



Ust-Kamenogorsk Poultry Farm OJSC

KAS Financial Statements

31 December 2004

(Translated from Russian original)

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

27 April 2005

The accompanying financial statements were prepared by management, which is responsible for their integrity and objectivity. Management believes the financial statements, which require the use of certain estimates and judgments, fairly and accurately reflect the financial position, results of operations, and cash flows of Ust-Kamenogorsk Poultry Farm Open Joint Stock Company (the "Company") in accordance with Kazakhstani Accounting Standards.

Management maintains appropriate policies, procedures and systems of internal control to ensure its reporting practices and accounting and administrative procedures are appropriate, consistent, and undertaken at reasonable cost. These policies and procedures are designed to provide reasonable assurance that transactions are properly recorded and summarised so that reliable financial records and reports can be prepared and assets safeguarded.

Baurzhan Mozhaev
Acting as General Director

Evgeniya Zorinyants
Finance Director

Olga Sizova
Chief Accountant

UST-KAMENOGORSK POULTRY FARM OJSC

Balance Sheet

(In thousands of Kazakhstani Tenge)

	Note	31 December 2004	31 December 2003
ASSETS			
Long-term assets			
Property, plant and equipment, net	3	1,491,148	1,421,338
Intangible assets, net		9,004	10,260
Total long-term assets		1,500,152	1,431,598
Current assets			
Inventories	4	476,184	406,772
Due from related parties	19	145,500	-
Accounts receivable, net	5	65,098	80,024
Cash and cash equivalents	6	12,762	53,985
Total current assets		699,544	540,781
TOTAL ASSETS		2,199,696	1,972,379
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	7	274,027	274,027
Withdraw of capital	7	(31,297)	(3,894)
Additional paid-in capital		1,996	3,094
Property, plant and equipment revaluation surplus		605,744	649,443
Retained earnings		484,213	406,673
Total shareholders' equity		1,334,683	1,329,343
Long-term liabilities			
Long-term debt and issued bonds	8	466,974	253,744
Long-term taxes payable	17	14,766	33,746
Long-term deferred income tax liability, net	17	27,991	-
Total long-term liabilities		509,731	287,490
Current liabilities			
Short-term debt and current portion of long-term debt	8	151,907	181,928
Trade accounts payable	9	131,120	69,827
Other payables	10	45,733	84,250
Current taxes payable	17	26,522	19,465
Due to related parties	19	-	76
Total current liabilities		355,282	355,546
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,199,696	1,972,379

Approved by:

Baurzhan Mozhaev
Acting as General Director

Evgeniya Zorinyants
Finance Director

Olga Sizova
Chief Accountant

The accompanying notes are an integral part of these financial statements
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UST-KAMENOGORSK POULTRY FARM OJSC

Statement of Operations

(In thousands of Kazakhstani Tenge)

	Note	Year ended 31 December 2004	Year ended 31 December 2003
Sales	11	1,960,806	1,749,137
Cost of sales	12	(1,597,974)	(1,283,094)
Gross margin		362,832	466,043
General and administrative expenses	13	(214,639)	(191,499)
Selling expenses	14	(72,902)	(69,509)
Interest expense	15	(89,234)	(48,277)
Operating (loss)/income		(13,943)	156,758
Non-operating income, net	16	126,983	83,129
Operating income before taxation		113,040	239,887
Current income tax expense		(10,018)	(17,834)
Deferred income tax expense		(13,374)	-
Net income		89,648	222,053

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UST-KAMENOGORSK POULTRY FARM OJSC

Statement of Cash Flows

(In thousands of Kazakhstani Tenge)

