Khojagii Manziliyu-Kommunali SUE

Financial statements

For the year ended 31 December 2014
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 accompanying financial statements of Khojagii Manziliyu-Kommunali State Unitary Enterprise (the "Company"), which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive loss, statement of changes in equity and cash flow statement 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. IAS 16, Property, plant and equipment requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. In the presence of indicators of change in the fair value, the Company did not perform revaluation of its buildings as at 31 December 2014 and 2013. Carrying value of buildings is 7,714,432 Somoni and 7,801,884 Somoni as at 31 December 2014 and 2013, respectively. We were unable to quantify the effect of this departure.

2. The Company's other property, plant and equipment (excluding buildings) is carried in the statement of financial position at 10,106,909 Somoni and 4,624,818 Somoni as at 31 December 2014 and 2013, respectively. In the presence of impairment indicators, management has not performed an impairment test of this property, plant and equipment as required by IAS 36 Impairment of assets. The effect of departure has not been determined.

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Basis for disclaimer of opinion

1. We were unable to obtain sufficient appropriate audit evidence in respect of the loans provided to related parties of 52,888,255 Somoni and 31,284,319 Somoni as at 31 December 2014 and 2013, respectively. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the loans provided to related parties, and the elements making up the statement of comprehensive loss, statement of changes in equity and statement of cash flows for 2014 and 2013.
2. The Company's representative offices apply cash basis of accounting. Recorded operating expenses of representative offices for 2014 and 2013 in the amount of 990,223 Somoni and 847,296 Somoni, respectively are based on the amount of funds transferred to representative offices. We were unable to satisfy ourselves in respect of completeness of accounts payable as at 31 December 2014 and 2013 and operating expenses for the years ended 31 December 2014 and 2013 related to representative offices.
3. We were unable to obtain sufficient appropriate audit evidence in respect of corporate income tax liabilities and deferred tax assets and liabilities as at 31 December 2014 and 2013 and related current income tax and deferred income tax charges for 2014 and 2013.

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 accompanying financial statements.

Ernst & Young LLP

Paul Cohn
Audit Partner

3 August 2015

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

in Somoni	Notes	2014	2013
Assets			
Non-current assets			
Property, plant and equipment	4	17,405,092	12,426,702
Intangible assets		5,935	7,135
Loans provided to related parties	5	51,651,859	28,594,229
Investment securities available-for-sale		44,000	44,000
Advances given for non-current assets		622,342	–
		69,729,228	41,072,066
Current assets			
Inventories		47,608	19,462
Trade accounts receivable	6	1,346,139	1,213,270
Prepayments	7	199,106	141,205
Loans provided to related parties	5	1,236,396	2,690,090
Other current assets		128,455	62,682
Cash and cash equivalents	8	244,558	194,772
		3,202,262	4,321,481
Total assets		72,931,490	45,393,547
Equity and liabilities			
Equity			
Charter capital	9	375,009	375,009
Additional paid-in capital	9	(1,258,030)	(1,258,030)
Revaluation reserve		6,071,215	6,071,215
Retained earnings		(628,080)	2,578,256
		4,560,114	7,766,450
Non-current liabilities			
Interest bearing loans and borrowings	10	51,651,857	28,594,229
Government grants	11	4,648,022	211,274
Deferred tax liabilities	20	–	50,674
		56,299,879	28,856,177
Current liabilities			
Interest bearing loans and borrowings	10	5,292,740	2,424,927
Trade accounts payable	12	355,640	328,967
Advances received	13	848,163	939,397
Income tax liabilities		565,430	565,430
Taxes payable	14	364,829	434,578
Government grants	11	3,156,169	2,525,878
Other current liabilities	15	1,488,526	1,551,743
		12,071,497	8,770,920
Total equity and liabilities		72,931,490	45,393,547

Signed and authorized for issue on 3 August 2015.

