



UST-KAMENOGORSK POULTRY FARM JSC

**International Financial Reporting Standards
Financial Statements and Independent Auditor's Report**

31 December 2009

(Translated from the Russian original)

Contents

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Statement of financial position	3
Statement of comprehensive income	4
Statement of changes in equity.....	5
Statement of cash flows.....	6

Notes to the Financial Statements

1	The Company and its Operations	7
2	Summary of Significant Accounting Policies	7
3	Critical Accounting Estimates, and Judgements in Applying Accounting Policies	14
4	Adoption of New or Revised Standards and Interpretations	16
5	New Accounting Pronouncements.....	17
6	Balances and Transactions with Related Parties.....	19
7	Property, Plant and Equipment.....	21
8	Other Non-Current Assets	22
9	Biological Assets.....	22
10	Inventories.....	23
11	Accounts Receivable	24
12	Cash and Cash Equivalents	25
13	Share Capital.....	25
14	Loans and Borrowings	27
15	Accounts Payable	29
16	Revenue	29
17	Cost of Sales	30
18	Other Operating Income and Expense	30
19	Distribution Costs.....	31
20	General and Administrative Expenses.....	31
21	Finance Income	31
22	Finance Costs.....	32
23	Taxes.....	32
24	Contingencies, Commitments and Operating Risks.....	34
25	Financial Risk Management	36
26	Fair Value of Financial Instruments	39
27	Events After the End of the Reporting Period	40

PricewaterhouseCoopers LLP
29/6 Satpaev Avenue
Hyatt Regency Hotel
Office Tower, 4th Floor
Almaty 050040 Kazakhstan
Telephone: +7 (727) 298-0448
Facsimile: +7 (727) 298-0252
www.pwc.com

INDEPENDENT AUDITOR'S REPORT

To the shareholder and management of Ust-Kamenogorsk Poultry Farm JSC

We have audited the accompanying financial statements of Ust-Kamenogorsk Poultry Farm JSC (the "Company") which comprise the statement of financial position as of 31 December 2009 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

As discussed in note 7 to the financial statements, in the 2008 year revaluation loss due to devaluation of certain items of the class "Construction in progress" was recorded in equity as a reduction of revaluation surplus related to other assets. This accounting treatment is not in accordance with IAS 16 "Property Plant and Equipment" that requires this loss to be recorded within profit or loss as no revaluation reserve related to those items had been created in prior years. Accordingly, the revaluation reserve as at 31 December 2009 should be increased by Tenge 315,362 thousand and retained earnings as at 31 December 2009 should be decreased by Tenge 315,362 thousand, respectively.

Independent Auditor's Report

Page 2

Qualified opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects the financial position of the Company as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Almaty, Kazakhstan
2 June 2010

Approved by:

Signed by:

Zhanbota T. Bekenov
General Director of PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the
Kazakhstan №0000005 dated 21 October 1999)

Maigul S. Rakhimbekova
Auditor in charge
(Qualified Auditor's Certificate Republic of
№0000056 dated 28 February 1994)

	2009	2008
TOTAL ASSETS	1,442,796	1,442,796
Approved by:		
Signed by:		
Zhanbota T. Bekenov		
Maigul S. Rakhimbekova		
General Director of PricewaterhouseCoopers LLP		
Auditor in charge		
(General State License of the Ministry of Finance of the		
(Qualified Auditor's Certificate Republic of		
Kazakhstan №0000005 dated 21 October 1999)		
№0000056 dated 28 February 1994)		
Current liabilities	1,442,796	1,442,796
Loans and borrowings	1,442,796	1,442,796
Accounts payable	1,442,796	1,442,796
Other loans payable	1,442,796	1,442,796
Total current liabilities	1,442,796	1,442,796
TOTAL LIABILITIES	1,442,796	1,442,796
TOTAL LIABILITIES AND EQUITY	1,442,796	1,442,796

Approved for issue and signed on behalf of the Management on 2 June 2010

Zhanbota T. Bekenov Maigul S. Rakhimbekova
General Director Auditor in charge

Ust-Kamenogorsk Poultry Farm JSC
Statement of Financial Position

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	7	3,446,110	3,368,779
Biological assets	9	154,077	203,283
Loans to related party	6	66,583	56,611
Other non-current assets	8	29,665	63,287
Total non-current assets		3,696,435	3,691,960
Current assets			
Biological assets	9	67,202	90,420
Inventories	10	331,307	391,271
Accounts receivable	11	173,361	353,745
Cash and cash equivalents	12	119,220	75,523
Available for sale assets		46,014	-
Total current assets		737,104	910,959
TOTAL ASSETS		4,433,539	4,602,919
EQUITY			
Share capital	13	245,819	245,819
Revaluation reserve		668,053	759,803
Retained earnings		1,731,373	1,404,551
TOTAL EQUITY		2,645,245	2,410,173
LIABILITIES			
Non-current liabilities			
Loans and borrowings	14	551,387	679,007
Deferred income tax liability	23	89,721	64,443
Total non-current liabilities		641,108	743,450
Current liabilities			
Loans and borrowings	14	899,790	915,297
Accounts payable	15	229,481	500,136
Other taxes payable	23	17,915	33,863
Total current liabilities		1,147,186	1,449,296
TOTAL LIABILITIES		1,788,294	2,192,746
TOTAL LIABILITIES AND EQUITY		4,433,539	4,602,919

Approved for issue and signed on behalf of the Management on 4 June 2010.

