,931,784**	(3,206,336)
Other comprehensive income for the year		**–**	–
Total comprehensive income/(loss) for the year		**5,931,784**	(3,206,336)

Signed and authorized for issue on 30 June 2016.

General Director

Islomzoda A.T.

Chief Accountant

Nazirov I.S.

The accounting policies and explanatory notes on pages 6 through 28 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

In Somoni	Charter capital	Additional paid-in capital	Revaluation reserve	Retained earnings / (accumulated deficit)	Total
As at 1 January 2014	375,009	(1,258,030)	6,071,215	2,578,256	7,766,450
Loss for the year	–	–	–	(3,206,336)	(3,206,336)
Total comprehensive loss for the year	–	–	–	(3,206,336)	(3,206,336)
As at 31 December 2014	375,009	(1,258,030)	6,071,215	(628,080)	4,560,114
Profit for the year	–	–	–	**5,931,784**	**5,931,784**
Total comprehensive income for the year	–	–	–	**5,931,784**	**5,931,784**
As at 31 December 2015	**375,009**	**(1,258,030)**	**6,071,215**	**5,303,704**	**10,491,898**

Signed and authorized for issue on 30 June 2016.

General Director Islomzoda A.T.

Chief Accountant Nazirov I.S.

The accounting policies and explanatory notes on pages 6 through 28 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

In Somoni	Notes	2015	2014
Operating activities			
Profit/(loss) before income tax		**6,328,581**	(3,257,010)
Adjustments for:			
Depreciation and amortization	4	**1,050,094**	604,803
Allowance for doubtful accounts	20	**1,175,599**	1,824,914
Provision for unused vacations, bonuses and salary taxes	19	**36,240**	61,915
Loss on disposals of property, plant and equipment		**2,713,723**	103,764
Amortization of government grants	18	**(3,173,174)**	284,206
Unrealized foreign exchange (gain)/loss		**(4,577,828)**	3,538,242
Income from operating activities before changes in working capital		**3,553,235**	3,160,834
Working capital adjustments			
(Increase)/decrease in operating assets			
Inventories		**(76,417)**	(28,146)
Trade accounts receivable		**552,629**	(78,706)
Prepayments		**(1,934,491)**	(1,936,978)
Other current assets		**(233,541)**	(65,773)
Increase/(decrease) in operating liabilities			
Trade accounts payable		**(26,535)**	26,673
Taxes payable		**45,496**	(69,749)
Advances received		**(684,468)**	(91,234)
Other current liabilities		**(41,080)**	(125,132)
		1,268,078	791,789
Interest received, net		**79,186**	1,005,725
Net cash flows from operating activities		**1,347,264**	1,797,514
Investing activities			
Purchase of property, plant and equipment		**(412,233)**	(6,308,099)
Net cash flows used in investing activities		**(412,233)**	(6,308,099)
Financing activities			
Loans obtained from bank		**–**	21,613,888
Loans repaid to bank		**(6,312,419)**	(825,285)
Loans provided to related parties		**–**	(21,662,889)
Loans repaid by related parties		**5,369,913**	769,660
Government grants obtained		**170,855**	4,782,833
Net cash flows (used in) / from financing activities		**(771,651)**	4,678,207
Effect of exchange rates to cash and cash equivalents		**117,837**	(117,836)
Net increase in cash and cash equivalents		**50,130**	167,622
Cash and cash equivalents, beginning of the year	8	**244,558**	194,772
Cash and cash equivalents, end of the year	8	**412,525**	244,558

The accounting policies and explanatory notes on pages 6 through 28 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)

NON-CASH TRANSACTIONS – SUPPLEMENTAL DISCLOSURE

Non-cash transactions, including the following, were excluded from the statements of cash flows.

Government grants received in the form of property, plant and equipment

During 2015 the Company received from the Government of the Republic of Tajikistan government grants in the form of property, plant and equipment in the total amount of 385,933 Somoni (2014: 4,689,458 Somoni).

Signed and authorized for issue on 30 June 2016.

General Director Islomzoda A.T.