General Director — A. Tagoimurodov

Chief Accountant — Sh. Zoirov

The accounting policies and explanatory notes on pages 5 through 27 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December 2014

In Somoni	Notes	2014	2013
Management fee	16	8,518,854	7,276,173
Other income	17	1,009,956	1,567,669
		9,528,810	8,843,842
Personnel expenses	18	(4,192,867)	(3,733,382)
Depreciation and amortization	4	(604,803)	(258,738)
Loss on disposals of property, plant and equipment		(103,764)	(1,355,437)
Other operating expenses	19	(2,694,641)	(3,889,769)
Foreign exchange losses, net		(5,824,801)	(50,373)
Finance income	10	1,548,563	826,119
Finance costs	21	(913,507)	(826,119)
Loss before income tax		(3,257,010)	(443,857)
Income tax benefit/(expenses)	20	50,674	(655,173)
Loss for the year		(3,206,336)	(1,099,030)
Other comprehensive loss			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Expenses on behalf of the owner	9	-	(41,788)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		-	(41,788)
Total comprehensive loss for the year, net of income tax		(3,206,336)	(1,140,818)

Signed and authorized for issue on 3 August 2015.

General Director A. Tagoimurodov

Chief Accountant Sh. Zoirov

The accounting policies and explanatory notes on pages 5 through 27 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

In Somoni	Charter capital	Additional paid-in capital	Revaluation reserve	Retained earnings	Total
As at 31 December 2012	375.009	(1.216,242)	6.071.215	3.677,286	8.907.268
Profit for the year	–	–	–	(1.099,030)	(1.099,030)
Other comprehensive loss	–	(41.788)	–	–	(41.788)
Total comprehensive loss for the year	–	(41,788)	–	(1,099,030)	(1.140.030)
As at 31 December 2013	375.009	(1.258.030)	6.071,215	2.578.256	7,766.450
Loss for the year	–	–	–	(3,206,336)	(3,206,336)
Other comprehensive loss	–	–	–	–	–
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	(3.206,336)	4,560,114

Signed and authorized for issue on 3 August 2015.

General Director

A. Tagoimurodov

Chief Accountant

Sh. Zoirov

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

In Somoni	Notes	2014	2013
Operating activities			
Loss before income tax		(3,257,010)	(443,857)
Adjustments for:			
Depreciation and amortization	4	604,803	258,738
Allowance for doubtful accounts	19	1,824,914	2,939,292
Provision for unused vacations, bonuses and salary taxes	18	61,915	53,590
Loss on disposals of property, plant and equipment	4	103,764	1,355,437
Amortization of government grants	17	284,206	(1,231,496)
Unrealized foreign exchange loss		3,538,242	68,224
Income from operating activities before changes in working capital		3,160,834	2,999,928
Working capital adjustments			
(Increase)/decrease in operating assets:			
Inventories		(28,146)	10,834
Trade accounts receivable		(78,706)	(526,695)
Prepayments		(1,936,978)	(1,358,445)
Other current assets		(65,773)	(32,027)
Increase/(decrease) in operating liabilities:			
Trade accounts payable		26,673	(202,101)
Taxes payable		(69,749)	–
Advances received		(91,234)	(803,489)
Other current liabilities		(125,132)	353,249
Interest received, net		1,005,725	318,927
Income tax paid		-	(202,000)
Net cash from operating activities		1,797,514	558,181
Investing activities			
Purchase of property, plant and equipment		(6,308,099)	(164,607)
Net cash used in investing activities		(6,308,099)	(164,607)
Financing activities			
Loans obtained from bank		21,613,888	19,920,079
Loans repaid to bank		(825,285)	(794,075)
Loans provided to related parties		(21,662,889)	(19,920,079)
Loans repaid by related parties		769,660	426,078
		4,782,833	-
Net cash from/(used in) financing activities		4,678,207	(367,997)
Effect of exchange rates to cash and cash equivalents		(117,836)	(42,253)
Net increase in cash and cash equivalents		49,786	(16,676)
Cash and cash equivalents, beginning of the year	8	194,772	211,448
Cash and cash equivalents, end of the year	8	244,558	194,772

