Dushanbevodokanal SUE

Financial statements

For the year ended 31 December 2015
with independent auditors' report
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Independent auditors' report

Financial statements

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Independent auditor’s 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 Dushanbevodokanal SUE (the Company), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive loss, 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.

Departure from International Financial Reporting Standards

The Company’s accounting policy in respect of property, plant and equipment is revaluation model. In the presence of indicators of change in the fair value, the Company has not performed revaluation of property, plant and equipment with the carrying value of 223,063 thousand Somoni as at 31 December 2014 as required by IAS 16 Property, Plant and Equipment. The carrying value of property, plant and equipment as at 31 December 2015 is 219,784 thousand Somoni. The effect of departure from International Financial Reporting Standards in 2014 and its effect on 2015 cannot be determined.
Basis for Disclaimer of Opinion

1. We did not observe the counting of the physical inventories stated at 20,329 thousand Somoni and 20,969 thousand Somoni as at 31 December 2015 and 31 December 2014, respectively. We were unable to satisfy ourselves concerning those inventory quantities by alternative means. Since inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and retained earnings might be necessary for 2015 and 2014.

2. Due to the condition of the Company's accounting records, we were unable to obtain sufficient appropriate audit evidence in respect of the following:
   - Advances as at 31 December 2015 and 2014 in amount of 49,110 thousand Somoni and 7,104 thousand Somoni, respectively; other income from amortization of government grant in the amount of 17,717 thousand Somoni and 13,089 thousand Somoni in 2015 and 2014, respectively; balance of deferred income from government grants as at 31 December 2015 and 2014 in the amount of 6,410 thousand Somoni and 2,369 thousand Somoni, respectively.
   - Revenue in 2015 and 2014 in the amount of 45,039 thousand Somoni and 38,959, respectively, and the carrying amount of the related accounts receivable in the amount of 7,879 thousand Somoni and 3,304 thousand Somoni as at 31 December 2015 and 2014, respectively; advances received in the amount of 13,322 thousand Somoni and 9,411 thousand Somoni as at 31 December 2015 and 2014, respectively.
   - Trade accounts payable as at 31 December 2015 and 2014 in amount of 52,551 thousand Somoni and 28,482 thousand Somoni, respectively.
   - Loans stated as at 31 December 2015 in amount of 1,618 thousand Somoni and corresponding finance cost in amount of 360 thousand Somoni in 2015.
   - Corporate income tax liabilities and deferred tax liabilities as at 31 December 2015 and 2014 and current income and deferred income tax charges for 2015 and 2014.

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.

Paul Cohn
Audit Partner

30 June 2016
# STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

<table>
<thead>
<tr>
<th>in thousands of Somoni</th>
<th>Notes</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>4</td>
<td>219,784</td>
<td>223,063</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td>222</td>
<td>279</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>220,006</strong></td>
<td><strong>223,342</strong></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>5</td>
<td>20,329</td>
<td>20,969</td>
</tr>
<tr>
<td>Taxes recoverable</td>
<td>6</td>
<td>1,462</td>
<td>1,335</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>7</td>
<td>7,879</td>
<td>3,304</td>
</tr>
<tr>
<td>Advances paid</td>
<td>7</td>
<td>49,110</td>
<td>7,104</td>
</tr>
<tr>
<td>Other current assets</td>
<td>8</td>
<td>534</td>
<td>283</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>8</td>
<td>10,441</td>
<td>5,835</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>89,755</strong></td>
<td><strong>38,830</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td><strong>309,761</strong></td>
<td><strong>262,172</strong></td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charter capital</td>
<td>9</td>
<td>4,441</td>
<td>4,441</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>9</td>
<td>197,994</td>
<td>186,770</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td></td>
<td>(135,367)</td>
<td>(144,264)</td>
</tr>
<tr>
<td>Revaluation reserve</td>
<td></td>
<td>102,088</td>
<td>116,611</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>169,156</strong></td>
<td><strong>163,558</strong></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings, long-term</td>
<td>10</td>
<td>32,232</td>
<td>30,213</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>19</td>
<td>26,764</td>
<td>26,764</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>58,996</strong></td>
<td><strong>56,977</strong></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings, short-term</td>
<td>10</td>
<td>8,236</td>
<td>347</td>
</tr>
<tr>
<td>Trade payables</td>
<td>11</td>
<td>52,551</td>
<td>28,482</td>
</tr>
<tr>
<td>Advances received</td>
<td>12</td>
<td>13,322</td>
<td>9,411</td>
</tr>
<tr>
<td>Government grants</td>
<td>13</td>
<td>6,410</td>
<td>2,369</td>
</tr>
<tr>
<td>Taxes payable</td>
<td></td>
<td>172</td>
<td>530</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>918</td>
<td>918</td>
<td>498</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>81,609</strong></td>
<td><strong>41,637</strong></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td></td>
<td><strong>140,605</strong></td>
<td><strong>98,614</strong></td>
</tr>
</tbody>
</table>

Signed and authorized for issue on 30 June 2016.

**Director**

Isupov F.

**Chief Accountant**

Rahimova M.