Chief Accountant Nazirov. I.S.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

State Unitary Enterprise "Khojagii Manziliyu-Kommunali" (the "Company") was established in 2001 as a result of the reorganization of State Concern "Tajikcommunservice" according to the regulation of the Government of the Republic of Tajikistan No. 235 dated 6 June 2001.

The Company operates under the Government of the Republic of Tajikistan. The Company's registered office is: 56 N. Karabayev Street, Dushanbe, Republic of Tajikistan.

The Company was established for the purpose of conducting the united policy of operation, development and coordination of housing and utilities infrastructure and effective use of state property to obtain profit from rendering services to customers.

Principal activities of the Company:

- Development of legislation in the sphere of housing and utilities infrastructure;
- Development and approval of the housing and utilities infrastructure management structure;
- Acting as a main customer in the sphere of capital construction and reconstruction of housing and utilities infrastructure;
- Establishment of centralized funds and development of housing and utilities infrastructure;
- Development of water and sewage lines and heat supply system;
- Development and approval of tariffs for supply of water, heat, technical inventory, sanitary and maintenance of residential sector.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared on a historical cost basis, except as described in the accounting policies and notes to these financial statements. The financial statements are presented in Tajikistani Somoni ("Somoni") and all values are rounded to the nearest Somoni, except where otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The following new standards and amendments became effective as of 1 January 2015:

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*;
- Improvements to IFRSs – 2010-2012 cycle: IFRS 2 *Share-based Payment*; IFRS 3 *Business Combinations*; IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*; IAS 24 *Related Party Disclosures*;
- Improvements to IFRSs – 2011-2013 cycle: IFRS 3 *Business Combinations*; IFRS 13 *Fair Value Measurement*; IAS 40 *Investment Property*.

The Company has adopted for the first time some new standards and amendments to existing standards that become effective for annual periods started 1 January 2015 or after this date.

The nature and the impact of each new standard or amendment are described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Annual improvements 2010-2012 cycle

With the exception of the improvement relating to IFRS 2 *Share-based Payment* applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Company has applied these improvements for the first time in these financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Company has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Company had not granted any awards during the second half of 2014 and 2015. Thus, these amendments did not impact the Company's financial statements or accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Company's current accounting policy and, thus, this amendment did not impact the Company's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the Company, since Company accounts property plant and equipment at their historical cost.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any management services from other entities.

Annual improvements 2011-2013 cycle

These improvements are effective from 1 July 2014 and the Company has applied these amendments for the first time in these financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

This amendment is not relevant for the Company.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Annual improvements 2011-2013 cycle (continued)

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Company.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of IFRS 9 will not have an effect on the classification and measurement of the Company's financial instruments.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income ("OCI"). The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests (continued)

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Annual improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact on the Company. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Annual improvements 2012-2014 cycle (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as IFRS 16. The Company is currently assessing the impact of IFRS 16 along with IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 7 Disclosure Initiative

Amendments IAS 7 *Statement of Cash Flows* clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 12 *Income Taxes* clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

These amendments to IAS 12 *Income Taxes* are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. These amendments are not expected to have any impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The financial statements are presented in Somoni, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Foreign exchange rates

Somoni is not easily convertible currency outside Tajikistan. Weighted average currency exchange rates established by the National Bank of Tajikistan ("NBT") are used as official currency exchange rates in the Republic of Tajikistan.

The currency exchange rate of the National Bank of Tajikistan as of 31 December 2015 was 6.9902 Somoni per 1 US dollar (31 December 2014: 5.3079 Somoni per 1 US dollar). These exchange rates are used in the preparation of the financial statements.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their own best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Property, plant and equipment

Property, plant and equipment is recognized at acquisition cost less accumulated depreciation and impairment losses. Buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognised in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being disposed of is transferred to retained earnings.