Signed and authorized for issue on 3 August 2015

General Director

A. Tagoimurodov

Chief Accountant

Sh. Zoirov

The accounting policies and explanatory notes on pages 5 through 27 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 Company maintains its accounting records in Tajikistani Somoni ("Somoni").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013, except for the adoption of new Standards and Interpretations as at 1 January 2014. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Since 1 January 2014 the following standards and interpretations came into force:

- *Investment Entities* – Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities and* IAS 27 *Separate Financial Statements*;
- *Offsetting Financial Assets and Financial Liabilities* – Amendments to IAS 32 *Financial Instruments: Presentation*;
- *Recoverable Amount Disclosures for Non-Financial Assets* – Amendments to IAS 36 *Impairment of Assets*;
- *Novation of Derivatives and Continuation of Hedge Accounting* – Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*;
- IFRIC 21 *Levies*;
- *Improvements to IFRSs – 2010-2012 Cycle:* Amendments to IFRS 13 *Short-term Receivables and Payables*;
- *Improvements to IFRSs – 2011-2013 Cycle:* Amendments to IFRS 1 *Meaning of 'effective IFRSs'.*

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

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

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company's financial statements, since the parent organization of the Company does not meet the criteria for classification as an investment company in accordance with IFRS (IFRS) 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company's financial statements, since it has no offsetting arrangements.

Amendments to IAS 36 Assets impairment: Disclosures on Recoverable Amount for Non-financial Assets

These amendments remove unintended consequences for disclosures in accordance with IAS 36, associated with IFRS 13 coming into effect. In addition, these amendments require disclosure of information on asset's or CGU recoverable amount on which impairment loss was recognized or reimbursed during the reporting period. These amendments are applied retrospectively for annual periods beginning on or after 1 January 2014. The amendments are deemed to have no impact on the financial statements of the Company.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the financial statements of the Company.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since the Company is an existing IFRS preparer.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for 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. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

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 comprehensive income. The standard requires disclosures on 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 to its financial statements.

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. It is not expected that this amendment would be relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. 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, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Annual improvements 2010-2012 Cycle (continued)

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 IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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 on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

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.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. 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.

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 IFRS 9 (or IAS 39, as applicable).

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 business combination.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Annual improvements 2011-2013 Cycle (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to 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 principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption 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 remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a 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.

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.

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.

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.

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.

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 respective functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Any gains and losses on foreign exchange differences arising on assets and liabilities denominated in foreign currencies on the date following the date of the underlying transaction are recognized in the statement of comprehensive loss.

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.

Foreign exchange rates

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 2014 was 5.3079 Tajikistani Somoni to 1 US dollar (31 December 2013: 4.7741 Tajikistani Somoni). These exchange rates are used to retranslate monetary assets and liabilities denominated in US dollars as of 31 December 2014 and 2013.

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 sold or consumed in 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 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.

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 economic 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.

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 frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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 income statement, 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
Vehicles and other	5-15
Furniture and appliances	10-15
Office equipment	5-10
Site improvement	5-10

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 loss 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

All assets under construction are classified as capital work-in-progress and measured at cost. Capital work-in-progress is not depreciated. Once projects are completed and placed into service, they are transferred to property, plant and equipment. Also, construction-in-progress includes unassembled or uninstalled furniture that is transferred to furniture category once assembled or installed.

Intangible assets

Intangible assets include software.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 6 to 7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

Lease

Finance lease – Company as lessee

The Company recognises finance leases as assets and liabilities in the statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease if determination of such a rate is possible. In other cases, the Company's incremental borrowing rate of interest is used. Initial direct costs are recorded within an asset. Lease payments are allocated between the liability repayments and finance charges. Finance charges are allocated over the lease term to reporting periods so as to ensure recording of expenses at a constant periodic interest rate accrued on balance of liabilities for each reporting period. Costs directly relating to activities of lessee based on the finance lease agreement are recorded within leased assets.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is any 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, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after 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. Besides, such evidence include observable data indicating that there is a measurable decrease in the estimated future cash flows on a financial instrument such as changes in arrears or economic conditions that correlate with defaults. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded as income in the statement of comprehensive loss.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying value 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 assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive loss. 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 part of finance income in the statement of comprehensive 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 realized 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 future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive loss.