T. Kozhakhmetov
General Director

A. Omarova
Finance Director

V. Konevskaya
Chief Accountant

Ust-Kamenogorsk Poultry Farm JSC
Statement of Comprehensive Income

<i>In thousands of Kazakhstani Tenge</i>	Note	2009	2008
Revenue	16	3,015,407	2,622,328
Cost of sales	17	(2,359,332)	(2,345,302)
Gross profit		656,075	277,026
Change in fair value of biological assets	9	(127,450)	(201,441)
Distribution costs	19	(72,309)	(83,231)
General and administrative expenses	20	(296,883)	(278,809)
Other operating income and expense	18	317,149	398,242
Operating profit		476,582	111,787
Finance income	21	9,972	150,625
Finance costs	22	(216,014)	(159,498)
Profit before income tax		270,540	102,914
Income tax (expense)/benefit	23	(30,709)	11,848
Profit for the year		239,831	114,762
Other comprehensive income			
Property, plant and equipment: revaluation		-	617,540
Income tax recognized directly in equity		(4,734)	(51,968)
Total other comprehensive income		(4,734)	565,572
Total comprehensive income for the year		235,097	680,334

Approved for issue and signed on behalf of the Management on 4 June 2010.

T. Kozhakhmetov
General Director

A. Omarova
Finance Director

V. Konevskaya
Chief Accountant

Ust-Kamenogorsk Poultry Farm JSC
Statement of Changes in Equity

	Note	Share capital	Revaluation reserve	Retained earnings	Total equity
<i>In thousands of Kazakhstani Tenge</i>					
Balance at 1 January 2008		245,819	269,645	2,331,618	2,847,082
Property, plant and equipment: revaluation		-	617,540	-	617,540
Realised revaluation reserve		-	(75,414)	75,414	-
Income tax recognised directly in equity		-	(51,968)	-	(51,968)
Net income recognised directly in equity		-	490,158	75,414	565,572
Profit for the year		-	-	114,762	114,762
Total profit for 2008		-	490,158	190,176	680,334
Distribution to shareholders	6	-	-	(33,932)	(33,932)
Dividends declared	13	-	-	(1,083,311)	(1,083,311)
Balance at 31 December 2008		245,819	759,803	1,404,551	2,410,173
Realised revaluation reserve		-	(87,016)	87,016	-
Income tax recorded directly in equity		-	(4,734)	-	(4,734)
Net income recognised directly in equity		-	(91,750)	87,016	(4,734)
Profit for the year		-	-	239,831	239,831
Total profit for 2009		-	(91,750)	326,847	235,097
Dividends declared	13	-	-	(25)	(25)
Balance at 31 December 2009		245,819	668,053	1,731,373	2,645,245

Approved for issue and signed on behalf of the Management on 4 June 2010.

T. Kozhakhmetov
General Director

A. Omarova
Finance Director

V. Konevskaya
Chief Accountant

Ust-Kamenogorsk Poultry Farm JSC
Statement of Cash Flows

<i>In thousands of Kazakhstani Tenge</i>	Note	2009	2008
Cash flows from operating activities			
Profit before income tax		270,540	102,914
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		137,133	148,136
Change in fair value of biological assets	9	127,450	201,441
Losses less gains on disposal of property, plant and equipment	18	(1,859)	12,850
Allocations to/(recovery of) provision for impairment of trade receivables	11	2,970	(50,525)
Finance income	21	(9,972)	(150,625)
Finance costs	22	216,014	159,498
Unrealised foreign exchange loss/(income)		256,766	(12,717)
(Recovery of)/provision and write down of obsolete inventories	20	(13,311)	18,045
Income from barter transactions	18	(4,671)	-
Operating cash flows before working capital changes		981,060	429,017
Decrease in accounts receivable		160,155	834,516
Decrease/(increase) in inventories		99,776	(133,671)
(Decrease)/increase in accounts payable		(284,080)	214,438
Decrease in taxes payable		(26,113)	(28,592)
Cash generated from operations		930,798	1,315,708
Income taxes paid		-	(12,613)
Interest paid		(255,303)	(174,915)
Net cash from operating activities		675,495	1,128,180
Cash flows from investing activities			
Purchase of property, plant and equipment		(185,163)	(1,003,229)
Purchase of chickens		(55,026)	(116,624)
Loans to related party		-	(85,950)
Repayment of loan granted to the Single Shareholder		-	370,040
Other non-current assets		-	(12,792)
Net cash used in investing activities		(240,189)	(848,555)
Cash flows from financing activities			
Proceeds from loans and borrowings		1,229,314	1,618,755
Repayment of loans and borrowings		(1,620,898)	(771,574)
Dividends declared and paid	13	(25)	(1,083,311)
Net cash used in financing activities		(391,609)	(236,130)
Net increase in cash and cash equivalents		43,697	43,495
Cash and cash equivalents at the beginning of the year	12	75,523	32,028
Cash and cash equivalents at the end of the year		119,220	75,523

Approved for issue and signed on behalf of the Management on 4 June 2010.