Other classes of property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	40-80
Constructions	25-50
Office equipment	5-10
Furniture and appliances	10-15
Vehicles and other	5-15
Site improvement	5-10

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

All assets under construction are classified as construction-in-progress and measured at cost. Construction-in-progres is not depreciated. Once projects are completed and placed into service, they are transferred to property, plant and equipment.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit and loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Advances paid

Advances paid are recorded at initial cost less impairment provision. Advances given are classified as non-current when goods or services associated with advances are to be received in more than a year, or if advances are associated with an asset, which at the initial recognition is classified as non-current. Advances for PPE are charged to the cost of these PPE when the Company obtains control over these assets and there is a probability that future economic benefits associated with these assets will flow to the Company. When there are indications of inability to receive goods or services related to advances paid, the carrying amount of advances paid is decreased and related impairment loss is recognized through profit or loss in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, trade accounts receivable and loans provided to related parties.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. Restricted cash balances are excluded from cash and cash equivalents for the purpose of cash flow statement. Cash balances with restriction on exchange transactions or use to repay liabilities during at least twelve months after the reporting date are included in non-current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive in finance costs for loans and in other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in profit and loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade accounts payable and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Trade accounts payable

Liabilities for trade accounts payable are recognized at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Charter capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional capital.

Additional paid-in capital

Additional paid-in capital represents losses incurred by the Company as the result of actions of the government of the Republic of Tajikistan.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the Republic of Tajikistan.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from an asset or liability in a transaction at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting 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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Interest income and expenses

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income and interest expenses are respectively included in finance income and finance costs in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition

Expenses are recognized as incurred and are reported in the financial statements in the period to which they relate.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful life of property, plant and equipment

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation recognised in the statement of comprehensive income.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Allowance for doubtful accounts

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected *(Note 6)*.

Taxes

Tajikistan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Tajikistan's tax laws are severe.

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Company would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, the determination of expected outcomes from pending tax proceedings and the outcome of ongoing compliance audits by tax authorities.

As at 31 December 2015 and 2014 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax positions will be sustained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Taxes (continued)

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment were as follows:

In Somoni	Buildings and constructions	Office equipment	Furniture and appliances	Vehicles and other	Site improvement	Construction-in-progress	Total
Cost							
1 January 2014	8,229,119	570,827	209,810	473,956	199,210	3,778,105	13,461,027
Additions	–	46,103	45,600	5,214,798	–	379,256	5,685,757
Disposals	–	(64,986)	(3,000)	(131,500)	–	–	(199,486)
31 December 2014	8,229,119	551,944	252,410	5,557,254	199,210	4,157,361	18,947,298
Additions	**13,099**	**379,913**	**176,296**	**388,929**	**–**	**154,959**	**1,226,446**
Disposals	**–**	**(119,358)**	**(27,741)**	**(275,458)**	**–**	**(3,797,271)**	**(4,219,828)**
Transfers	**356,801**	**–**	**–**	**–**	**–**	**(356,801)**	**–**
31 December 2015	**8,599,019**	**812,499**	**400,965**	**5,670,725**	**199,210**	**158,248**	**15,953,916**
Accumulated depreciation							
1 January 2014	(427,235)	(285,768)	(109,874)	(178,246)	(33,202)	–	(1,034,325)
Depreciation charge	(87,452)	(30,488)	(15,314)	(437,147)	(33,202)	–	(603,603)
Disposals	–	10,864	–	84,858	–	–	95,722
31 December 2014	(514,687)	(305,392)	(125,188)	(530,535)	(66,404)	–	(1,542,206)
Depreciation charge	**(116,288)**	**(100,884)**	**(35,787)**	**(776,014)**	**(19,921)**	**–**	**(1,048,894)**
Disposals	**–**	**101,224**	**–**	**146,851**	**–**	**–**	**248,075**
31 December 2015	**(630,975)**	**(305,052)**	**(160,975)**	**(1,159,698)**	**(86,325)**	**–**	**(2,343,025)**
Net book value							
31 December 2014	7,714,432	246,552	127,222	5,026,719	132,806	4,157,361	17,405,092
31 December 2015	**7,968,044**	**507,447**	**239,990**	**4,511,027**	**112,885**	**158,248**	**13,610,891**

Depreciation and amortization in the statement of comprehensive income also comprises amortization of intangible assets during 2015 in the amount of 1,200 Somoni (2014: 1,200 Somoni).

