

# **STATE UNITARY ENTERPRISE “TAJIKAIRNAVIGATION”**

**Financial statements**  
for the year ended December 31, 2018

**and independent auditors' report**

## STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The following statement, which should be read in conjunction with the independent auditors' responsibilities with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of the State Unitary Enterprise "Tajikairnavigation" (the "Company").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2018, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with the International Financial Reporting Standards (the "IFRS").

In preparing the financial statements, management is responsible for:

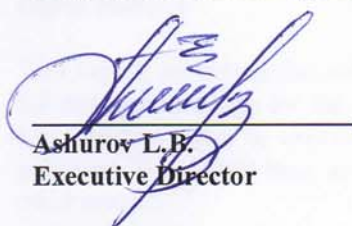
- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control, throughout the Company;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Tajikistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- detecting and preventing fraud, error and other irregularities.

The financial statements for the year ended December 31, 2018 were approved and authorized for issue on May 13, 2019 by the Management of the Company.

On behalf of the Management of the Company

  
**Ashurov L.B.**  
**Executive Director**

May 13, 2019  
Dushanbe, the Republic of Tajikistan



  
**Nazriev D.O.**  
**Chief Accountant**

May 13, 2019  
Dushanbe, the Republic of Tajikistan



## **INDEPENDENT AUDITORS' REPORT**

To the Shareholder and the Management of the SUE "Tajikairnavigation":

### **Qualified opinion**

We have audited the accompanying financial statements of the State Unitary Enterprise "Tajikairnavigation" (the "Company"), which comprise the statements of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effects of the matters described in the paragraph Basis for qualified opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (the "IFRS").

### **Basis for qualified opinion**

As described in Note 5, the Company performed revaluation of its property, plant and equipment in 2010. The revaluation was made using indices prescribed by the Ministry of finance of the Republic of Tajikistan and Decree of the Government of the Republic of Tajikistan No. 698 dated December 30, 2009. In our opinion the revaluation does not conform to IAS 16 "Property, plant and equipment" which allows revaluation to fair value. It was not practicable to extend our audit procedures to determine the impact of this departure from IFRS. Thereby, we are not able to quantify the effect of this departure on the amounts reported in the financial statements as property, plant and equipment, revaluation reserve, retained earnings, depreciation charge and income tax. Revaluation reserve of property, plant and equipment was subsequently transferred to retained earnings in 2010. As a result, we have not identified what adjustments should have been made in respect of recorded or unrecorded elements making up the financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Tajikistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Other matters**

This report, including the independent auditors' opinion, has been prepared and designed exclusively for informing and usage by the Shareholder and Management of the Company. The audit procedures have been held in order to express opinion on the accompanying financial statements, and not for any other purposes. We do not bear any responsibility for using information in this report in any other purposes by other users.



## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

May 13, 2019

Dushanbe, the Republic of Tajikistan



Dilovar Sherov

Director, LLC "Kreston AC"

Licence No. 0000066, issued by the National Bank of Tajikistan.

Licence No. 0000099, issued by the Ministry of finance of the Republic of Tajikistan.

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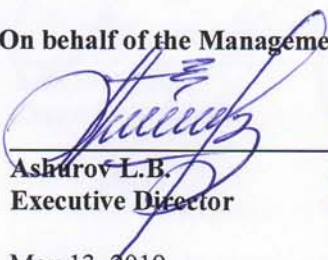


# STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018 (in thousands of Tajik somoni)

	Notes	December 31, 2018	December 31, 2017
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	71,811	64,585
Intangible assets	6	7,627	4,986
Deferred tax assets	20	3,467	3,025
Investments	7	1,000	1,000
Advances paid for long-term assets		-	5,768
		<u>83,905</u>	<u>79,363</u>
<b>CURRENT ASSETS</b>			
Inventories	8	1,689	1,390
Tax assets		-	2,808
Advances paid	9	2,538	308
Trade and other receivables	10	12,402	11,599
Cash and cash equivalents	11	8,678	6,813
		<u>25,307</u>	<u>22,918</u>
<b>TOTAL ASSETS</b>		<u>109,212</u>	<u>102,282</u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	12	27,028	27,028
Accumulated profit/(loss)_CY	12	8,918	8,702
Accumulated profit/(loss)_PY	12	58,720	54,654
		<u>94,666</u>	<u>90,383</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income long-term portion	13	1,846	2,272
		<u>1,846</u>	<u>2,272</u>
<b>CURRENT LIABILITIES</b>			
Current loans		22	1,967
Trade payables	14	2,130	197
Advances received	15	5,918	5,883
Deferred income short-term portion	13	282	282
Other liabilities	16	4,348	1,300
		<u>12,700</u>	<u>9,628</u>
<b>TOTAL LIABILITIES</b>		<u>14,546</u>	<u>11,900</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<u>109,212</u>	<u>102,283</u>

On behalf of the Management of the Company:

  
Ashurov L.B.  
Executive Director

May 13, 2019  
Dushanbe, the Republic of Tajikistan



  
Nazriev D.O.  
Chief Accountant

May 13, 2019  
Dushanbe, the Republic of Tajikistan

The notes on pages 11-32 form an integral part of the financial statements.  
The independent auditors' report is on pages 3-5.

# STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

(in thousands of Tajik somoni)


	Notes	December 31, 2018	December 31, 2017
Revenue	17	84,791	74,442
Cost of sales	18	(37,758)	(38,030)
<b>GROSS PROFIT</b>		<b>47,032</b>	<b>36,412</b>
General and administrative expenses	19	(36,480)	(21,469)
Interest expenses		(107)	(207)
Net forex (loss)/gain		920	50
Other expense		1,203	(204)
<b>PROFIT BEFORE INCOME TAX</b>		<b>12,568</b>	<b>14,582</b>
Income tax	20	(3,650)	(5,880)
<b>NET PROFIT FOR THE YEAR</b>		<b>8,918</b>	<b>8,702</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>8,918</b>	<b>8,702</b>

On behalf of the Management of the Company:

  
Ashurov L.B.  
Executive Director

May 13, 2019  
Dushanbe, the Republic of Tajikistan



  
Nazriev D.O.  
Chief Accountant

May 13, 2019  
Dushanbe, the Republic of Tajikistan

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# STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018 (in thousands of Tajik somoni)

	Notes	Share capital	Retained earnings	Total capital
Balance at December 31, 2016	12	10,811	73,406	84,218
Increase of share capital	12	16,217	(16,217)	-
Total comprehensive income for the year		-	8,702	8,702
Dividends declared	12	-	(2,535)	(2,535)
Balance at December 31, 2017	12	27,028	63,356	90,385
Total comprehensive income for the year		-	8,918	8,918
Dividends declared	12	-	(4,635)	(4,635)
Balance at December 31, 2017	12	27,028	67,639	94,668

The ordinary capital as at December 31, 2018 and 2017 amounted to 27,028 thousand somoni and 27,028 thousand somoni, respectively. It should be noted that after the reorganization of SUAE "Tajik Air" on the basis of the Resolution of the Government of the Republic of Tajikistan No. 491 dated October 1, 2008, the ordinary capital of the Company was approved in the amount of 27,028 thousand somoni, but until 2017 the capital was not fully formed. In 2017 after coordination with the Tax Committee of the Republic of Tajikistan, ordinary capital of the Company was increased through capitalization of retained earnings and brought in accordance with the constituent documents (Note 12).

On behalf of the Management of the Company:

  
Ashurov L.B.  
Executive Director

May 13, 2019  
Dushanbe, the Republic of Tajikistan



  
Nazriev D.O.  
Chief Accountant

May 13, 2019  
Dushanbe, the Republic of Tajikistan

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# STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018 (in thousands of Tajik somoni)

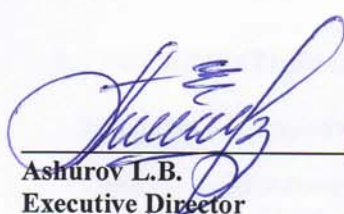
	Notes	For the year ended December 31, 2018	For the year ended December 31, 2017
<b>Cash flows from operating activities:</b>			
Profit (loss) before income tax		12,568	14,582
<i>Adjustments for:</i>			
Depreciation and amortization expense	5;6	6,360	5,346
Interest expense		107	207
Amortization of deferred income		(426)	
Change in provision for obsolete inventory	8	(60)	702
Change in provision for doubtful receivables	10	1,702	386
Change in vacation reserve		(147)	(184)
(Gain)/loss on disposal of property, plant and equipment		3,421	440
(Gains)/losses on forex		-	(50)
		<hr/>	<hr/>
Operating cash flow before movements in working capital		22,951	21,429
		<hr/>	<hr/>
Decrease (increase) in inventories		(239)	(644)
Decrease (increase) in taxes paid		-	-
Decrease (increase) in advances paid		3,538	(1,098)
Decrease (increase) in trade and other receivables		(2,505)	1,743
Decrease (increase) in tax assets		4,735	(829)
Increase (decrease) in trade payables		1,933	(276)
Increase (decrease) in other liabilities		4,690	(274)
Increase (decrease) in advances received		36	915
		<hr/>	<hr/>
Net cash provided by operations:		35,139	20,966
Income tax paid		(7,514)	(7,703)
Interest paid		-	(185)
		<hr/>	<hr/>
Net cash provided by operating activities		<u>27,625</u>	<u>13,078</u>

# STATE UNITARY ENTERPRISE "TAJIKAIRNAVIGATION"

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018 (CONTINUED) (in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2018	For the year ended December 31, 2017
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		(16,433)	(14,891)
Purchase of intangible assets		(3,215)	(1,680)
Disbursements of/(principal payments on) loans issued		-	-
Net cash used in investing activities		(19,074)	(16,571)
<b>Movement of cash flows from financing activities</b>			
<i>Cash outflows from financing activities</i>			
Proceeds from issuance of common stock		-	-
Dividends paid		(4,635)	(2,535)
Proceeds from/(principal payments on) short-term borrowings, net		-	-
Proceeds from long-term borrowings		-	3,219
Principal payments on long-term borrowings		(2,052)	(1,273)
Net cash (used in)/provided by financing activities		(6,687)	(589)
Effect of change in foreign exchange rates on cash and cash equivalents			751
Net change in cash and cash equivalents		1,865	(3,331)
Cash and equivalents, beginning of year	11	6,813	10,144
Cash and equivalents, end of year	11	8,678	6,813

On behalf of the Management of the Company:

  
**Ashurov L.B.**  
Executive Director

May 13, 2019  
Dushanbe, the Republic of Tajikistan



  
**Nazriev D.O.**  
Chief Accountant

May 13, 2019  
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