T. Kozhakhmetov
General Director

A. Omarova
Finance Director

V. Konevskaya
Chief Accountant

1 The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the year ended 31 December 2009 for Ust-Kamenogorsk Poultry Farm JSC (the “Company” or “Poultry Farm”).

Corporate background

The Company was 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 Committee on Management of State Property and the employees of the Company, the properties of the Company were transferred to the Company’s employees, and, accordingly, on 24 March 1993, the Company was reregistered as a collective enterprise. On 8 August 1996 the National Bank of the Republic of Kazakhstan registered the first issue of the Company’s shares in the value of 10,000 ordinary shares, which have been transferred to the possession of the Company’s employees, who are members of staff of the collective enterprise. In the same year at the General Shareholders Meeting held after registration of the emission, the members of the collective enterprise took a decision to sell the shares to Delta LLP.

On 16 January 1998, pursuant to a decision of the employee representatives conference held in February 1996, the Company was reregistered as a closed joint stock company. Subsequently, the Company was reregistered as a joint stock company.

In accordance with the Memorandum of Intent dated 21 February 1997, Delta LLP, holding a controlling ownership interest in the Company, GIMV (Belgium), and the European Bank for Reconstruction and Development (the “EBRD”) (collectively, the “Parties”), agreed to restructure the Company, which substantially stopped its production in mid-1995 due to various financial difficulties. In accordance with the terms of the Agreements, EBRD and GIMV made contributions to the Company in the form of equity financing, lending resources and technical and other consulting services.

In April 2004, the Company purchased the interest in its equity share capital owned by Delta LLP. On 24 November 2004, the Company’s shares owned by EBRD and GIMV were acquired by Aitas-Sauda LLP which became the sole controlling party of the Company. On 17 November 2007, the Company sold its treasury shares to Aitas Sauda LLP. In 2007 Aitas Sauda LLP was reregistered to Soyuz Inter Product LLP (the “Single Shareholder”).

On 4 February 2009 under resolution № 20 of the Company’s Single Shareholder the shares of the joint stock company owned by Soyuz Inter Product LLP were sold as follows: to Mr. S.K. Tolukpayev - 75%, Mr. B.A. Mozhayev – 25% (the “Shareholders”).

Principal activity

The Company is a vertically integrated broiler factory engaged in raising broiler breeders, producing broilers, processing and selling of broiler meat and by-products to wholesalers.

Registered address and place of business

The Company’s registered address is Molodezhnyi settlement, Ulanskiy district, the East Kazakhstan Region, 071600, the Republic of Kazakhstan.

2 Summary of Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the revaluation of property, plant and equipment, the initial recognition of biological assets and financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated (refer to Note 4).

Foreign currency translation

(i) Presentation and functional currency

All amounts in these financial statements are presented in thousands of Kazakhstani Tenge (“Tenge”), unless otherwise stated. The functional currency of the Company is Tenge.

2 Summary of Significant Accounting Policies (Continued)

(ii) Transactions and balances

Monetary assets and liabilities are translated into Tenge at the official exchange rate of the National Bank of Kazakhstan (the "NBK") established at the respective reporting date. Foreign currency transactions are accounted for at the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the statement of comprehensive income.

At 31 December 2009 the principal rates of exchange used for translating foreign currency balances were US dollar (US\$) 1 = Tenge 148.36 and EURO 1 = Tenge 212.84 (2008: US\$ 1 = Tenge 120.77, EURO 1 = Tenge 170.89). Exchange restrictions and currency controls exist relating to converting Tenge into other currencies. At present, Tenge is not a freely convertible currency in most countries outside of the Republic of Kazakhstan.

Financial instruments

(i) Key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Company may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related balance sheet items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(ii) Classification of financial assets

The Company's financial assets include loans and receivables. Management determines classification of financial assets at the initial recognition.

2 Summary of Significant Accounting Policies (Continued)

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments. Loans and receivables of the Company in the statement of financial position are comprised of loans to related parties, trade receivables (Note 11), and cash and cash equivalents (Note 12).

(iii) Classification of financial liabilities

The Company's financial liabilities represent financial liabilities carried at amortized cost. Financial liabilities in the statement of financial position include borrowings (Note 14), and trade payables (Note 15).

(iv) Initial recognition of financial instruments

Financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. A gain or loss on initial recognition of loans received from owners and/or ultimate owners of the Company is recorded in the statement of changes in shareholders' equity. Subsequently, the carrying amount of the loans is adjusted for amortisation of the gains/losses on origination and the amortisation is recorded as interest income/interest expense using the effective yield method on asset/liability.

(v) Derecognition of financial assets

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose the additional restrictions on the sale.

Property, plant and equipment

(i) Recognition and subsequent measurement

Property, plant and equipment are stated at revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Property, plant and equipment are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised on the retirement or disposal of the asset or as the asset is used by the Company; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

If there is no market based evidence of fair value, fair value is estimated using an income approach. Management has updated the carrying value of property, plant and equipment measured in accordance with the revaluation model as at the reporting date using depreciated replacement cost.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major components of property, plant and equipment items are capitalised and the replaced component is retired.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the statement of comprehensive income.