	Year ended 31 December 2004	Year ended 31 December 2003
Cash flows from operating activities:		
Net income	89,648	222,053
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	72,985	62,828
Provision/(restoration of provision) for doubtful debt	8,813	(11,663)
Unrealised foreign exchange effect	(12,239)	(21,278)
Interest accrued	89,234	48,277
Income tax accrued	10,018	17,834
Deferred income tax accrued	13,374	-
Other	-	9,363
Changes in operating working capital excluding cash and debt:		
Inventories	(69,412)	(52,793)
Accounts receivable	11,240	(18,609)
Trade accounts payable	61,293	(41,752)
Other payables	(38,517)	2,427
Current taxes payable	(2,433)	(19,950)
Long-term taxes payable	(9,490)	(9,890)
Interest paid	(69,485)	(61,646)
Income tax paid	(15,145)	(37,386)
Increase in cash from operating activities	139,884	87,815
Cash flows from investing activities:		
Acquisition of property, plant and equipment and intangible assets	(152,341)	(183,888)
Proceeds from sale of property, plant and equipment and intangible assets	10,801	-
Decrease in cash from investing activities	(141,540)	(183,888)
Cash flows from financing activities:		
Bonds issue	323,889	142,348
Proceeds from debt	166,921	86,226
Repayment of debt	(315,110)	(172,776)
Financial support provided to related parties	(145,500)	-
Dividends paid	(41,266)	(68)
Treasury shares	(28,501)	(800)
Other payments	-	(1,861)
(Decrease)/increase in cash from financing activities	(39,567)	53,069
Net decrease in cash for the year	(41,223)	(43,004)
Cash and cash equivalents at the beginning of year	53,985	96,989
Cash and cash equivalents at the end of year	12,762	53,985

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UST-KAMENOGORSK POULTRY FARM OJSC

Statement of Changes in Shareholders' Equity

(In thousands of Kazakhstani Tenge)

	Share capital	Withdraw of capital	Additional paid-in capital	Property, plant and equipment revaluation surplus	Retained earnings	Total shareholders' equity
Balance at 31 December 2002	274,027	-	-	688,027	146,112	1,108,166
Redemption of treasury shares	-	(3,894)	3,094	-	-	(800)
Transfer of revaluation surplus to retained earnings	-	-	-	(38,584)	38,584	-
Net income for the year	-	-	-	-	222,053	222,053
Dividends on preferred shares	-	-	-	-	(76)	(76)
Balance at 31 December 2003	274,027	(3,894)	3,094	649,443	406,673	1,329,343
Redemption of treasury shares	-	(27,403)	(1,098)	-	-	(28,501)
Transfer of revaluation surplus to retained earnings	-	-	-	(29,082)	29,082	-
Effect of deferred income tax over property, plant and equipment revaluation surplus	-	-	-	(14,617)	-	(14,617)
Net income for the year	-	-	-	-	89,648	89,648
Dividends on ordinary shares	-	-	-	-	(33,999)	(33,999)
Dividends on preferred shares	-	-	-	-	(7,191)	(7,191)
Balance at 31 December 2004	274,027	(31,297)	1,996	605,744	484,213	1,334,683

The accompanying notes are an integral part of these financial statements
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UST-KAMENOGORSK POULTRY FARM OJSC

Notes to the Financial Statements – 31 December 2004

(In Kazakhstani Tenge (tabular amounts in thousands))

Note 1: The Company and Its Operations

Ust-Kamenogorsk Poultry Farm Open Joint Stock Company (the “Company”) was initially established in 1976 as a state owned enterprise. In accordance with the State Property Sale-Purchase Agreement dated 4 March 1993 between the East Kazakhstan Territorial State Property Committee and the Company’s employees, the Company’s properties were redeemed by its employees, and on 24 March 1993 the Company was restructured into a collective enterprise. Pursuant to a decision of the Collective Enterprise Authorised Representatives Conference dated 21 February 1996 the Company was restructured into a closed joint stock company. The Company was reregistered as a closed joint stock company on 16 January 1998. On 21 October 2002 the Company was restructured into an open joint stock company.

In accordance with the Memorandum of Intent dated 21 February 1997 (the “Memorandum”) and the Shareholders Agreement on Subscription For Shares dated 23 November 1997 (the “Agreement”) between Delta LLP, owning a controlling interest in the Company, GIMV (Belgium), and the European Bank for Reconstruction and Development (the “EBRD”) agreed to restructure the Company, which ceased its main production in mid-1995 due to its difficult financial position. In accordance with the terms of Memorandum and Agreement, EBRD and GIMV jointly financed the Company, paying the additional issue of the Company’s ordinary shares with subsequent acquisition of controlling interest in the Company, lending resources and providing technical and other consulting services. In 2001 the Company refinanced the EBRD loan with OJSC Kazkommertsbank Credit Line (Note 8).

In April 2004 the Company purchased the interest of Delta LLP. On 24 November 2004 Aitas-Sauda LLP purchased the Company’s shares owned by EBRD and GIMV, and therefore became the ultimate owner of the Company (Note 7).

The Company is a vertically integrated broiler farm engaged in raising broiler breeders, producing broilers, processing and selling of broiler meat and by-products to wholesalers. The Company’s head office and production facilities are located in Molodezhnoye village, Ulanskiy District, East Kazakhstan Oblast.