*The accompanying notes on pages 5 to 24 are an integral part of these financial statements.*
# STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December 2015

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>14</td>
<td>45,039</td>
<td>38,959</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>15</td>
<td>(34,378)</td>
<td>(32,448)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td></td>
<td>10,661</td>
<td>6,511</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>16</td>
<td>(11,970)</td>
<td>(10,382)</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>17</td>
<td>(3,329)</td>
<td>(2,643)</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td></td>
<td>(4,638)</td>
<td>(6,514)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>18</td>
<td>(12,420)</td>
<td>(9,184)</td>
</tr>
<tr>
<td>Foreign exchange loss, net</td>
<td></td>
<td>(4,939)</td>
<td>(5,017)</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td>17,717</td>
<td>13,069</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td>(888)</td>
<td>(10,114)</td>
</tr>
<tr>
<td><strong>Loss before income tax</strong></td>
<td></td>
<td>(5,168)</td>
<td>(17,740)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>19</td>
<td>(458)</td>
<td>(26,250)</td>
</tr>
<tr>
<td><strong>Loss for the year</strong></td>
<td></td>
<td>(5,626)</td>
<td>(43,990)</td>
</tr>
</tbody>
</table>

**Other comprehensive income**

*Other comprehensive loss not to be reclassified to profit or loss in subsequent periods*

- Discount on the loan from the Government: 3,392
- Contribution of property, plant and equipment from the Government: 30,248
- Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax: 33,640

**Total comprehensive loss for the year, net of tax**

(5,626) 

Signed and authorized for issue on 30 June 2016.

Director: Isupov F.

Chief Accountant: Rahimova M.

The accompanying notes on pages 5 to 24 are an integral part of these financial statements.
# Financial statements

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>Notes</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss before income tax</td>
<td>15, 16</td>
<td>(5,168)</td>
<td>(17,740)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>18</td>
<td>16,054</td>
<td>14,902</td>
</tr>
<tr>
<td>Finance costs</td>
<td>19</td>
<td>12,420</td>
<td>9,184</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>16</td>
<td>5,583</td>
<td>3,136</td>
</tr>
<tr>
<td>(Reverse)/accrual of provision for unused vacation</td>
<td></td>
<td>605</td>
<td>-</td>
</tr>
<tr>
<td>Loss from disposal of property, plant and equipment</td>
<td></td>
<td>-</td>
<td>878</td>
</tr>
<tr>
<td>Amortisation of government grants</td>
<td>13</td>
<td>(17,717)</td>
<td>(13,089)</td>
</tr>
<tr>
<td>Unrealized foreign exchange loss</td>
<td></td>
<td>5,751</td>
<td>2,952</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities before changes in working capital</strong></td>
<td></td>
<td>17,528</td>
<td>223</td>
</tr>
<tr>
<td><strong>Working capital adjustments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase)/decrease in operating assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td>640</td>
<td>(14,977)</td>
</tr>
<tr>
<td>Trade accounts receivable</td>
<td></td>
<td>(4,675)</td>
<td>(1,394)</td>
</tr>
<tr>
<td>Advances paid</td>
<td></td>
<td>(47,589)</td>
<td>-</td>
</tr>
<tr>
<td>Taxes recoverable</td>
<td></td>
<td>(127)</td>
<td>(812)</td>
</tr>
<tr>
<td>Other current assets</td>
<td></td>
<td>(251)</td>
<td>(170)</td>
</tr>
<tr>
<td>Increase/(decrease) in operating liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td></td>
<td>24,069</td>
<td>15,830</td>
</tr>
<tr>
<td>Taxes payable</td>
<td></td>
<td>(388)</td>
<td>(129)</td>
</tr>
<tr>
<td>Advances received</td>
<td></td>
<td>3,911</td>
<td>1,952</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td></td>
<td>420</td>
<td>(95)</td>
</tr>
<tr>
<td><strong>Cash flows used in operating activities</strong></td>
<td></td>
<td>(6,332)</td>
<td>437</td>
</tr>
<tr>
<td>Interest paid</td>
<td></td>
<td>(5,763)</td>
<td>(4,174)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td></td>
<td>(468)</td>
<td>(390)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td></td>
<td>(12,663)</td>
<td>(4,127)</td>
</tr>
<tr>
<td><strong>Investment activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td></td>
<td>(1,576)</td>
<td>(6,066)</td>
</tr>
<tr>
<td>Purchase of intangibles</td>
<td></td>
<td>94</td>
<td>(279)</td>
</tr>
<tr>
<td><strong>Net cash flows used in investing activities</strong></td>
<td></td>
<td>(1,482)</td>
<td>(6,345)</td>
</tr>
<tr>
<td><strong>Financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipt of interest-bearing loans and borrowings</td>
<td>10</td>
<td>-</td>
<td>4,047</td>
</tr>
<tr>
<td>Repayment of interest bearing loans and borrowings</td>
<td>10</td>
<td>(4,646)</td>
<td>(3,901)</td>
</tr>
<tr>
<td>Receipt of government grants</td>
<td>13</td>
<td>21,758</td>
<td>11,962</td>
</tr>
<tr>
<td><strong>Net cash flows from financing activities</strong></td>
<td></td>
<td>17,112</td>
<td>12,108</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td></td>
<td>3,067</td>
<td>1,636</td>
</tr>
<tr>
<td>Effect of foreign exchange difference on cash and cash equivalents</td>
<td></td>
<td>1,539</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>8</td>
<td>5,835</td>
<td>4,199</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>8</td>
<td>10,441</td>
<td>5,835</td>
</tr>
</tbody>
</table>

## NON-CASH TRANSACTIONS

**Transfer of property, plant and equipment**

During the year ended 31 December 2015 the Company received property, plant and equipment from the Government in the amount of 1,224 thousand Somoni (in 2014: 30,248 thousand Somoni).