Revaluation reserve for property, plant and equipment

The revaluation reserve for property, plant and equipment is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in other comprehensive income.

If evaluation of buildings cost was conducted using the initial cost model, as at 31 December building's carrying amount would comprise the following:

In Somoni	**2015**	2014
At cost	**2,367,164**	2,958,300
Accumulated depreciation	**(561,553)**	(591,136)
Net book value	**1,805,611**	2,367,164

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. LOANS PROVIDED TO RELATED PARTIES

As at 31 December loans provided to related parties comprised the following:

In Somoni	Signed date	Maturity	Currency	Interest rate	2015	2014
Non-current portion						
Loan No. 37565	8 May2009	20 November 2024	USD	Libor + 1%	**9,320,263**	7,961,850
Loan No. 40717	26 November 2010	10 December 2025	USD	Libor + 1%	**38,878,294**	24,874,095
Loan No. 41642	15 November 2011	30 September 2026	USD	Libor + 1%	**32,686,527**	18,815,914
					80,885,084	51,651,859
Current portion						
Loan No. 37565	8 May2009	20 November 2024	USD	Libor + 1%	**1,727,196**	898,005
Loan No. 40717	26 November 2010	10 December 2025	USD	Libor + 1%	**6,010,874**	–
Loan No. 41642	15 November 2011	30 September 2026	USD	Libor + 1%	**4,873,418**	338,391
					12,611,488	1,236,396
					93,496,572	52,888,255

The Company acts as the agent of the government of the Republic of Tajikistan on loans obtained from European Bank of Reconstruction and Development ("EBRD"). These loans are further passed to the related parties under the control of the Government of the Republic of Tajikistan. The terms of the loans are the same as in the agreements with EBRD. Details are provided in *Note 11*.

6. TRADE ACCOUNTS RECEIVABLE

As at 31 December trade receivables comprised the following:

In Somoni	2015	2014
Trade accounts receivable	**2,208,617**	2,761,246
Less: provision for doubtful accounts	**(650,269)**	(1,415,107)
	1,558,348	1,346,139

As at 31 December 2015 and 2014 trade accounts receivable were mainly denominated in Somoni. Trade accounts receivable are non-interest bearing and as a rule are settled within 30 days.

The movements in the allowance for doubtful accounts for the years ended 31 December were as follows:

In Somoni	2015	2014
At the beginning of the year	**(1,415,107)**	(4,718,875)
Reversal of provision *(Note 20)*	**764,838**	54,163
Write-off	**–**	3,249,605
At the end of the year	**(650,269)**	(1,415,107)

As at 31 December the ageing analysis of trade accounts receivable is as follows:

			Past due but not impaired			
In Somoni	Total	0-30 days	31-90 days	91-180 days	181-360 days	>360 days
2015	**1,558,348**	**1,558,348**	**–**	**–**	**–**	**–**
2014	1,346,139	1,346,139	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PREPAYMENTS

As at 31 December prepayments comprised the following:

In Somoni	**2015**	2014
Prepayments for inventories	**6,900,605**	4,937,771
Prepayments for works and services	**180,390**	208,733
Less: allowance on doubtful accounts	**(6,887,835)**	(4,947,398)
	193,160	199,106

The movements in the allowance for doubtful accounts for the years ended 31 December were as follows:

In Somoni	**2015**	2014
At the beginning of the year	**(4,947,398)**	(3,068,321)
Accrual for the year *(Note 20)*	**(1,940,437)**	(1,879,077)
At the end of the year	**(6,887,835)**	(4,947,398)

8. OTHER CURRENT ASSETS

As at 31 December other current assets comprised the following:

In Somoni	**2015**	2014
Prepaid taxes	**161,219**	95,053
Financial aid provided to employees	**135,363**	–
Other	**65,414**	33,402
	361,996	128,455

9. CASH AND CASH EQUIVALENTS

As at 31 December cash and cash equivalents comprised the following:

In Somoni	**2015**	2014
Current accounts with banks in national currency	**403,144**	121,264
Cash on hand	**4,884**	5,575
Current accounts with banks in foreign currency	**4,497**	117,719
	412,525	244,558

10. EQUITY

As at 31 December 2015 and 2014 charter capital of the Company in the amount of 375,009 Somoni was authorized, issued and fully paid.