(ii) Depreciation

Land is not depreciated. Construction in progress is not depreciated until the asset is available for use. The revalued amounts of each item of property, plant and equipment is depreciated over its useful life to residual value. Depreciation on other items of property, plant and equipment is calculated using the straight-line method.

2 Summary of Significant Accounting Policies (Continued)

The expected useful lives are as follows:

	<u>Useful lives in years</u>
Buildings and constructions	3-50
Machinery and equipment	1-45
Vehicles	2-10
Other	1-8

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(iii) Impairment

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the statement of comprehensive income to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Finance lease liabilities

Where the Company is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Company, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Company is not reasonably certain that it will obtain ownership by the end of the lease term.

Inventories

Materials, purchased feed and supplies inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and production in process comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Biological assets

Biological assets in the form of growing breeders, breeding stock and broilers are measured at their fair value less estimated point-of-sale costs. The valuation of the Company's poultry assets is based on discounted cash flow models whereby the fair value of the biological assets is calculated as the present value of expected net cash flows from the asset discounted at current market pre-tax rate. Gain or loss from change in fair value of the biological assets is reported in the statement of comprehensive income within *change in fair value of biological assets*.

Bearer (parent stock) biological assets and consumable (broilers) biological assets are classified as non-current assets and current assets in statement of financial position, respectively.

Accounts receivable

Accounts receivable, except for prepaid taxes and advances to suppliers, are carried at amortised cost using the effective interest method. Prepaid taxes and advances to suppliers are stated at actual amounts paid.

2 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets carried at amortised cost

A provision for impairment of 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 provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of comprehensive income.

The primary factors that the Company considers whether a receivable is impaired is its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains;
- the counterparty considers bankruptcy or financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Cash and cash equivalents are carried at amortised cost using the effective interest method. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included within other non-current assets.

Share capital

Ordinary shares and non-redeemable preference shares with fixed dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting date and before the financial statements are authorised for issue are disclosed in the events after the end of the reporting period.

Value added tax

Value-added tax ("VAT") related to sales is payable to the tax authorities when goods are shipped or services are rendered. Purchase VAT can be offset against sales VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the statement of financial position date is recognised in the statement of financial position on a net basis.

2 Summary of Significant Accounting Policies (Continued)

Loans and borrowings

Loans and borrowings are carried at amortised cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of asset, that is not accounted at fair value, and for which considerable period of time is required for its preparation for target use or sale (qualifying asset), are included in the costs of such asset, if capitalization begins on or after 1 January 2009. Capitalization of borrowing costs continues up to the date when the assets are essentially ready for use or sale. The Company capitalizes the borrowing costs, which could have been avoided if the Company had not made a capital expenditures on qualifying assets. Capitalized borrowing costs are calculated according to the average cost of group financing (weighted average interest cost is applied to the cost of qualifying asset), except the cases when such funds are borrowed specifically for the purpose of obtaining a qualifying asset. When this happens, the actual costs incurred are capitalized borrowing less any investment income on temporary investments in such loans.

Accounts payable

Accounts payable are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. Provisions for liabilities and charges are recognised 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 will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Revenue recognition

Revenues are recorded at the fair value of the consideration received or receivable net of any discounts and value added tax. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Company agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Offsets and barter transactions

A portion of sales and purchase transactions are settled by barter. These transactions are generally in the form of direct settlements by dissimilar goods and services from the final customer (barter).

Sales and purchases that are expected to be settled by offsets, barter or other non-cash settlements are recognised based on the management's estimate of the fair value of assets to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the statement of cash flows. Investing activities, financing activities and the total of operating activities represent actual cash flows.

Finance income and finance costs

Finance income and costs comprise gain on origination of loans and borrowings at rates below market, finance costs on loans and borrowings, finance costs from amortisation of discount on financial liabilities.

Interest income/interest expense is recognised using the effective yield on the asset/liability.

2 Summary of Significant Accounting Policies (Continued)

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of comprehensive income on a straight line basis over the expected lives of the related assets.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Employee benefits

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered to the employees of the Company. On behalf of its employees, the Company pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan. These payments are expensed as incurred. Upon retirement of employees, the financial obligations of the Company cease and all subsequent payments to retired employees are administered by the state and private pension funds directly.

Income taxes

Income taxes have been provided for in the financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the statement of comprehensive income except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the state budget in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profits will be available against which the deductions can be utilised.

Company's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going concern

These financial statements were prepared in accordance with IFRS on a going concern basis, which assumes the realisation of assets and discharge of liabilities in the normal course of business within the foreseeable future. In making this judgement management considered the Company's financial position, current intentions, profitability of operations and available financial resources, and analysed the impact of financial crisis on future operations of the Company. Refer to Note 24 for analysis of financial result for 2009.

Impairment of property, plant and equipment

In accordance with IAS 36 *Impairment of Assets*, the Company reviews the carrying amounts of its long-term tangible assets (mainly property, plant and equipment) to determine whether there is any indication that these assets are impaired.