Signed and authorized for issue on 30 June 2016.

Director

Chief Accountant

The accompanying notes on pages 5 to 24 are an integral part of these financial statements.
### Statement of Changes in Equity

For the year ended 31 December 2015

<table>
<thead>
<tr>
<th>in thousands of Somoni</th>
<th>Charter capital</th>
<th>Additional paid-in capital</th>
<th>Revaluation reserve</th>
<th>Accumulated deficit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2014</td>
<td>4,441</td>
<td>153,130</td>
<td>13,227</td>
<td>(100,274)</td>
<td>70,524</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(43,990)</td>
<td>(43,990)</td>
</tr>
<tr>
<td>Contribution to charter capital</td>
<td>-</td>
<td>33,640</td>
<td>-</td>
<td>-</td>
<td>33,640</td>
</tr>
<tr>
<td>Revaluation during the year</td>
<td>-</td>
<td>-</td>
<td>103,384</td>
<td>-</td>
<td>103,384</td>
</tr>
<tr>
<td>31 December 2014</td>
<td>4,441</td>
<td>186,770</td>
<td>116,611</td>
<td>(144,284)</td>
<td>163,558</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,626)</td>
<td>(5,626)</td>
</tr>
<tr>
<td>Contribution to charter capital</td>
<td>-</td>
<td>11,224</td>
<td>-</td>
<td>-</td>
<td>11,224</td>
</tr>
<tr>
<td>Amortization of revaluation reserve</td>
<td>-</td>
<td>-</td>
<td>(14,523)</td>
<td>14,523</td>
<td>-</td>
</tr>
<tr>
<td>31 December 2015</td>
<td>4,441</td>
<td>197,994</td>
<td>102,088</td>
<td>(135,367)</td>
<td>169,156</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

Dushanbevodokanal SUE ("DVK" or the "Company") was incorporated in the Republic of Tajikistan as a state unitary enterprise on 11 November 2005 on the basis of the Chairman's decree of the Republic of Tajikistan # 379 dated 20 September 2005. The Company is fully owned by State ("Owner").

The Company's registered office is: 14a S. Aini str., Dushanbe, the Republic of Tajikistan.

The principal activity of the Company is water treatment, provision of the drinking water to customers of Dushanbe city and maintenance of the water-supply and disposal canals in Dushanbe city.

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" or "TJS"). All values in these financial statements are rounded to the nearest whole thousands, except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions;

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 not defined benefit plans with contributions from employees or third parties.

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.
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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.

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.
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet 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. 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 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.

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 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 remeasured 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. 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 to 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.
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

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 retroactively. 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 statement.

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. The amendments in Effective Date of Amendments to IFRS 10 and IAS 28 defer the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded. Earlier application of the September 2014 amendments continues to be permitted. These amendments are not expected to have any impact on the Company.

Annual improvements 2012-2014 cycle

These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Company's financial statements. 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 prospectively. 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 retroactively.

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.
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

**Annual improvements 2012-2014 cycle (continued)**

**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. These amendments are not expected to have any impact on the Company.

**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:

- 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.

**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 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 financial statements of the Company.

**Foreign currency translation**

The financial statements are presented in Somoni, which is the functional currency of the Company and presentation currency of the financial statements of the Company.

Transactions in foreign currencies are initially recorded by the Company in its functional currency spot rate prevailing at the date when the transaction meets recognition criteria. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences arising on settlement or translation of monetary items are included 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 as 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.
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Income or expense arising on translation of non-monetary items is recorded in accordance with the principles of income or expense recognition as a result of change in the fair value.

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 Tajikistani Somoni per 1 US dollar (as of 31 December 2014: 5.3079 Tajikistani Somoni per 1 US dollar). This exchange rate is used to retranslate monetary assets and liabilities denominated in US dollars as of 31 December 2015.

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.

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.
3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair value measurement (continued)**

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 are recognised in the accounting at cost less accumulated depreciation and impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties, non-refundable taxes, costs of loans that relate directly to the construction of long-term projects if they meet the recognition criteria and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is computed on a straight-line basis over the estimated useful lives. The estimated useful life of certain property, plant and equipment is presented as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and constructions</td>
<td>25-60</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>5-25</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5-15</td>
</tr>
<tr>
<td>Other property and equipment</td>
<td>5-15</td>
</tr>
</tbody>
</table>

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive loss.

Construction-in-progress represents property, plant and equipment under construction and is stated at cost. This includes cost of construction and equipment and other direct costs. Construction-in-progress is not depreciated until such time as construction of such assets is completed and put into operational use.

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period when such costs are incurred. The expenditures that have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance (increase of useful life, capacity, etc.) are capitalized as an additional cost of property, plant and equipment.

**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 and cash equivalents and trade receivables.
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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 include cash in banks and cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 (three) months or less and that are subject to an insignificant risk of change in value.

Trade account receivables

Trade account receivables are carried at original invoice amount less allowance made for impairment of these receivables. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive loss. When a receivable is uncollectible, it is written off against the allowance account for trade account receivables. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive loss.

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.

Impairment of 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.
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

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

The Company’s financial liabilities include trade payables and interest bearing loans and borrowings.