As at 31 December 2004 and 31 December 2003 the Company’s average number of employees was 1,198 and 1,167, respectively.

Note 2: Basis of Presentation and Summary of Significant Accounting Policies

The Company maintains its books of account in accordance with the Kazakhstani General Chart of Accounts and prepares its statutory financial statements in accordance with Kazakhstani Accounting Standards (“KAS”), promulgated in the Republic of Kazakhstan.

The preparation of financial statements in accordance with KAS requires the Company’s management to make estimates and assumptions affecting the reported amounts of assets, liabilities, income and expense, and disclosure of contingent assets and liabilities. Actual results may differ from those estimates and assumptions.

Where necessary, corresponding figures have been adjusted to conform with changes in the presentation of the current year.

UST-KAMENOGORSK POULTRY FARM OJSC

Notes to the Financial Statements – 31 December 2004

(In Kazakhstani Tenge (tabular amounts in thousands))

Note 2: Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Property, plant and equipment. Starting from 2002, property, plant and equipment are stated at current cost. Property, plant and equipment, except for construction in progress, have been re-valued to current market value as at 15 January 2002. The revaluation was performed on the basis of appraisal performed by the professional real estate appraisal company operating in the Republic of Kazakhstan on the basis of licence. The appraisal was based on the cost and market approaches.

The revaluation reserve included into the statement of changes in the shareholders' equity as *Property, Plant and Equipment Revaluation Surplus Net of Deferred Income Tax*, is transferred to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, and as the asset is used by the Company in the amounts determined based on applied depreciation method.

The frequency of revaluation depends upon the movements in the current cost of the property, plant and equipment. In 2004 and 2003 there was no revaluation of property, plant and equipment since the Company's management believes that current cost of property, plant and equipment as at the end of 2004 and 2003 does not significantly differ from their carrying value.

Property, plant and equipment are depreciated using straight-line method over assets' useful life as follows:

Property, plant and equipment	Estimated useful life (years)
Buildings and constructions	8 – 100
Machinery and equipment	4 – 60
Vehicles	7 – 11
Other	4 – 11

Depreciation is not calculated on land and breeding stock.

Capital repairs and improvements are capitalized if these extend the life of the asset or significantly increase its revenue generating capacity. Repairs and maintenance costs are charged to the statement of operations as incurred. Income or loss on disposal of property, plant and equipment is stated in the statement of operations.

Intangible assets. Starting from 2002 intangible assets are stated at current cost. Intangible assets have been re-valued to current market value as at 15 January 2002 by the professional real estate appraisal company operating in the Republic of Kazakhstan on the basis of licence.

Intangible assets are amortised using straight-line method over useful life estimated by management at 5 years.

Inventories. Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted-average method. Cost of finished goods and work-in-progress includes cost of raw materials and materials, direct labor costs and other direct costs, as well as the respective share of production overhead expenses (assessed based on the standard use of production facilities), but exclude loan expenses. Net potential realizable value is an estimated sale cost in the ordinary course of business net of production finalization expenses and selling expenses.

Accounts receivable. Accounts receivable balances are stated at the principal amounts outstanding less provision for doubtful debt. Provision for doubtful debts is based on the management's evaluation of the collection performance and the overdue history of accounts receivable. The aggregate provisions made during the period are charged to the statement of operations. Recoveries of amounts previously written off are treated as reduction of bad debt expense.

Cash and cash equivalents. For the purposes of presentation of the statement of cash flows, cash and cash equivalents include cash in hand, bank accounts and bank short-term deposits.

UST-KAMENOGORSK POULTRY FARM OJSC

Notes to the Financial Statements – 31 December 2004

(In Kazakhstani Tenge (tabular amounts in thousands))

Note 2: Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Revenue recognition. Revenue from sales of goods is recognised as ownership on goods is transferred to a buyer, and revenue from sales of services is recognised as the services are rendered.

Foreign currency transactions and translation. Cash as well as monetary assets and liabilities denominated in foreign currencies are translated into Kazakhstani Tenge using the market exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are recorded at the market exchange rates prevailing at the transaction date. Resulting gains and losses from foreign currency transactions are reported in the statement of operations on a net basis.