The global economic downturn was considered by management as impairment indicator for property, plant and equipment. Accordingly, as of 31 December 2009 the carrying values and estimated recoverable amounts of the Company's property, plant and equipment were reviewed.

The Company's strategic planning model was used to calculate the discounted future cash flows (using the "value-in-use" method as defined under IAS 36), and thus assessed the recoverability of the carrying value of property, plant and equipment. The model was prepared on poultry yards useful life basis as this period reflects the long-term nature of the Company's assets.

The expected future cash flows of the Poultry farm, a cash generating unit, reflect the long-term broiler production plans which are based on detailed research and market trends analysis. The plan takes into account all relevant characteristics of the poultry farming such as egg production, percentage of incubation, retention of chickens, meat output, prices for major components of chicken feed. The production capacity of the Poultry farm is therefore the basis for forecasting production output in each future year and the related production costs.

Cost levels incorporated in the cash flow forecasts are based on the current long-term production plans for the cash generating unit. For impairment reviews, the recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IAS 36. IAS 36 includes a number of restrictions on future cash flows that can be recognized in respect of future restructurings and improvement related capital expenditure.

The pre-tax discount rate applied is based upon the Company's weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecast cash flows.

The key assumptions which formed the basis of forecasting future cash flows in the models are:

- the Poultry Farm is considered as one cash generating unit;
- prices for major components of chicken feed (wheat, soya, premixes), based on internal forecasts of the management of the Company's Sales and Marketing Department. These internal forecasts are consistent with the forecasts of industry market researchers;
- production data (egg production, percentage of incubation, retention of chickens, meat output) based on internal forecasts of the management of the Company's Production Department. These internal forecasts are consistent with the analysis of the actual last 3 year production data;

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

- that the long-term Kazakhstani inflation rate will average 6 percent per annum, in line with the external forecasts;
- that the long-term US inflation rate will average 2.5 percent per annum, in line with the external forecasts.

When determining the discount rate applicable to the future cash flows, the Company consulted with the external advisors. The rate applied to pre-tax cash flows was the equivalent of post-tax rate of 14.15% which is the advisor's opinion on the weighted average cost of capital for the Company.

The recoverability of the value of current assets is addressed through the Company's usual procedures, for example the assessment of counterparty default risk, both customer and financial counterparties, and is not part of this impairment review.

The impairment review concluded that no impairment provisions are required for property, plant and equipment.

Management determined that the recoverable amount calculations are most sensitive to changes in such assumptions as chicken meat prices, prices of chicken feed and production data. Management believes that any reasonably possible change in the key assumptions on which the Company's recoverable amount is based (such as change in discount rate by 3% or change in prices by 10%) would not cause the Company's carrying amount to exceed its recoverable amount.

The application of IAS 36 requires the extensive judgment on the part of management regarding the assumptions and estimates related to future cash flows and the discount rate. Given the nature of the current global economic environment such assumptions and estimates ultimately have a high degree of uncertainty associated with them. Consequently, other assumptions of equal validity could give rise to materially different results.

Fair value of biological assets

The valuation of the biological assets is based on discounted cash flow models. The fair value of the biological assets could be impacted to the extent that actual cash flows in the future are different from current forecast which would generally arise as a result of significant changes in any of the factors or assumptions used in calculations.

These factors could include:

- differences between actual prices and price assumptions used in the estimation of net realisable value of broiler meat and eggs;
- changes in egg production capacity of breeding stock;
- unforeseen operational issues inherent to the industry specifics;
- changes in production, processing and distribution costs, discount rates and foreign exchange rates possibly adversely affecting the fair value of biological assets.

Major assumptions of biological assets discounted cash flow models include:

- design of expenditures carried by the Company at every stage of broiler raising, will remain constant for future periods;
- no significant changes will take place in egg production capacity of breeding stock;
- discount rate of 15.74% used as a pre-tax weighted average cost of capital (WACC) using industry financial performance data of the listed companies;
- price of incubation egg sufficiently correlates with table egg price of Tenge 45.13 produced by the Company.

Management determined that the recoverable amount calculations are most sensitive to changes in such assumptions as egg production capacity, budgeting the expenditures and prices of broiler meat and eggs. Management believes that any reasonably possible change in the key assumptions would not cause any significant change in fair value of biological assets.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Initial recognition of related party transactions

In the normal course of business the Company enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 6.

Useful lives of property, plant and equipment

The Company assesses the remaining useful lives of property, plant and equipment at least at the end of each financial year where changes occur in previous accounting estimates, and such changes are recorded as changes in accounting estimates in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Tax legislation

Kazakhstani tax, foreign currency and customs legislation is subject to varying interpretations (see Note 24).

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The Company uses its judgments to select a variety of methods and make assumptions that are mainly based on market conditions existing at reporting date (Note 26).

4 Adoption of New or Revised Standards and Interpretations

IAS 23, *Borrowing Costs* (revised in March 2007; effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Before introduction of amendment into this standard, the Company's accounting policy was to capitalise the borrowing costs for such assets, and therefore, this amendment will not have any effect on these financial statements.