Subsequent measurement

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

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.

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 recognized 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.

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

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 statement of comprehensive loss.

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.

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.

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.
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory
Inventories are valued at the lower of cost or net realisable value. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The same cost formula is used for all inventories having a similar nature and use. All inventories are valued on the weighted-average cost basis.

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.

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

Rendering of services
Revenue from water supply and sewerage services is recognised based on actual volumes of services provided during the reporting period.

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.

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 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.
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Events after the reporting period

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 judgements 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.
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

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 ("CGU") 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.

Deferred taxes

Deferred tax assets are recognized for provisions for doubtful accounts and impaired inventory, property, plant and equipment and government grants 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 2015 was 26,764 thousand Somoni (31 December 2014: 26,764 thousand Somoni). Further details are contained in Note 19.

Fair value of financial instruments

Where the fair value of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Interest bearing loans and borrowings, with the interest lower than market rate, were initially valued based on the expected cash flows discounted at 21.06% and 21.42% at the date of origination. Further details are contained in Note 10.

Allowance for doubtful accounts

The Company makes allowances for doubtful accounts receivable and advances paid. 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

Movements of property, plant and equipment for the years ended 31 December 2015 and 2014 were as follows:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>Buildings and constructions</th>
<th>Machinery and equipment</th>
<th>Vehicles</th>
<th>Other</th>
<th>Construction in-progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 January 2014</td>
<td>145,135</td>
<td>55,881</td>
<td>2,108</td>
<td>3,439</td>
<td>5,322</td>
<td>211,885</td>
</tr>
<tr>
<td>Additions</td>
<td>28,336</td>
<td>6,322</td>
<td>216</td>
<td>617</td>
<td>823</td>
<td>36,314</td>
</tr>
<tr>
<td>Disposals</td>
<td>(452)</td>
<td>(463)</td>
<td>–</td>
<td>–</td>
<td>(7)</td>
<td>(922)</td>
</tr>
<tr>
<td>Elimination of accumulated depreciation</td>
<td>(66,229)</td>
<td>(43,084)</td>
<td>(1,830)</td>
<td>(1,597)</td>
<td>–</td>
<td>(112,740)</td>
</tr>
<tr>
<td>Transfers</td>
<td>825</td>
<td>229</td>
<td>(62)</td>
<td>18</td>
<td>(1,010)</td>
<td>–</td>
</tr>
<tr>
<td>Revaluation</td>
<td>89,008</td>
<td>17,000</td>
<td>623</td>
<td>(738)</td>
<td>(2,509)</td>
<td>103,384</td>
</tr>
<tr>
<td>31 December 2014</td>
<td>196,623</td>
<td>35,885</td>
<td>1,055</td>
<td>1,739</td>
<td>2,619</td>
<td>237,921</td>
</tr>
<tr>
<td>Additions</td>
<td>11,224</td>
<td>1,259</td>
<td>94</td>
<td>223</td>
<td>–</td>
<td>12,800</td>
</tr>
<tr>
<td>Disposals</td>
<td>(20)</td>
<td>(8)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(28)</td>
</tr>
<tr>
<td>Transfers</td>
<td>–</td>
<td>416</td>
<td>(4)</td>
<td>–</td>
<td>–</td>
<td>(412)</td>
</tr>
<tr>
<td>31 December 2015</td>
<td>207,827</td>
<td>37,552</td>
<td>1,145</td>
<td>1,962</td>
<td>2,207</td>
<td>250,693</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td>66,229</td>
<td>43,084</td>
<td>1,830</td>
<td>1,597</td>
<td>–</td>
<td>112,740</td>
</tr>
<tr>
<td>1 January 2014</td>
<td>6,976</td>
<td>7,747</td>
<td>100</td>
<td>79</td>
<td>–</td>
<td>14,902</td>
</tr>
<tr>
<td>Charge for the period</td>
<td>6,971</td>
<td>7,708</td>
<td>100</td>
<td>79</td>
<td>–</td>
<td>14,858</td>
</tr>
<tr>
<td>Disposals</td>
<td>(5)</td>
<td>(39)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(44)</td>
</tr>
<tr>
<td>Elimination of accumulated depreciation</td>
<td>(66,229)</td>
<td>(43,084)</td>
<td>(1,830)</td>
<td>(1,597)</td>
<td>–</td>
<td>(112,740)</td>
</tr>
<tr>
<td>31 December 2014</td>
<td>6,971</td>
<td>7,708</td>
<td>100</td>
<td>79</td>
<td>–</td>
<td>14,858</td>
</tr>
<tr>
<td>Charge for the period</td>
<td>9,520</td>
<td>5,988</td>
<td>128</td>
<td>418</td>
<td>–</td>
<td>16,054</td>
</tr>
<tr>
<td>Disposals</td>
<td>(1)</td>
<td>(2)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(3)</td>
</tr>
<tr>
<td>Transfers</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>31 December 2015</td>
<td>16,490</td>
<td>13,694</td>
<td>228</td>
<td>497</td>
<td>–</td>
<td>30,909</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 December 2014</td>
<td>189,652</td>
<td>28,177</td>
<td>955</td>
<td>1,660</td>
<td>2,619</td>
<td>223,063</td>
</tr>
<tr>
<td>31 December 2015</td>
<td>191,337</td>
<td>23,858</td>
<td>917</td>
<td>1,465</td>
<td>2,207</td>
<td>219,784</td>
</tr>
</tbody>
</table>

As at 31 December 2015 and 2014 all of the Company’s property, plant and equipment are pledged as a security for the Company’s borrowings (Note 10).