Pension obligations. The Company does not incur any expenses related to payment of pension allowances to its employees. According to the requirements of the legislation of the Republic of Kazakhstan, the Company withholds the pension amounts from the employees' salaries and transfers them to the state or private pension funds. Upon employees' retirement, all payments are administered by the above pension funds.

Borrowing costs. Interest and other borrowing costs are charged to the statement of operations as current expenses when incurred.

Deferred income tax. Deferred income tax is calculated using the liability method on all temporary differences, arising between revenue and expenses reported in different reporting periods for the financial accounting and taxation purposes. The tax effect of temporary differences is reflected in the statement of operations as incurred and/or reversed. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be sufficient to realize such assets.

Dividends. Dividends are recognised as a liability and deducted from the equity amount at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

UST-KAMENOGORSK POULTRY FARM OJSC

Notes to the Financial Statements – 31 December 2004

(In Kazakhstani Tenge (tabular amounts in thousands))

Note 3: Property, Plant and Equipment, Net

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Breeding stock	Total
Cost								
At 31 December 2002	366	1,015,891	500,768	158,934	17,854	170,179	68,634	1,932,626
Additions	354	46,369	101,344	7,184	2,149	24,327	82,738	264,465
Disposals	(159)	(12,494)	(18,129)	(7,738)	(1,155)	(1,538)	(68,270)	(109,483)
Transfers	-	3,760	-	-	-	(3,760)	-	-
At 31 December 2003	561	1,053,526	583,983	158,380	18,848	189,208	83,102	2,087,608
Additions	-	37,261	81,298	3,956	2,650	12,661	80,566	218,392
Disposals	(503)	(8,444)	(6,652)	(19,780)	(844)	(699)	(68,901)	(105,823)
At 31 December 2004	58	1,082,343	658,629	142,556	20,654	201,170	94,767	2,200,177
Accumulated depreciation								
At 31 December 2002	-	234,969	241,230	149,919	7,992	-	-	634,110
Charge for the year	-	18,257	37,503	2,455	1,741	-	-	59,956
Disposals	-	(3,361)	(16,079)	(7,462)	(894)	-	-	(27,796)
At 31 December 2003	-	249,865	262,654	144,912	8,839	-	-	666,270
Charge for the year	-	16,826	48,008	3,262	1,962	-	-	70,058
Disposals	-	(1,587)	(5,608)	(19,382)	(722)	-	-	(27,299)
At 31 December 2004	-	265,104	305,054	128,792	10,079	-	-	709,029
Net book value at:								
31 December 2003	561	803,661	321,329	13,468	10,009	189,208	83,102	1,421,338
31 December 2004	58	817,239	353,575	13,764	10,575	201,170	94,767	1,491,148

Included in construction in progress are incompleting social sphere assets in the amount of Tenge 107,090 thousand as of 31 December 2004 and 31 December 2003.

The certain portion of the Company's property, plant and equipment at net book value at 31 December 2004 and 31 December 2003 of Tenge 176,889 thousand and Tenge 511,232 thousand, respectively, was pledged as collateral for OJSC Kazkommertsbank Credit Line (Note 8).

At 31 December 2004 and 31 December 2003 cost of fully depreciated but still in use property, plant and equipment was Tenge 214,273 thousand and Tenge 216,818 thousand, respectively

UST-KAMENOGORSK POULTRY FARM OJSC

Notes to the Financial Statements – 31 December 2004

(In Kazakhstani Tenge (tabular amounts in thousands))

Note 4: Inventories

	31 December 2004	31 December 2003
Feed and supplements	140,582	97,245
Materials	41,777	46,233
Vaccine	11,904	9,606
Fuel	10,603	12,077
Spare parts	6,467	7,397
Packaging materials	6,359	8,691
Other	12,752	7,501
Total raw materials, materials, fuel and spare parts	230,444	188,750
Growing breeders (0-18 weeks)	19,832	19,849
Growing breeders (18-26 weeks)	33,637	26,624
Broilers	92,523	82,700
Total work in progress	145,992	129,173
Finished goods	99,638	88,628
Purchased goods	110	221
Total finished goods and goods	99,748	88,849
Total inventories	476,184	406,772

To ensure the timely repayment of the credit facility provided by OJSC Kazkommertsbank (Note 8), the Company pledged feed and supplements, work in progress and finished goods as collateral.