IAS 1, *Presentation of Financial Statements*; effective for annual periods beginning on or after 1 January 2009. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. Following the requirements of revised IAS 1, the Company decided to present only the statement of comprehensive income. The revised IAS 1 had an impact on the presentation of the Company's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

5 New Accounting Pronouncements

(i) *Standards, amendments and interpretations effective from 1 January 2009:*

- IFRS 1 (Amendment) First time adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The revised standard does not have any effect on the Company's financial statements.
- Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009; effective for the annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The amendments did not have any effect on these financial statements.
- Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009. The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment did not have an impact on these financial statements.
- Improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the IASB (International Accounting Standards Board) decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41.
- IAS 20 (Amendment) *Accounting for Government Grants and Disclosure of Government Assistance* (effective from 1 January 2009). This amendment did not have any effect on the Company's financial statements.

Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The amendments did not have any effect on the Company's financial statements.

(ii) *Standards, amendments and interpretations effective in 2009, but not relevant to the Company's operations.*

The below standards, amendments and interpretations to issued standards are obligatory for the accounting periods beginning on or after 1 January 2009 but not relevant to the Company's operations:

- IFRS 2 (Amendment), Share-based Payment - Vesting Conditions and Cancellations (effective from 1 January 2009).
- IFRS 8, Operating Segments (effective from 1 January 2009).
- IFRIC 13, Customer Loyalty Programs (effective from 1 July 2009).

5 New Accounting Pronouncements (Continued)

- IFRIC 15, Agreements for the Construction of Real Estate (effective from 1 January 2009).
 - IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective from 1 October 2009).
 - Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment (effective from 1 January 2009).
- (iii) *Standards, amendments and interoperations to the existing standards not effective or early adopted by the Company:*
- Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for the annual periods beginning on or after 1 January 2010).
 - Classification of Rights Issues - Amendment to IAS 32 (issued 8 October 2009; effective for the annual periods beginning on or after 1 February 2010).
 - IFRIC 19, Financial Liabilities Settlement with Equity Instruments (effective for the annual periods beginning on or after 1 July 2010).
 - Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for the annual periods beginning on or after 1 January 2010).
 - Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for the annual periods beginning on or after 1 January 2011).
 - IFRS 9, Financial Instruments (issued in November 2009; effective for the annual periods beginning on or after 1 January 2013, early adoption is permitted).

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged.

5 New Accounting Pronouncements (Continued)

(iv) *Standards, amendments and interpretations to the existing standards which are issued and obligatory for the reporting periods of the Company beginning on or after 1 January 2010 or for the later periods but not relevant to the Company's operations:*

- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010).
- IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011).
- IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for the annual periods beginning on or after 1 July 2009).
- IFRIC 18, Transfers of Assets from Customers (effective for the annual periods beginning on or after 1 July 2009).

Unless otherwise described above, the new standards, amendments and interpretations are not expected to significantly affect the Company's financial statements.

6 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party, or can exercise significant influence and joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's ultimate controlling party is disclosed in Note 1. Entities under common control include entities under control of the sole controlling owner.

At 31 December 2009, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	Entities under common control	Shareholders
Accounts receivable		38,227	-
Loan to related party		66,583	-
Accounts payable		4,628	-

At 31 December 2008, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	Entities under common control	Single Shareholder
Accounts receivable		4,553	25,060
Loans from related party	14	76,050	-
Loan to the Single Shareholder		-	56,611
Accounts payable		-	1,168

Under the amendment No 3 to Agreement No 181 dated 10 March 2005, on 1 July 2008 the Company reclassified trade receivables balance as of 31 December 2008 from the Single Shareholder for chicken meat to long-term interest-free loan. Nominal value of interest-free loan was Tenge 85,840 thousand, and the loan is payable from 1 January to 31 December 2011 by instalments on the monthly basis. Accordingly the Company recognized origination loss directly in equity in the amount of Tenge 33,932 thousand at the date of initial recognition of loan to the Single Shareholder and subsequent financial income in the amount of Tenge 4,703 thousand in the statement of comprehensive income. As at 31 December 2008, the loan was stated at fair value at discount rate of 18%, and subsequently was stated at amortized cost.

6 Balances and Transactions with Related Parties (continued)

The income and expense items with related parties for 2009 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Entities under common control	Shareholders	Key management personnel
Amortisation of present value discount	9,972	-	-
Finance costs	483	-	-
Compensation to key management personnel	-	6,254	26,885
Dividends declared	-	25	-

Compensations to key management personnel represent short-term payments (salary and bonuses upon year results) and are included within general and administrative expenses.

The income and expense items with related parties for 2008 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Entities under common control	Single Shareholder	Key management personnel
Revenue from sales of goods	-	591,344	-
Other operating income	4,066	856	-
Amortization of present value discount	-	27,674	-
Finance costs	14,290	-	-
Key management compensation	-	-	12,145
Gain on early redemption of loan to the Single Shareholder (Note 21)	-	122,951	-
Dividends declared	-	1,083,311	-
Loss on initial recognition of loans to Single shareholder provided at rates below market (Note 22)	-	(33,932)	-
Consulting services from related parties	26,365	-	-