As at 31 December 2015 and 2014 additional paid-in capital in the amount of 1,258,030 Somoni represents the Company's expenses incurred for construction of water supply systems in a number of regions of the Republic of Tajikistan that will be further transferred to ownership of the Company's related parties under the control of the owner.

11. LOANS AND BORROWINGS

As at 31 December loans and borrowings comprised the following:

In Somoni	Signed date	Maturity	Currency	Interest rate	2015	2014
Non-current portion						
Loan No. 37565	8 May2009	20 November 2024	USD	Libor + 1%	**9,320,262**	7,961,848
Loan No. 40717	26 November 2010	10 December 2025	USD	Libor + 1%	**38,878,294**	24,874,095
Loan No. 41642	15 November 2011	30 September 2026	USD	Libor + 1%	**32,686,527**	18,815,914
					80,885,083	51,651,857
Current portion						
Loan No. 37565	8 May2009	20 November 2024	USD	Libor + 1%	**1,181,922**	898,006
Loan No. 40717	26 November 2010	10 December 2025	USD	Libor + 1%	**4,364,831**	2,515,626
Loan No. 41642	15 November 2011	30 September 2026	USD	Libor + 1%	**3,403,876**	1,879,108
Ministry of Finance of the Republic of Tajikistan	11 December 2015	11 January 2016	USD	n/a	**2,393,891**	–
					11,344,520	5,292,740
					92,229,603	56,944,597

Loans from European Bank o Reconstruction and Development ("EBRD")

The Company acts as the agent of the government of the Republic of Tajikistan on loans obtained from EBRD. These loans are further passed to the related parties under the control of the Government of the Republic of Tajikistan.

EBRD and the Company entered into the following loan agreements: No. 37565 dated 8 May 2009 totaling USD 2,000,000 for improving water supply systems in towns located in southern Tajikistan; No. 40717 dated 26 November 2010 totaling USD 10,000,000 for the purpose of improving water supply systems in towns located in northern Tajikistan; and No. 41642 dated 15 November 2011 totaling USD 7,000,000 for the purpose of improving water supply systems in towns located in central Tajikistan. All the agreements carry variable interest rate at LIBOR + 1%, the fee for undrawn amount of loan is 0.5%. For the year ended 31 December 2015 the interest on loans was accrued in the amount of 1,073,950 Somoni (2014: 913,507 Somoni).

Loan from Ministry of finance of the Republic of Tajikistan ("Ministry of finance")

On 11 December 2015 the Company and Ministry of finance concluded an agreement which stipulates the settlement of the debt under the loan agreement with EBRD by Ministry of finance on behalf of the Company for the total amount of 342,464 US dollars (equivalent to 2,393,891 Somoni). Under the loan agreement the Company should repay this amount to Ministry of finance within 1 month. The loan under agreement with Ministry of finance is non-interest bearing.

12. GOVERNMENT GRANTS

As at 31 December government grants comprised the following:

In Somoni	2015	2014
Grant for purchase of property, plant and equipment	**4,496,063**	4,642,404
Grant for formation of sustainable climate change at Pyanj river basin	**520,887**	661,787
Grant for water supply (Khairobod)	**170,855**	–
Grant for water supply (Kulyab)	–	1,500,000
Grant from the Government (Shurab)	–	1,000,000
	5,187,805	7,804,191

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. GOVERNMENT GRANTS (continued)

Movements of the government grants were as follows:

In Somoni	2015	2014
As at 1 January	**7,804,191**	2,737,152
Receipts of grants	**556,788**	5,351,245
Amortisation of the government grant *(Note 18)*	**(3,173,174)**	(284,206)
As at 31 December	**5,187,805**	7,804,191
Less: current portion of the government grants	**(598,743)**	(3,156,169)
Non-current portion of the government grants	**4,589,062**	4,648,022

13. TRADE ACCOUNTS PAYABLE

As at 31 December trade accounts payable comprised:

In Somoni	2015	2014
Accounts payable for services	**249,090**	314,155
Accounts payable for goods	**80,015**	41,485
	329,105	355,640

As at 31 December 2015 and 2014 trade accounts payable were denominated in Somoni. Trade accounts payable are non-interest bearing and are settled within 1-3 months.

14. ADVANCES RECEIVED

Advances received represent advances from related parties for provision of services listed in *Note 1*.

15. TAXES PAYABLE

As at 31 December taxes payable comprised:

In Somoni	2015	2014
Tax for usage of transport roads	**383,750**	332,159
Other	**26,575**	32,670
	410,325	364,829

16. OTHER CURRENT LIABILITIES

As at 31 December other liabilities comprised:

In Somoni	2015	2014
Provisions for salary, bonuses and unused vacations	**225,656**	211,928
Provision for construction	–	1,258,030
Other	–	18,568
	225,656	1,488,526

17. MANAGEMENT FEE

Management fee represents contributions from related parties at the rate of 8% of their gross revenue.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. OTHER INCOME

Other income for the year ended 31 December comprised:

In Somoni	2015	2014
Amortisation of the government grants *(Note 12)*	**3,173,174**	284,206
Income from tender contributions	**97,668**	77,766
Contribution from related parties *(Note 22)*	**–**	646,700
Other	**19,366**	1,284
	3,290,208	1,009,956

19. PERSONNEL EXPENSES

Personnel expenses for the year ended 31 December comprised:

In Somoni	2015	2014
Salary and bonuses	**2,299,041**	3,333,300
Social security costs	**546,524**	797,652
Provision for unused vacations, bonuses and taxes	**36,240**	61,915
	2,881,805	4,192,867

20. OTHER OPERATING EXPENSES

Other operating expenses for the year ended 31 December comprised:

In Somoni	2015	2014
Accrual of allowance for doubtful accounts *(Notes 6, 7)*	**1,175,599**	1,824,914
Fuel	**117,532**	133,389
Taxes	**109,583**	42,730
Costs of financing of subsidiaries	**67,845**	95,000
Utilities	**66,401**	82,094
Business trips	**60,162**	64,870
Materials	**41,707**	51,211
Other	**319,821**	400,433
	1,958,650	2,694,641

21. INCOME TAX EXPENSE / (BENEFIT)

In Somoni	2015	2014
Current income tax expense	**396,797**	–
Deferred income tax benefit	**–**	(50,674)
	396,797	(50,674)

A reconciliation of income tax expense applicable to profit/(loss) before income tax at the statutory income tax rate to current income tax expense was as follows:

In Somoni	2015	2014
Profit/(loss) before income tax	6,328,581	(3,257,010)
Statutory tax rate	**24%**	25%
Theoretical tax charge at statutory rate	**290,736**	(814,253)
Tax effect of permanent differences	**(1,122,062)**	763,579
Income tax expense/(benefit)	**396,797**	(50,674)

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. INCOME TAX EXPENSE / (BENEFIT) (continued)

The deferred tax balances as at 31 December were as follows:

In Somoni	2015	2014
Deferred tax assets		
Trade accounts receivable	**1,809,145**	1,590,626
Provisions for salary, bonuses and unused vacations	**54,157**	52,982
Government grants	**1,245,073**	1,951,048
Deferred tax assets	**3,108,375**	3,594,656
Deferred tax liabilities		
Property, plant and equipment	**(1,354,509)**	(1,960,052)
Deferred tax liabilities	**(1,354,509)**	(1,960,052)
Allowance on deferred tax assets	**(1,753,866)**	(1,634,604)
Net deferred tax assets/(liabilities)	**–**	–

22. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

The Government of the Republic of Tajikistan does not provide general public or entities under its control/ownership with the full list of parties owned or controlled, directly or indirectly, by the government. In this respect, the Company's management disclosed only information available to it.