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. 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 investments not at fair value through profit or loss, directly attributable transaction costs.

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

Financial assets of the Company include cash, trade and other accounts receivable and investment securities available-for-sale.

Subsequent measurement

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

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized as finance income and finance costs.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in financial income in the statement of comprehensive loss. The losses arising from impairment are recognised as financial costs of the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive loss. The losses arising from impairment are recognised in the statement of comprehensive loss in finance costs. The Company did not have any held-to-maturity investments during the years ended 31 December 2014 and 2013.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale provision until the investment is derecognised, at which time the cumulative gain or loss is recognised in statement of comprehensive loss as finance costs and removed from the available-for-sale provision. The Company did not have any held for sale investments during the years ended 31 December 2014 and 2013.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized 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, and has neither transferred nor retained substantially all 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.

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 derivative 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 initially recognized at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of IAS 39 are satisfied. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in statement of comprehensive loss 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 loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer *Note 10*.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive loss 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 fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive loss.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments (continued)

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Inventory

Inventories are recorded at the lower of cost and net realisable value. Inventory cost, which comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition, is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventory write-off is accounting for on weighted-average basis.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash in banks and cash on hand.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Where the Company expects a provision to be reimbursed, for instance an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

Recognition of income and expenses

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. Revenue is recorded net of indirect taxes. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from provision of services is recognised based on actual volumes of services provided during the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of income and expenses (continued)

Interest income

Income is recognised as interest is accrued using the effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Interest expenses

Expense is recognised as interest is accrued using the effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Expenses

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of when cash or its equivalent is paid, and are reported in the financial statements in the period to which they relate.

Accounting for government grant

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 costs, which it is intended to compensate, are expensed.

Current income tax

Current income tax assets and liabilities for the current and prior periods 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, by the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive loss.

Deferred tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

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. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit 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 loss 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.

Contingencies

Contingent assets are not recognized in the financial statements. When the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Subsequent events

The results of post-year-end events that provide additional information on the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Significant accounting judgments and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of non-financial assets

An 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 to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of 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 restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most 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.

Useful life of property, plant and equipment

The Company assesses the remaining useful lives of items of property, plant and equipment on an annual basis. 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*.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

Deferred taxes

Deferred tax assets are recognized for provisions for doubtful debts and obsolete inventory, accrued vacation, and other liabilities to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as on the successful implementation of tax planning strategies. The amount of recognized deferred tax liabilities as of 31 December 2014 was nil (31 December 2013: 50,674 Somoni). Further details are contained in *Note 20.*

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Allowance for doubtful accounts

The Company makes allowances for doubtful accounts receivable and prepayments. Significant judgment is used to estimate doubtful accounts. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the financial statements. Details are contained in *Note 6* and *Note 7.*

4. PROPERTY, PLANT AND EQUIPMENT

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

In Somoni	Buildings and construc-tions	Office equipment	Furniture and appliances	Vehicles and other	Site improve-ment	Construc-tion-in-progress	Total
Cost							
1 January 2013	8,229,119	558,916	208,360	656,225	199,210	4,916,242	14,768,072
Additions	–	36,388	1,450	–	–	126,769	164,607
Disposals	–	(24,477)	–	(182,269)	–	(1,264,906)	(1,471,652)
31 December 2013	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**
Accumulated depreciation							
1 January 2013	(326,502)	(252,026)	(91,296)	(209,897)	(13,281)	–	(893,002)
Depreciation charge	(100,733)	(38,346)	(18,578)	(79,960)	(19,921)	–	(257,538)
Disposals	–	4,604	–	111,611	–	–	116,215
31 December 2013	(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)**
Net book value							
31 December 2013	7,801,884	285,059	99,936	295,710	166,008	3,778,105	12,426,702
31 December 2014	**7,714,432**	**246,552**	**127,222**	**5,026,719**	**132,806**	**4,157,361**	**17,405,092**

Depreciation and amortization in the income statement also comprises amortization of intangible assets during 2014 in the amount of 1,200 Somoni (2013: 1,200 Somoni).