As at 31 December 2015 property, plant and equipment in the amount of 14,640 thousand Somoni were fully amortised (as at 31 December 2014: 13,011 thousand Somoni).

5. INVENTORIES

As at 31 December inventories comprised the following:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spare parts</td>
<td>19,739</td>
<td>20,047</td>
</tr>
<tr>
<td>Other materials</td>
<td>590</td>
<td>922</td>
</tr>
<tr>
<td></td>
<td>20,329</td>
<td>20,969</td>
</tr>
</tbody>
</table>

6. TRADE RECEIVABLES

As at 31 December trade receivables comprised the following:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables from citizens</td>
<td>9,510</td>
<td>9,264</td>
</tr>
<tr>
<td>Trade receivables from commercial companies</td>
<td>5,582</td>
<td>4,626</td>
</tr>
<tr>
<td>Trade receivables from state companies</td>
<td>2,015</td>
<td>3,281</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>(9,228)</td>
<td>(13,987)</td>
</tr>
<tr>
<td></td>
<td>7,879</td>
<td>3,304</td>
</tr>
</tbody>
</table>
6. TRADE RECEIVABLES (continued)

At 31 December 2015 and 2014 the Company's trade receivables were denominated in Somoni. The movements in the allowance for doubtful accounts for the years ended 31 December were as follows:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>1 January 2014</th>
<th>Charge for the year (Note 16)</th>
<th>31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>10,731</td>
<td>3,136</td>
<td>13,867</td>
</tr>
<tr>
<td>Utilised</td>
<td>4,639</td>
<td></td>
<td>9,228</td>
</tr>
</tbody>
</table>

As at 31 December, the ageing analysis of trade receivables was as follows:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>Neither past due nor impaired</th>
<th>Past due but not impaired</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>90-180 days</td>
</tr>
<tr>
<td>2015</td>
<td>7,879</td>
<td>6,021</td>
</tr>
<tr>
<td>2014</td>
<td>3,304</td>
<td>1,446</td>
</tr>
</tbody>
</table>

7. ADVANCES PAID

As at 31 December advances paid comprised the following:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances paid for goods and services</td>
<td>52,727</td>
<td>5,138</td>
</tr>
<tr>
<td>Other</td>
<td>4,102</td>
<td>4,102</td>
</tr>
<tr>
<td>Less: allowance on doubtful accounts</td>
<td>(7,719)</td>
<td>(2,136)</td>
</tr>
<tr>
<td></td>
<td>49,110</td>
<td>7,104</td>
</tr>
</tbody>
</table>

At 31 December 2015 and 2014 the Company's advances paid were denominated in Somoni. The movements in the allowance for doubtful accounts for the years ended 31 December were as follows:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>1 January 2014</th>
<th>Accrual for the year (Note 16)</th>
<th>31 December 2014</th>
<th>Accrual for the year (Note 16)</th>
<th>31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,136</td>
<td></td>
<td>2,136</td>
<td></td>
<td>5,583</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,719</td>
</tr>
</tbody>
</table>

8. CASH AND CASH EQUIVALENTS

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

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in current bank accounts in foreign currencies</td>
<td>5,866</td>
<td>1,028</td>
</tr>
<tr>
<td>Cash in current bank accounts in Somoni</td>
<td>4,575</td>
<td>4,807</td>
</tr>
<tr>
<td></td>
<td>10,441</td>
<td>5,835</td>
</tr>
</tbody>
</table>

9. EQUITY

As at 31 December 2015 and 2014 charter capital of the Company amounted to 4,441 thousand Somoni which was fully paid by the Company's owner.

Additional paid-in capital in the amount of 105,328 thousand Somoni as at 31 December 2015 (as at 31 December 2014: 105,328 thousand Somoni) represents the difference between carrying and fair value of the loan received from the Ministry of Finance of Republic of Tajikistan (Note 10). Additional paid-in capital in the amount of 92,666 thousand Somoni as at 31 December 2015 (as at 31 December 2014: 81,442 thousand Somoni) represents property, plant and equipment transferred from the Government to the Company.
10. INTEREST BEARING LOANS AND BORROWINGS

As at 31 December 2015 and 2014 interest bearing loans and borrowings comprised the following:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>Date of issue</th>
<th>Maturity</th>
<th>Interest rate</th>
<th>Currency</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan # 3664-TJ</td>
<td>30 July 2002</td>
<td>1 May 2032</td>
<td>0.75%-5%</td>
<td>USD</td>
<td>31,407</td>
<td>23,581</td>
</tr>
<tr>
<td>Loan # 3664-1-TJ</td>
<td>26 April 2007</td>
<td>15 March 2037</td>
<td>0.75%-5%</td>
<td>USD</td>
<td>7,443</td>
<td>5,720</td>
</tr>
<tr>
<td>Other government loans</td>
<td>N/A</td>
<td>On demand</td>
<td>zero</td>
<td>TJS</td>
<td>1,618</td>
<td>1,269</td>
</tr>
</tbody>
</table>