Note 5: Accounts Receivable, Net

	31 December 2004	31 December 2003
Prepayments for goods and services	35,390	23,382
Accounts receivables for meat products and feed	14,840	23,888
Receivable from employees	13,195	9,666
Tax overpayments	6,516	1,392
Receivable for claims	4,159	899
Receivable for utility services	3,001	3,759
Other receivables	12,273	32,501
Provision for doubtful debt	(24,276)	(15,463)
Total accounts receivable, net	65,098	80,024

UST-KAMENOGORSK POULTRY FARM OJSC

Notes to the Financial Statements – 31 December 2004

(In Kazakhstani Tenge (tabular amounts in thousands))

Note 6: Cash and Cash Equivalents

	31 December 2004	31 December 2003
Bank accounts	11,470	43,042
Cash in hand	1,058	696
Bank deposits	234	10,247
Total cash and cash equivalents	12,762	53,985

Note 7: Shareholders' Equity

Below is the issued, authorized and paid up share capital of the Company:

	31 December 2004		31 December 2003	
	Number of shares	Amount	Number of shares	Amount
Ordinary shares	16,620	237,948	16,620	237,948
Preferred shares	2,520	36,079	2,520	36,079
Less: own shares redeemed from shareholders	(2,186)	(31,297)	(272)	(3,894)
Total shares and share capital	16,954	242,730	18,868	270,133

All ordinary and preferred shares have a par value of Tenge 14,317 each.

In April 2004 the Company purchased the interest of Delta LLP of 1,914 shares for the total amount of Tenge 27,403 thousand.

In accordance with Contract No. 3 dated 6 November 2003, the Company redeemed 272 ordinary shares owned by East Kazakhstan Oblast State Property and Privatization Committee.

On 24 November 2004 Aitas-Sauda LLP purchased the Company's shares owned by EBRD and GIMV, and therefore became the ultimate owner of the Company.

Presented below are the Company's shareholders:

	31 December 2004		31 December 2003	
	Percent	Number of shares	Percent	Number of shares
Aitas-Sauda LLP	100%	2,520	-	-
EBRD	-	-	100%	2,520
Total preferred shares	100%	2,520	100%	2,520
Aitas-Sauda LLP	100%	14,434	-	-
EBRD	-	-	83.2%	13,603
Delta LLP	-	-	11.7%	1,914
GIMV	-	-	5.1%	831
Total ordinary shares	100%	14,434	100%	16,348
Total shares		16,954		18,868

UST-KAMENOGORSK POULTRY FARM OJSC

Notes to the Financial Statements – 31 December 2004

(In Kazakhstani Tenge (tabular amounts in thousands))

Note 7: Shareholders' Equity (Continued)

Holders of preferred shares are entitled to fixed annual dividend at 0.1 percent of par value of their shares, regardless of the Company's results of operations. Dividends on ordinary shares are distributed from the Company's net income and are subject to approval at the General Shareholders' Meeting under the Board of Directors' recommendations.

In 2004 based on 2004 operational results the Company declared and paid dividends in the amount of Tenge 33,999 thousand on ordinary shares and Tenge 7,191 thousand on preferred shares. In 2003, no dividends were declared on ordinary shares.

Note 8: Debt and Bond Liabilities

Short-term debt and current portion of long-term debt are as follows:

	31 December 2004	31 December 2003
Short-term loans of Kazkommertsbank	32,388	61,178
Current portion of long-term loan of Kazkommertsbank	99,770	120,750
Coupon payable	19,749	-
Total short-term loans and current portion of long-term debt	151,907	181,928

Long-term debt and bond liabilities are as follows:

	31 December 2004	31 December 2003
Kazkommertsbank	99,770	231,433
Less: current portion of long-term debt	(99,770)	(120,750)
Total long-term debt	-	110,683
Bonds issued	466,974	143,061
Total long-term loans and issued bonds	466,974	253,744

Kazkommertsbank. Pursuant to Loan Agreement No. 3/01 dated 1 November 2001, Kazkommertsbank opened a credit line to the Company in the amount of 3,500,000 USD. The Credit Line includes 500,000 USD revolving part and 3,000,000 USD non-revolving part. The term of the Credit Line is 48 months, from 1 November 2001 to 31 October 2005. Revolving part is available for 48 months (till 31 October 2005) and non-revolving part is available for 3 months (till 31 January 2002). The term of each loan within the revolving part should not exceed a period of 12 months.

In case of revealing the illegitimate use of the Credit Line proceeds, late payment of principal or interest or other events stipulated in the loan agreement, Kazkommertsbank has a right to demand immediate repayment of the outstanding principal and interest, claim the collateralized property and withdraw the due amounts by direct debiting the Company's bank accounts at Kazkommertsbank.