7 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Freehold land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost at 1 January 2008	2,552	1,179,760	736,399	157,094	24,853	656,853	2,757,511
Accumulated depreciation	-	(319,432)	(457,149)	(122,061)	(16,017)	-	(914,659)
Book value at 1 January 2008	2,552	860,328	279,250	35,033	8,836	656,853	1,842,852
Additions	-	2,120	416	27,452	11,582	1,034,669	1,076,239
Disposals	-	(2,295)	(10,278)	(6,745)	(1,471)	-	(20,789)
Transfers	-	114,543	56,177	496	7,982	(179,198)	-
Revaluation	(388)	786,287	114,700	34,083	348	(317,490)	617,540
Depreciation	-	(69,186)	(59,565)	(15,269)	(3,043)	-	(147,063)
Book value at 31 December 2008	2,164	1,691,797	380,700	75,050	24,234	1,194,834	3,368,779
Cost at 31 December 2008	2,164	1,760,983	440,265	90,319	27,277	1,194,834	3,515,842
Accumulated depreciation	-	(69,186)	(59,565)	(15,269)	(3,043)	-	(147,063)
Book value at 31 December 2008	2,164	1,691,797	380,700	75,050	24,234	1,194,834	3,368,779
Additions	-	46,014	8,617	5,171	6,957	320,764	387,523
Disposals	-	(66,167)	(6,002)	(5,703)	(1,122)	(66,758)	(145,752)
Transfers	-	705,615	574,938	5,886	10,789	(1,297,228)	-
Depreciation	-	(72,381)	(72,584)	(15,579)	(3,896)	-	(164,440)
Book value at 31 December 2009	2,164	2,304,878	885,669	64,825	36,962	151,612	3,446,110
Cost at 31 December 2009	2,164	2,446,445	1,017,818	95,673	43,901	151,612	3,757,613
Accumulated depreciation	-	(141,567)	(132,149)	(30,848)	(6,939)	-	(311,503)
Book value at 31 December	2,164	2,304,878	885,669	64,825	36,962	151,612	3,446,110

In November 2009 the Company put into operation the poultry processing plant with the production capacity of 4,000 chickens per hour. The equipment installed at that plant includes: poultry cutting equipment of Tenge 40,500 thousand, refrigeration unit of Tenge 223,800 thousand, pre-cooling line of Tenge 18,800 thousand, complete set of processing line of Tenge 94,000 thousand. The useful life of this plant is 50 years, and of equipment - 13 years.

At 31 December 2009 construction in progress mainly represents the central sanitary inspection point building of Tenge 31,214 thousand, poultry houses for rearing stock and parent stock, up to 25,000 tons per year expansion project costs, design and survey works, technical support for the total amount of Tenge 76,855 thousand. Capitalized interest expense was Tenge 13,588 thousand, capitalization rate from 16% to 19.5 % per annum.

Property, plant and equipment were revalued at market value as of 1 January 2008. As a result of revaluation, carrying amounts of certain items of the class "Construction in progress" such as slaughter workshop building, conversion line and "Freehold land" decreased for the total amount of Tenge 317,878 thousand and the revaluation loss for the same amount was recorded against revaluation reserve in equity. Management's decision was based on an assumption that the Company is one cash generating unit with respect to which the revaluation reserve was created in prior years. In November 2009 slaughter workshop building and conversion line were transferred into other classes of property, plant and equipment, and are amortised. Accordingly, revaluation reserve within equity is decreased by Tenge 3,233 thousand at 31 December 2009.

During 2008 Company purchased vehicles for amount of Tenge 29,063 thousand under finance lease contract with BTA Orix (Note 14). Interest rate under the contract is 19% per annum with maturity dates in July and September 2011.

7 Property, Plant and Equipment (continued)

At the end of 2009 certain property, plant and equipment carried at Tenge 1,965,507 thousand have been pledged as collateral for borrowings received from Halyk Bank and KazAgroFinance (2008: 1,289,899 thousand) (Note 14).

The Company capitalised the borrowing costs arising on financing directly attributable to the construction of the slaughter shop in the amount Tenge 49,069 thousand. Capitalization rate under the credit facility KC-137 with Halyk Bank was 16% to 19.5% (2008: 16% to 19.5% per annum).

Depreciation charge

<i>In thousands of Kazakhstani Tenge</i>	Note	2009	2008
Cost of sales	17	118,848	95,696
Capitalized depreciation		27,307	36,775
General and administrative expenses	20	17,349	13,069
Distribution costs	19	936	1,523
Total depreciation charge		164,440	147,063

8 Other Non-Current Assets

<i>In thousands of Kazakhstani Tenge</i>	Note	2009	2008
Spare parts for installation		13,544	-
Prepayments for property, plant and equipment		-	47,066
Intangible assets		5,704	6,582
Other long-term receivables		10,417	9,639
Total other non-current assets		29,665	63,287

Spare parts for installation represent the emergency stock for equipment installed at poultry processing plant.

9 Biological Assets

The Company is engaged in production of broilers for supply to various customers. Summarised below are approximate quantities of bearer (parent stock) and consumable (broilers) biological assets in thousand of heads as of 31 December 2009 and 31 December 2008:

	Bearer biological assets (parent stock)		Consumable biological assets (broilers)	
	2009	2008	2009	2008
Females	93	82	-	-
Males	9	9	-	-
Broilers	-	-	658	923
Total quantity of biological assets	102	91	658	923

Financial risk management strategy

The Company is exposed to financial risks arising from changes in chicken meat prices. The Company does not anticipate that chicken meat prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in chicken meat prices. The Company reviews its outlook for chicken meat prices regularly in considering the need for active financial risk management.