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

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	**2014**	2013
At cost	**2,958,300**	3,766,985
Accumulated depreciation	**(591,136)**	(808,685)
Net book value	**2,367,164**	2,958,300

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	**2014**	2013
Non-current portion						
Loan # 37565	8 May 2009	20 November 2024	USD	Libor + 1%	**7,961,850**	7,956,832
Loan # 40717	26 November 2010	10 December 2025	USD	Libor + 1%	**24,874,095**	17,035,955
Loan # 41642	15 November 2011	30 September 2026	USD	Libor + 1%	**18,815,914**	3,601,442
					51,651,859	28,594,229
Current portion						
Loan # 37565	8 May 2009	20 November 2024	USD	Libor + 1%	**898,005**	1,074,317
Loan # 40717	26 November 2010	10 December 2025	USD	Libor + 1%	**-**	1,570,706
Loan # 41642	15 November 2011	30 September 2026	USD	Libor + 1%	**338,391**	45,067
					1,236,396	2,690,090
					52,888,255	31,284,319

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 10.*

6. TRADE ACCOUNTS RECEIVABLE

As at 31 December trade receivables comprised the following:

In Somoni	**2014**	2013
Trade accounts receivable	**2,761,246**	5,932,145
Less: provision for doubtful accounts	**(1,415,107)**	(4,718,875)
	1,346,139	1,213,270

As at 31 December 2014 and 2013 trade accounts receivable were mainly denominated in Somoni. Trade accounts receivable are non-interest bearing and as a rule are settled within 1-6 months.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TRADE ACCOUNTS RECEIVABLE (continued)

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

In Somoni	**2014**	2013
At the beginning of the year	**(4,718,875)**	(4,663,102)
Accrual for the year	**–**	(55,773)
Reversal of provision *(Note 19)*	**54,163**	–
Write-off	**3,249,605**	–
At the end of the year	**(1,415,107)**	(4,718,875)

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**
2014	**1,346,139**	**1,346,139**	**–**	**–**	**–**	**–**
2013	1,213,270	1,213,270	–	–	–	–

7. PREPAYMENTS

As at 31 December prepayments comprised the following:

In Somoni	**2014**	2013
Prepayments for inventories	**4,937,771**	2,588,519
Prepayments for works and services	**208,733**	621,007
Less: allowance on doubtful accounts	**(4,947,398)**	(3,068,321)
	199,106	141,205

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

In Somoni	**2014**	2013
At the beginning of the year	**(3,068,321)**	(184,802)
Accrual for the year *(Note 19)*	**(1,879,077)**	(2,883,519)
At the end of the year	**(4,947,398)**	(3,068,321)

8. CASH AND CASH EQUIVALENTS

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

In Somoni	**2014**	2013
Current accounts with banks in national currency	**121,264**	179,940
Current accounts with banks in foreign currency	**117,719**	3,757
Cash on hand	**5,575**	11,075
	244,558	194,772

9. EQUITY

As at 31 December 2014 and 2013 charter capital of the Company in the amount of 375,009 Somoni was authorized, issued and fully paid.