UST-KAMENOGORSK POULTRY FARM OJSC

Notes to the Financial Statements – 31 December 2004

(In Kazakhstani Tenge (tabular amounts in thousands))

Note 8: Debt and Bond Liabilities (Continued)

Besides, Kazkommertsbank may charge a penalty at the rate equal to the interest rate prescribed by the loan agreements on late payments of interest and principal for less than 7 days, and on late payments for more than 7 days – a penalty of 0.1 percent of overdue payment per day on a foreign currency loan and 0.5 percent on a local currency loan.

Presented below are the details of loans provided to the Company under the Kazkommertsbank Credit Line as at 31 December 2004:

Agreement date	Repayment commence date	Repayment end date	%	Repayment schedule	Purpose	Total amount (USD)
21 Nov. 2001	21 June 2002	31 Oct. 2005	13.5	Monthly	Refinancing of EBRD loan	767,462
9 Oct. 2004	9 March 2004	9 Feb. 2005	13.5	Monthly	Replenishment of working capital	21,138
17 Feb. 2004	17 March 2004	17 Feb. 2005	13.5	Monthly	Replenishment of working capital	19,769
18 Feb. 2004	18 March 2004	18 Feb. 2005	13.5	Monthly	Replenishment of working capital	21,054
20 Feb. 2004	20 March 2004	20 Feb. 2005	13.5	Monthly	Replenishment of working capital	11,908
12 March 2004	12 April 2004	12 March 2005	13.5	Monthly	Replenishment of working capital	34,269
15 March 2004	15 April 2004	15 March 2005	13.5	Monthly	Replenishment of working capital	41,815
13 April 2004	13 May 2004	13 April 2005	13.5	Monthly	Replenishment of working capital	31,485
27 April 2004	27 May 2004	27 April 2005	13.5	Monthly	Replenishment of working capital	67,700
Total						1,016,600

To secure the repayment of both principal and interest on Kazkommertsbank Credit Facility, the Company pledged certain property, plant and equipment (Note 3) and certain inventories (Note 4) as collateral.

EBRD. In accordance with the Loan Agreement dated 20 May 2004, EBRD provided the Company with a short-term loan in the amount of USD 210 thousand at the interest rate of 13 percent per annum in order to finance redemption of its own shares (Note 7). The Company repaid the loan in full on 20 August 2004.

Issued bonds. On 27 August 2002, the Company registered the first issue of coupon bonds with a par value of Tenge 10,000 for the total amount of Tenge 500,000 thousand for period of 5 years. In February 2003, the Company placed the first 15,500 bonds for the amount of Tenge 155,000 thousand with a discount of Tenge 12,652 thousand. From October to December 2004 the Company additionally placed 30,478 bonds for the amount of Tenge 304,780 thousand with a discount of Tenge 19,109 thousand. Coupon rate is 14 percent per annum. Coupon is payable on semi-annual basis, on 11 March and 11 September.

UST-KAMENOGORSK POULTRY FARM OJSC

Notes to the Financial Statements – 31 December 2004

(In Kazakhstani Tenge (tabular amounts in thousands))

Note 8: Debt and Bond Liabilities (Continued)

Aggregate maturities of bonds issued at 31 December 2004 are as follows:

Repayment year:	Amount
2006	-
2007	466,974
Total bond liabilities	466,974

Note 9: Trade Accounts Payable

	31 December 2004	31 December 2003
Payables for goods	97,884	55,679
Payables for services	33,236	14,148
Total trade accounts payable	131,120	69,827

Note 10: Other Payables

	31 December 2004	31 December 2003
Salaries payable	40,524	32,845
Advances received	4,362	5,861
Other	847	45,544
Total other payables	45,733	84,250

Note 11: Sales

	Year ended 31 December 2004	Year ended 31 December 2003
Broiler meat and by-products	1,841,322	1,638,809
Sausages and smoked products	71,620	64,009
Other	51,413	46,328
Returns of sold goods and discounts	(3,549)	(9)
Total sales	1,960,806	1,749,137

UST-KAMENOGORSK POULTRY FARM OJSC

Notes to the Financial Statements – 31 December 2004

(In Kazakhstani Tenge (tabular amounts in thousands))