Less: amounts due within 12 months from the reporting date

<table>
<thead>
<tr>
<th>Amounts due for settlement after 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,236</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amounts due for settlement after 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>32,232</td>
</tr>
</tbody>
</table>

On 30 July 2002 the Company has entered into loan agreement with the Ministry of finance of Republic of Tajikistan (the Ministry) for the loan of up to 13,500,000 Special Drawing Rights (SDR) for financing of the project on rehabilitation of water supply services and improvement of water quality performance in Dushanbe city (Project # 1). Interest rate varies from 0.75% until 5% p.a. Interest rate in 2015 was fixed at 4.575% (2014: 4.150%). In accordance with payment schedule the Company started repayment of principal and interest since 1 November 2007. The maturity of the loan agreement is 1 May 2032. The loan was recognized at the fair value by discounting their nominal value using the market rate at the issue date at 21.06%, and the initial discount was recognized as additional paid-in capital. Amortisation of discount is recognized in the statement of comprehensive loss as a finance cost.

On 26 April 2007 the Company concluded addendum to the loan agreement dated 30 July 2002 for the additional loan of up to 3,400,000 Special Drawing Rights (SDR) at the interest rate varying from 0.75% until 5% p.a. and with maturity by 2037. Interest rate in 2015 was fixed at 4.008% (2014: 2.450%). The purpose of the loan is financing of further rehabilitation of water supply services in Dushanbe city. The loan was recognized at fair value by discounting their nominal value using the market rate at the issue date at 21.42%, and the initial discount was recognized as additional paid-in capital. Amortisation of discount is recognized in the statement of comprehensive loss as a finance cost.

Under the frame of loan agreements the Company pledged all of its assets, including cash, placed on all bank accounts or other financial institutes.

During the year ended 31 December 2015 the total amount of interest expense accrual comprised 5,788 thousand Somoni (in 2014: 4,023 thousand Somoni); and the total amount of discount amortization comprised 6,632 thousand (in 2014: 5,161 thousand Somoni) (Note 18). During the year ended 31 December 2015 the Company did not received any interest bearing loans and borrowings (in 2014: 4,047 thousand Somoni) and repayments comprised 4,646 thousand Somoni (in 2014: 3,901 thousand Somoni).

11. TRADE PAYABLES

As at 31 December Trade payables comprised the following:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade accounts payable for goods</td>
<td>38,332</td>
<td>17,169</td>
</tr>
<tr>
<td>Trade accounts payable for services</td>
<td>14,219</td>
<td>11,313</td>
</tr>
<tr>
<td>Total</td>
<td>52,551</td>
<td>28,482</td>
</tr>
</tbody>
</table>

As at 31 December 2015 and 2014 trade payables were denominated in Somoni.

12. ADVANCED RECEIVED

Advances received as at 31 December 2015 and 2014 comprised prepayments made by customers for water supplied and sewerage services.
13. GOVERNMENT GRANTS

Movements of the government grants were as follows:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 January</td>
<td>2,369</td>
<td>3,496</td>
</tr>
<tr>
<td>Receipts of government grants</td>
<td>21,758</td>
<td>11,962</td>
</tr>
<tr>
<td>Amortisation of the government grants</td>
<td>(17,717)</td>
<td>(13,089)</td>
</tr>
<tr>
<td>As at 31 December</td>
<td>6,410</td>
<td>2,369</td>
</tr>
</tbody>
</table>

The grants were provided by the government of the Republic of Tajikistan for development of water supply system in Dushanbe.

14. REVENUE

Revenue for the year ended 31 December comprised the following:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from citizens for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water supply</td>
<td>14,677</td>
<td>13,468</td>
</tr>
<tr>
<td>Sewerage services</td>
<td>3,528</td>
<td>3,478</td>
</tr>
<tr>
<td>Revenue from commercial companies for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water supply</td>
<td>10,369</td>
<td>7,629</td>
</tr>
<tr>
<td>Sewerage services</td>
<td>4,099</td>
<td>3,269</td>
</tr>
<tr>
<td>Revenue from state companies for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water supply</td>
<td>8,739</td>
<td>7,535</td>
</tr>
<tr>
<td>Sewerage services</td>
<td>3,627</td>
<td>3,580</td>
</tr>
<tr>
<td>Total</td>
<td>45,039</td>
<td>38,959</td>
</tr>
</tbody>
</table>

15. COST OF SALES

Cost of sales for the year ended 31 December comprised the following:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>13,045</td>
<td>12,170</td>
</tr>
<tr>
<td>Materials</td>
<td>9,549</td>
<td>8,876</td>
</tr>
<tr>
<td>Salary and related taxes</td>
<td>7,182</td>
<td>6,272</td>
</tr>
<tr>
<td>Electric power expenses</td>
<td>3,639</td>
<td>5,013</td>
</tr>
<tr>
<td>Other</td>
<td>963</td>
<td>117</td>
</tr>
<tr>
<td>Total</td>
<td>34,378</td>
<td>32,448</td>
</tr>
</tbody>
</table>

16. ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December comprised:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrual of allowance on doubtful accounts (Note 6, 7)</td>
<td>5,583</td>
<td>3,136</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,009</td>
<td>2,732</td>
</tr>
<tr>
<td>Salary and related taxes</td>
<td>1,128</td>
<td>1,518</td>
</tr>
<tr>
<td>Fines and penalties</td>
<td>728</td>
<td>353</td>
</tr>
<tr>
<td>Materials</td>
<td>497</td>
<td>269</td>
</tr>
<tr>
<td>Taxes and other obligatory payments to the budget</td>
<td>457</td>
<td>1,511</td>
</tr>
<tr>
<td>Bank services</td>
<td>64</td>
<td>422</td>
</tr>
<tr>
<td>Other</td>
<td>504</td>
<td>441</td>
</tr>
<tr>
<td>Total</td>
<td>11,970</td>
<td>10,382</td>
</tr>
</tbody>
</table>
17. SELLING EXPENSES
Selling expenses for the year ended 31 December comprised:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and related expenses</td>
<td>2,702</td>
<td>2,031</td>
</tr>
<tr>
<td>Taxes and other obligatory</td>
<td>621</td>
<td>612</td>
</tr>
<tr>
<td>payments to the budget</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>3,329</strong></td>
<td><strong>2,643</strong></td>
</tr>
</tbody>
</table>

18. FINANCE COSTS
Finance costs for the year ended 31 December comprised:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortisation of discount (Note 10)</td>
<td>6,632</td>
<td>5,161</td>
</tr>
<tr>
<td>Interest expense on loans and borrowings (Note 10)</td>
<td>5,788</td>
<td>4,023</td>
</tr>
<tr>
<td></td>
<td><strong>12,420</strong></td>
<td><strong>9,184</strong></td>
</tr>
</tbody>
</table>

19. INCOME TAX EXPENSE
The Company is subject to corporate income tax at the statutory rate of 24%. In accordance with the Republic of Tajikistan legislation the Company has to incur the minimal current income tax expenses.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income tax expense</td>
<td></td>
<td>25,860</td>
</tr>
<tr>
<td>Current income tax expense</td>
<td>458</td>
<td>390</td>
</tr>
<tr>
<td></td>
<td><strong>458</strong></td>
<td><strong>26,250</strong></td>
</tr>
</tbody>
</table>

A reconciliation of income tax expense applicable to loss before income tax at the statutory income tax rate of 24% to current income tax expense was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss before income tax</td>
<td>(5,168)</td>
<td>(17,740)</td>
</tr>
<tr>
<td>Statutory tax rate</td>
<td>24%</td>
<td>25%</td>
</tr>
<tr>
<td>Theoretical tax charge at statutory rate of 24%</td>
<td>(1,240)</td>
<td>(4,435)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax effect of permanent differences</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimal tax</td>
<td>458</td>
<td>390</td>
</tr>
<tr>
<td>Non-deductible expenses</td>
<td>1,240</td>
<td>30,295</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>458</td>
<td>26,250</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Deferred tax assets</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>3,467</td>
<td>3,467</td>
</tr>
<tr>
<td>Inventory</td>
<td>592</td>
<td>592</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td><strong>4,059</strong></td>
<td><strong>4,059</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred tax liabilities</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>(30,823)</td>
<td>(30,823)</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(30,823)</td>
<td>(30,823)</td>
</tr>
<tr>
<td><strong>Net deferred tax liabilities</strong></td>
<td>(26,764)</td>
<td>(26,764)</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS (continued)

20. RELATED PARTY TRANSACTIONS

Related parties include key management personnel of the Company, entities in which a substantial interest in the voting power is owned, directly or indirectly, by the government of the Republic of Tajikistan.

Terms and conditions of transactions with related parties

Related party transactions were made on the terms agreed to between the parties that may not necessarily be at market rates, except for water supply and sewerage services, which are provided based on the tariffs defined by the Ministry of economic development and trading of the Republic of Tajikistan. Outstanding balances at the year-end are unsecured, non-interest bearing and settlement occurs in cash, except as indicated below. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The major transactions with related parties during the year ended 31 December 2015 and 2014 were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest bearing loans and borrowings (Note 10)</td>
<td>40,468</td>
<td>30,560</td>
</tr>
<tr>
<td>Government grants (Note 13)</td>
<td>6,410</td>
<td>2,369</td>
</tr>
<tr>
<td>Trade receivables (Note 6)</td>
<td>2,015</td>
<td>3,281</td>
</tr>
<tr>
<td>Advances paid</td>
<td>1,961</td>
<td>2,679</td>
</tr>
<tr>
<td>Trade payables</td>
<td>13,926</td>
<td>10,801</td>
</tr>
<tr>
<td>Advances received</td>
<td>10,777</td>
<td>1,779</td>
</tr>
<tr>
<td>Revenue (Note 14)</td>
<td>12,366</td>
<td>11,115</td>
</tr>
<tr>
<td>Purchases</td>
<td>4,841</td>
<td>13,820</td>
</tr>
<tr>
<td>Finance cost (Note 18)</td>
<td>12,420</td>
<td>9,184</td>
</tr>
</tbody>
</table>

Compensation to key management personnel

Key management personnel consist of the Company’s Management Board members totalling 5 persons as at 31 December 2015 (as at 31 December 2014: 4 persons). Total compensation to the key management personnel included in administrative expenses in the statement of comprehensive loss in the amount of 59 thousand Somoni for the year ended 31 December 2015 (for the year ended 31 December 2014: 61 thousand Somoni). Remuneration to key management personnel mainly consists of salaries and other benefits.