	Entitles under common control	
	2015	2014
Revenue from related parties *(Note 17)*	**7,370,152**	8,518,854
Other income from contributions from related parties *(Note 18)*	**–**	646,700
Due from related parties *(Note 6)*	**1,558,348**	1,346,139
Finance income	**1,073,950**	1,548,563

Compensation to key management personnel

Key management personnel consist of the Company's management members totaling 3 persons as at 31 December 2015 (31 December 2014: 2 persons). Total compensation to the key management personnel included in the statement of comprehensive loss amounted to 171,021 Somoni for the year ended 31 December 2014 (2015: 186,419 Somoni). Remuneration to key management personnel mainly consists of salaries and other benefits.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise loans and borrowings, loans provided to related parties, trade accounts receivable, cash and cash equivalents and trade accounts payable. The Company is exposed to interest rate risk, currency risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The senior management ensures activities of the Company exposed to financial risks are carried out in accordance with the appropriate policies and procedures and financial risks are determined, assessed and managed as per the Company policies and based on its readiness to assume the risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company acts as an agent in the loans from EBRD, there is no net effect from the changes in the interest rates.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk

Irrespective of the fact that the Company's loans are denominated in USD, changes in USD/Somoni exchange rate cannot have any significant effect to the Company's statement of financial position due to the fact that loans obtained are almost equal to loans issued.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates for US dollar, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) There is no significant impact on the Company's equity.

In Somoni	Change in currency rate in %	Effect on profit before tax
2015		
USD	**+30.00%**	**381,440**
USD	**+10.00%**	**127,147**
2014		
USD	+4.00%	137,344
USD	-4.00%	(137,344)

Credit risk

Credit risk is the risk that one party with financial instrument will not be able to fulfil an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk as a result of its operating activities.

With respect to credit risk arising from financial assets of the Company, which comprise loans provided to related parties, cash and cash equivalents and trade accounts receivable, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments.

The table below shows the balances of cash and bank deposits in banks at the reporting date and the credit rating indexes:

		Rating			
In thousands of Somoni	**Location**	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
Cash and cash equivalents at banks					
Orienbank	Tajikistan	**Not rated**	Not rated	**341,783**	184,353
Tajiksodirotbank	Tajikistan	**Not rated**	Not rated	**64,899**	15,176
Bank Eskhata	Tajikistan	**Not rated**	Not rated	**847**	20,886
Amonatbank	Tajikistan	**Not rated**	Not rated	**112**	18,568
Total				**407,641**	238,983

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet cash commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company regularly monitors liquidity requirements and management ensures that sufficient funds are available to meet any commitments as they arise.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2015 and 2014 based on contractual undiscounted payments.

	Less than 3 months	3 to 12 months	1-5 years	>5 years	Total
At 31 December 2015					
Loans and borrowings	**4,340,291**	**8,438,382**	**39,429,274**	**48,114,165**	**100,322,112**
Trade accounts payable	**329,105**	–	–	–	**329,105**
	4,669,396	**8,438,382**	**39,429,274**	**48,114,165**	**100,651,217**
At 31 December 2014					
Loans and borrowings	1,206,575	4,795,959	22,584,700	32,707,363	61,294,597
Trade accounts payable	355,640	–	–	–	355,640
	1,562,215	4,795,959	22,584,700	32,707,363	61,650,237

Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to participants through the optimization of the debt and equity balance.

The capital structure of the Company consists of the borrowings and equity, comprising partnership capital and retained earnings.

The Company's management reviews the capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. During the year ended 31 December 2015 and 2014 the Company did not have a formal capital management strategy.

Fair values

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. As of the reporting date, carrying amounts of financial assets and liabilities of the Company approximate their fair value.

24. SUBSEQUENT EVENTS

There were no material events after the reporting period.