Note 12: Cost of Sales

	Year ended 31 December 2004	Year ended 31 December 2003
Feed	915,915	654,738
Salaries and related social taxes	198,150	212,852
Materials	118,517	78,177
Fuel	89,645	73,545
Veterinary	75,167	70,105
Depreciation	53,034	47,617
Electricity	49,810	32,944
Day old chicks	27,090	27,793
Other	70,646	85,323
Total cost of sales	1,597,9744	1,283,094

Note 13: General and Administrative Expenses

	Year ended 31 December 2004	Year ended 31 December 2003
Salaries and related social taxes	74,131	81,551
Transportation	17,258	18,815
Materials	13,630	9,393
Taxes other than corporate income tax (Note 17)	12,342	13,145
Bad debt expense net of compensation received	8,813	(11,633)
Penalties and fines	7,792	-
Security	7,500	7,630
Communication	6,858	6,725
Idle time	6,767	5,587
Audit and consulting	6,439	10,706
Bank charges	6,095	5,023
Depreciation and amortisation	5,581	5,036
Special nutrition and medical care for employees	4,798	3,532
Environment preservation expense	4,720	2,044
Insurance	3,448	2,141
Business trip expense	2,496	2,950
Social sphere	1,792	1,640
Other	24,179	27,214
Total general and administrative expenses	214,639	191,499

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Notes to the Financial Statements – 31 December 2004

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Note 14: Selling Expense

	Year ended 31 December 2004	Year ended 31 December 2003
Warehouse costs	29,700	22,293
Transportation	13,177	18,037
Salaries and related social taxes	15,337	15,054
Electricity	6,239	6,360
Advertising and marketing	1,842	1,536
Depreciation	1,565	1,177
Repair	1,077	1,210
Other	3,965	3,842
Total selling expense	72,902	69,509

Note 15: Interest Expense

	Year ended 31 December 2004	Year ended 31 December 2003
Coupon expense	52,299	-
Interest expense – Kazkommertsbank	36,129	47,562
Interest expense – EBRD	806	-
Interest expense – Eximbank Kazakhstan	-	715
Total interest expense	89,234	48,277

Note 16: Non-Operating Income, Net

	Year ended 31 December 2004	Year ended 31 December 2003
Income from VAT benefit	49,399	56,256
Income from liabilities written off due to expiration of limitation period	42,821	-
Foreign exchange gain, net	25,324	15,541
Other income, net	9,439	11,332
Total non-operating income, net	126,983	83,129

Note 17: Taxes

Patent. In accordance with Article No. 385-2 of the Law of the Republic of Kazakhstan *On Taxes and Other Obligatory Payments to Budget*, the Company was granted the right to operate under a simplified tax regime applicable for agricultural corporate producers for the period from 1 January 2004 to 31 December 2004. Under the simplified tax regime, the Company pays for patent determined as 20 percent of corporate income tax value added tax (“VAT”), social tax, land tax, property tax and vehicles tax payable to the budget during the patent period.

Within 2004 and 2003 the Company gained certain income which is not subject to the simplified tax regime for legal entities which are agricultural producers.

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Notes to the Financial Statements – 31 December 2004

(In Kazakhstani Tenge (tabular amounts in thousands))

Note 17: Taxes (Continued)

In 2005, the Company was once again granted the right to operate under the simplified tax regime for the period from 1 January 2005 to 31 December 2005.

Deferred income tax. Income tax is accrued and paid in accordance with the effective tax legislation of the Republic of Kazakhstan. Deferred income tax reflects the effect of temporary differences between income and expenses recognized for financial statement purposes and the same amounts recognized for tax purposes. Temporary differences arise when portion of income and expenses recognized in one period for accounting purposes, is recognized in the other period for tax purposes.

Below is the table showing the nature of temporary differences resulted in the following deferred income tax liabilities/(assets):

	31 December 2004	31 December 2003
Intangible assets and property, plant and equipment	29,949	-
Vacation provision	(953)	-
Accounts receivable	(683)	-
Other	(322)	-
Total long-term deferred income tax liabilities	27,991	-

Reconciliation of income tax. Presented below is the reconciliation between actual income tax expense, recorded in these financial statements, and theoretical income tax determined by applying the effective statutory tax rate of 6 percent to income from ordinary activities before taxation :