As at 31 December 2014 and 2013 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. INTEREST BEARING LOANS AND BORROWINGS

As at 31 December interest bearing loans and borrowings comprised the following:

In Somoni	Signed date	Maturity	Currency	Interest rate	2014	2013
Non-current portion						
Loan # 37565	8 May 2009	20 November 2024	USD	Libor + 1%	**7,961,848**	7,956,832
Loan # 40717	26 November 2010	10 December 2025	USD	Libor + 1%	**24,874,095**	17,035,955
Loan # 41642	15 November 2011	30 September 2026	USD	Libor + 1%	**18,815,914**	3,601,442
					51,651,857	28,594,229
Current portion						
Loan # 37565	8 May 2009	20 November 2024	USD	Libor + 1%	**898,006**	809,154
Loan # 40717	26 November 2010	10 December 2025	USD	Libor + 1%	**2,515,626**	1,570,706
Loan # 41642	15 November 2011	30 September 2026	USD	Libor + 1%	**1,879,108**	45,067
					5,292,740	2,424,927
					56,944,597	31,019,156

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.

EBRD and the Company entered into the following loan agreements: # 37565 dated 8 May 2009 totaling USD 2,000,000 for improving water supply systems in towns located in southern Tajikistan; # 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 # 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 2014 the interest on loans received was accrued in the amount of 913,507 Somoni (2013: 826,119 Somoni).

11. GOVERNMENT GRANTS

As at 31 December government grants comprised the following:

In Somoni	2014	2013
Grant for water supply (Kulyab)	**1,500,000**	1,500,000
Grant from the Government (Shurab)	**1,000,000**	1,000,000
Grant for purchase of property, plant and equipment	**4,642,404**	237,152
Grant for boiler house of "Hotel complex FEA"	**661,787**	–
	7,804,191	2,737,152

Movements of the government grants were as follows:

In Somoni	2014	2013
As at 1 January	**2,737,152**	3,968,648
Receipts of grants	**5,351,245**	–
Amortisation of the government grant *(Note 17)*	**(284,206)**	(1,231,496)
As at 31 December	**7,804,191**	2,737,152
Less: current portion of the government grants	**(3,156,169)**	(2,525,878)
Non-current portion of the government grants	**4,648,022**	211,274

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. TRADE ACCOUNTS PAYABLE

As at 31 December trade accounts payable comprised:

In Somoni	2014	2013
Accounts payable for services	**314,155**	328,967
Accounts payable for goods	**41,485**	–
	355,640	328,967

As at 31 December 2014 and 2013 trade accounts payable were denominated in Somoni. Trade accounts payable are non-interest bearing and are settled within 1-3 months.

13. ADVANCES RECEIVED

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

14. TAXES PAYABLE

As at 31 December taxes payable comprised:

In Somoni	2014	2013
Tax for usage of transport roads	**332,159**	332,159
Other	**32,670**	102,419
	364,829	434,578

15. OTHER CURRENT LIABILITIES

As at 31 December other liabilities comprised:

In Somoni	2014	2013
Provision for construction	**1,258,030**	1,258,030
Provisions for salary, bonuses and unused vacations	**211,928**	273,367
Other	**18,568**	20,346
	1,488,526	1,551,743

16. MANAGEMENT FEE

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

17. OTHER INCOME

Other income for the year ended 31 December comprised:

In Somoni	2014	2013
Contribution from related parties *(Note 21)*	**646,700**	230,500
Amortisation of the government grants *(Note 11)*	**284,206**	1,231,496
Income from tender contributions	**77,766**	104,452
Other	**1,284**	1,221
	1,009,956	1,567,669

Contributions from related parties were related to construction of sanatorium, which is expected to commence in future years.

18. PERSONNEL EXPENSES

Personnel expenses for the year ended 31 December comprised:

In Somoni	2014	2013
Salary and bonuses	**3,333,300**	2,970,885
Social security costs	**797,652**	708,907
Provision for unused vacations, bonuses and taxes	**61,915**	53,590
	4,192,867	3,733,382

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. OTHER OPERATING EXPENSES

Other operating expenses for the year ended 31 December comprised:

In Somoni	2014	2013
Accrual of allowance for doubtful accounts *(Notes 6, 7)*	**1,824,914**	2,939,292
Fuel	**133,389**	132,431
Costs of financing of subsidiaries	**95,000**	–
Utilities	**82,094**	83,590
Business trips	**64,870**	70,172
Materials	**51,211**	115,308
Taxes	**42,730**	349,367
Other	**400,433**	199,609
	2,694,641	3,889,769

20. INCOME TAX EXPENSE

The Company is subject to corporate income tax at the statutory rate of 25%.