21. FINANCIAL COMMITMENTS AND CONTINGENCIES

Taxation

Tajikistan’s tax, currency and customs legislation and regulations are subject to ongoing changes and varying interpretations. Management’s interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. The tax authorities may be taking a more assertive position in interpretation of the legislation and check of tax calculation. As a consequence, tax bodies can make a complaint on those deals and methods of the account on which earlier they did not show claims. Such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

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

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company’s principal financial instruments comprise interest bearing loans and borrowings, trade and other receivables, cash and cash equivalents and accounts payable. The Company is exposed to liquidity risk, credit risk and foreign currency 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.
22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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. The Company’s has no exposure to the risk of changes in market interest rates as long-term borrowings carry fixed interest rates.

Currency risk
As a result of significant borrowings denominated in the US dollars, the Company’s statement of financial position can be affected significantly by movement in the US dollar / Somoni exchange rates. The Company also has transactional currency exposures.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, with all other variables held constant, of the Company’s profit before income tax. There is no impact on the Company’s equity.

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>Increase/ decrease in US dollar rate</th>
<th>Effect on profit before tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>+30.00%</td>
<td>(9,895)</td>
</tr>
<tr>
<td></td>
<td>+10.00%</td>
<td>(3,298)</td>
</tr>
<tr>
<td>2014</td>
<td>+30.00%</td>
<td>8,482</td>
</tr>
<tr>
<td></td>
<td>+10.00%</td>
<td>2,827</td>
</tr>
</tbody>
</table>

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 cash and cash equivalents, trade 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:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>Rating</th>
<th>Location</th>
<th>31 December 2015</th>
<th>31 December 2014</th>
<th>31 December 2015</th>
<th>31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at banks</td>
<td>Location</td>
<td>31 December 2015</td>
<td>31 December 2014</td>
<td>31 December 2015</td>
<td>31 December 2014</td>
<td></td>
</tr>
<tr>
<td>Tochkisdirotnobank</td>
<td>Tajikistan</td>
<td>Not rated</td>
<td>Not rated</td>
<td>6,414</td>
<td>3,275</td>
<td></td>
</tr>
<tr>
<td>Amonatbank</td>
<td>Tajikistan</td>
<td>Not rated</td>
<td>Not rated</td>
<td>4,027</td>
<td>2,560</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>10,441</td>
<td>5,835</td>
<td></td>
</tr>
</tbody>
</table>

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from inability to sell a financial asset immediately at the value approximating its fair value.

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets.
NOTES TO THE FINANCIAL STATEMENTS (continued)

22. FINANCIAL INSTRUMENTS AND 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 based on contractual undiscounted payments.

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>Less than 3 months</th>
<th>3 to 12 months</th>
<th>1-5 years</th>
<th>&gt;5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 31 December 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>968</td>
<td>12,048</td>
<td>55,040</td>
<td>159,796</td>
<td>227,852</td>
</tr>
<tr>
<td>Trade payables</td>
<td>52,551</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>52,551</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>53,519</td>
<td>12,048</td>
<td>55,040</td>
<td>159,796</td>
<td>280,403</td>
</tr>
<tr>
<td><strong>At 31 December 2014</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>3,504</td>
<td>6,342</td>
<td>41,705</td>
<td>133,305</td>
<td>184,856</td>
</tr>
<tr>
<td>Trade payables</td>
<td>28,482</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,482</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>31,986</td>
<td>6,342</td>
<td>41,705</td>
<td>133,305</td>
<td>213,338</td>
</tr>
</tbody>
</table>

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 no readily available market exists for Company’s financial instruments, judgment is needed to arrive at a fair value, based on current economic conditions and the specific risks attributable to the instrument.

The carrying amount of cash, trade receivables, accounts payable and other current monetary assets and liabilities approximates their fair value due to the short-term maturity of these financial instruments.

The fair value of interest bearing loans and borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>2015</th>
<th>2014</th>
<th>Fair value 2015</th>
<th>Fair value 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>7,879</td>
<td>3,304</td>
<td>7,879</td>
<td>3,304</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>10,441</td>
<td>5,835</td>
<td>10,441</td>
<td>5,835</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>40,468</td>
<td>30,560</td>
<td>40,246</td>
<td>20,110</td>
</tr>
<tr>
<td>Trade payables</td>
<td>52,551</td>
<td>28,482</td>
<td>52,551</td>
<td>28,482</td>
</tr>
</tbody>
</table>

Fair values hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the statement of financial position by level of the fair value hierarchy:

<table>
<thead>
<tr>
<th>In thousands of Somoni</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>10,441</td>
<td>-</td>
<td>-</td>
<td>10,441</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>-</td>
<td>-</td>
<td>7,879</td>
<td>7,879</td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>-</td>
<td>-</td>
<td>40,468</td>
<td>40,468</td>
</tr>
<tr>
<td>Trade payables</td>
<td>-</td>
<td>-</td>
<td>52,551</td>
<td>52,551</td>
</tr>
<tr>
<td><strong>31 December 2014</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5,835</td>
<td>-</td>
<td>-</td>
<td>5,835</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>-</td>
<td>-</td>
<td>3,304</td>
<td>3,304</td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>-</td>
<td>-</td>
<td>30,560</td>
<td>30,560</td>
</tr>
<tr>
<td>Trade payables</td>
<td>-</td>
<td>-</td>
<td>28,482</td>
<td>28,482</td>
</tr>
</tbody>
</table>

23. SUBSEQUENT EVENTS

There were no material events after the reporting period.