	Year ended 31 December 2004	Year ended 31 December 2003
Income before income tax	113,040	239,887
Theoretical income tax benefit at the rates	(6,389)	(14,393)
Decrease /(increase) of income tax expense due to:		
Non-taxable income	1,579	-
Loan and bond interest expense	(711)	(1,912)
Penalties and fines	(470)	-
Sponsorship	(410)	(368)
Exchange rate difference	-	1,293
Other non-deductible expenses	(4,673)	(2,454)
Previous years' deferred income tax	(12,318)	-
Income tax expense	(23,392)	(17,834)

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Notes to the Financial Statements – 31 December 2004

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Note 17: Taxes (Continued)

Long-term tax liability. The deferred tax liability of Tenge 24,256 thousand as at 31 December 2004 and Tenge 33,746 thousand as at 31 December 2003 represents a social tax liability balance, payment of which has been postponed in accordance with the Law of the Republic of Kazakhstan No. 41-II dated 29 March 2000, "Concerning Incorporation of Additions into the Law of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget". Pursuant to the provisions of the above Law the Company obtained a delay of payment of taxes and penalty sanctions, which arose as at 1 January 2000, in the amount of Tenge 43,636 thousand for the term of 3 years with no fine accruals. The delay was provided to the Company as an agricultural producer engaged in processing domestic agricultural products.

In accordance with the Law No. 358-II of the Republic of Kazakhstan "On Incorporation of Amendments and Additions into Certain Legislative Acts of the Republic of Kazakhstan on Taxation Issues" the amount of deferred social tax liability is payable within 5 years by equal portions starting from 2003. In 2004 and 2003 the Company paid Tenge 9,490 thousand and Tenge 9,890 thousand, respectively.

Current taxes payable.

	31 December 2004	31 December 2003
Social tax and pension contributions	16,224	6,654
Individual income tax	6,055	6,944
Environment pollution payment	1,845	2,837
VAT	1,031	1,317
Other	1,367	1,713
Total current taxes payable	26,522	19,465

Taxes other than corporate income tax.

	Year ended 31 December 2004	Year ended 31 December 2003
Environmental tax	5,744	6,520
Property tax	3,023	3,043
Royalty on water resources use	1,952	2,428
Land tax	1,097	942
Vehicles tax	111	111
Other	415	101
Total taxes other than corporate income tax	12,342	13,145

Note 18: Commitments and Contingent Liabilities

Political and economic conditions in Kazakhstan. Whilst there have been improvements in recent years in the economic situation in the Republic of Kazakhstan, the economy of Kazakhstan continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country and a low level of liquidity in the public and private debt and equity markets.

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(In Kazakhstani Tenge (tabular amounts in thousands))

Note 18: Commitments and Contingent Liabilities (Continued)

Additionally, the agricultural sector in Kazakhstan is particularly impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of a range of measures undertaken by the government of the Republic of Kazakhstan, together with legal, regulatory and political developments, which are beyond the Company's control.

The financial condition and future operations of the Company may be adversely affected by continued economic difficulties that are characteristic of an emerging market. Management is unable to predict the extent and duration of the economic difficulties, nor quantify the impact, if any, on these financial statements.

Taxation. Kazakhstani tax legislation and practice is in a state of development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, tax authorities may challenge transactions and the Company may be assessed the additional taxes, penalties and interest. Tax periods remain open to retroactive review by the tax authorities for five years.

Note 19: Related Parties Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by KAS 10 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

For the purposes of these financial statements shareholders of the Company are considered as the related parties. Below are balances with the related parties.

Amounts due from the related parties:

	31 December 2004	31 December 2003
Short-term financial support to Aitas-Sauda LLP	145,500	-
Total amounts due from related parties	145,500	-

On 1 December 2004 the Company signed an agreement to provide a short-term interest-free financial support to Aitas-Sauda LLP in the amount of Tenge 170,500 thousand. Under the agreement Aitas-Sauda LLP should repay the support prior to 1 December 2005. On 28 December 2004 and 21 January 2005 Aitas-Sauda LLP repaid Tenge 25,000 thousand and Tenge 60,000 thousand, respectively.

Amount due to the related parties:

	31 December 2004	31 December 2003
Accounts payable to EBRD	-	76
Total amounts due to related parties	-	76

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Note 19: Related Parties Transactions (Continued)

Below are transactions with the related parties:

	Year ended 31 December 2004	Year ended 31 December 2003
Dividends on ordinary and preferred shares of EBRD	39,171	76
Dividends on ordinary shares of GIMV	2,019	-
Loan interest paid to EBRD	806	-
Key managerial staff labor payment	19,258	37,186