In Somoni	2014	2013
Current income tax expense	**–**	676,383
Deferred income tax benefit	**(50,674)**	(21,210)
	(50,674)	655,173

A reconciliation of income tax expense applicable to loss before income tax at the statutory income tax rate of 25% to current income tax expense was as follows:

In Somoni	2014	2013
Loss before income tax	**(3,257,010)**	(443,857)
Statutory tax rate	**25%**	25%
Theoretical tax charge at statutory rate of 25%	**(814,253)**	(110,964)
Tax effect of permanent differences:		
Non-deductible expenses	**763,579**	766,137
Income tax (benefit)/expense	**(50,674)**	655,173

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

In Somoni	2014	2013
Deferred tax assets		
Trade accounts receivable	**1,590,626**	1,169,448
Provisions for salary, bonuses and unused vacations	**52,982**	68,342
Interest payable	**–**	7,685
Government grants	**1,951,048**	684,288
Deferred tax assets	**3,594,656**	1,929,763
Deferred tax liabilities		
Property, plant and equipment	**(1,960,052)**	(1,980,437)
Deferred tax liabilities	**(1,960,052)**	(1,980,437)
Allowance	**(1,634,604)**	–
Net deferred tax liabilities	**–**	(50,674)

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. 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.

	Entities under common control	
	2014	2013
Sales to related parties *(Note 16)*	**8,518,854**	7,276,173
Other income from contributions from related parties *(Note 17)*	**646,700**	230,500
Due from related parties *(Note 6)*	**1,346,139**	1,213,270
Finance income *(Note 10)*	**1,548,563**	826,119

Compensation to key management personnel

Key management personnel consist of the Company's management members totaling 2 persons as at 31 December 2014 (31 December 2013: 2 persons). Total compensation to the key management personnel included in the statement of comprehensive loss amounted to 186,419 Somoni for the year ended 31 December 2014 (2013: 168,894 Somoni). Remuneration to key management personnel consists mainly of salaries and other benefits associated with internal policy of the Company.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise interest bearing loans and borrowings, loans provided to related parties, trade and other accounts receivable, cash and cash equivalents and trade accounts payables. The Company is exposed to interest rate risk, liquidity risk, credit risk foreign currency risk and interest rate 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

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
2014		
USD	**+4.00%**	**137,344**
USD	**-4.00%**	**(137,344)**
2013		
USD	+2.00%	5,378
USD	-2.00%	(5,378)

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 other financial assets of the Company, which comprise loans provided to related parties, cash and cash equivalents and trade and other receivables, 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 2014**	31 December 2013	**31 December 2014**	31 December 2013
Cash and cash equivalents at banks					
Orienbank	Tajikistan	Not rated	Not rated	**184,353**	176,604
Bank Eskhata	Tajikistan	Not rated	Not rated	**20,886**	3,663
Amonatbank	Tajikistan	Not rated	Not rated	**18,568**	3,430
Tajiksodirotbank	Tajikistan	Not rated	Not rated	**15,176**	–
Total				**238,983**	183,697

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)

22. 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 2014 and 2013 based on contractual undiscounted payments.

	Less than 3 months	3 to 12 months	1-5 years	> 5 years	Total
At 31 December 2014					
Interest bearing 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**
At 31 December 2013					
Interest bearing loans and borrowings	93,017	2,760,803	12,066,360	19,026,063	33,946,243
Trade accounts payable	328,967	–	–	–	328,967
	421,984	2,760,803	12,066,360	19,026,063	34,275,210

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 2014 and 2013 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.

23. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.