The Company produced 10,422 thousand kg of chicken meat and by-products in the year ended 31 December 2009 (2008: 10,412 thousand kg).

9 Biological Assets (Continued)

The movement in biological assets is summarised as follows:

<i>In thousands of Kazakhstani Tenge</i>	Consumable biological assets (broilers)	Bearer biological assets (parent stock)	Total biological assets
Carrying amount at 31 December 2008 – at fair value	90,420	203,283	293,703
Purchase of chickens	-	55,026	55,026
Chicken breed from parent stock	493,669	-	493,669
Change in fair value less point-of-sale costs	1,735,706	(98,825)	1,636,881
Decrease due to harvest	(2,252,593)	(5,407)	(2,258,000)
Change in fair value of biological assets	(23,218)	(104,232)	(127,450)
Carrying amount at 31 December 2009 – at fair value	67,202	154,077	221,279

10 Inventories

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Raw materials	305,868	222,438
Finished products	30,656	185,635
Less: provision for obsolete inventories	(5,217)	(16,802)
Total inventories	331,307	391,271

11 Accounts Receivable

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Trade receivables	33,077	29,760
Receivables from related parties	18,167	8,667
Receivables for utilities services rendered	11,931	17,412
Total financial assets within accounts receivable	63,175	55,839
Advances to suppliers	77,719	227,175
VAT recoverable	17,277	60,719
Taxes prepaid	12,245	-
Receivables from employees	8,713	10,832
Deferred expenses	3,410	5,388
Less: impairment provision	(9,178)	(6,208)
Total accounts receivable	173,361	353,745

VAT recoverable represents excess of offsetting portion over VAT payable to budget. This excess was due to construction of poultry processing plant in 2008 (Note 7). The balance of Tenge 17,277 thousand will be offset against VAT liability in 2010.

Accounts receivable are denominated in currencies as follows:

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Tenge	164,701	337,409
Euro	8,331	2
Russian Roubles	329	6,540
USD	-	9,794
Total accounts receivable	173,361	353,745

Movements in the impairment provision for accounts receivable are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	2009	2008
Provision for impairment at 1 January		6,208	56,733
Provision for impairment during the year		2,970	-
Recovery of provision during the year		-	(50,525)
Provision for impairment at 31 December		9,178	6,208

11 Accounts Receivable (Continued)

Aging analysis of trade and other receivables is as follows:

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Current not past due or impaired	52,007	55,839
Total current and not impaired	52,007	55,839
<i>Past due but not impaired</i>		
- less than 30 days overdue		-
- 30 to 60 days overdue		-
- 60 to 90 days overdue		-
- 90 to 120 days overdue	9,597	-
- over 120 days overdue	1,571	-
Total past due but not impaired	11,168	-
Less: impairment provision	-	
Total	63,175	55,839

12 Cash and Cash Equivalents

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Bank accounts – Tenge	114,257	73,315
Bank accounts – Russian Roubles	-	882
Bank accounts – Euro	-	-
Cash at hand	4,963	1,326
Total cash and cash equivalents	119,220	75,523

All bank account balances are neither past due nor impaired. An analysis by the credit quality of bank account balances is as follows:

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
<i>Rating by Standard and Poor's</i>		
B+ to B (2008: BB - to B)/ forecast on ratings is on "Negative" level	114,257	74,197
Total	114,257	74,197

13 Share Capital

<i>In thousands of Kazakhstani Tenge</i>	31 December 2009		31 December 2008	
	Number	Value	Number	Value
Outstanding ordinary shares	166,200	237,948	166,200	237,948
Preference shares	25,200	36,079	25,200	36,079
Share deficit	-	(28,208)	-	(28,208)
Total share capital	191,400	245,819	191,400	245,819

13 Share Capital (Continued)

In accordance with minutes of Extraordinary General Shareholders Meeting of Soyuz Inter Product LLP №25 dated 4 February 2009, the decision is taken to sell the shares of JSC Ust-Kamenogorsk Poultry Farm owned by the Partnership to the citizen of the Republic of Kazakhstan, S. Tolukpayev in the amount of 75% of total quantity of ordinary and preference shares and to the citizen of the Republic of Kazakhstan, B. Mozhayev in the amount of 25% of total quantity of common and preference shares. On 16 February 2009 the JSC Ust-Kamenogorsk Farm's shares sales to individuals transaction was introduced in the securities register of JSC Securities Registration System.

On 12 May 2009 the Financial Market and Financial Institutions Regulation and Supervision Agency of the Republic of Kazakhstan registered the amendments into the Company's Prospectus due to increase of declared shares quantity. In accordance with certificate issued, the total quantity of declared ordinary shares is 369,333, total quantity of preference shares is 25,200.

As of 31 December 2009 the total number of placed ordinary shares was 166,200 shares (2008: 166,200 shares) with a par value of Tenge 1,432 per share (2008: Tenge 1,432 per share). Each ordinary share carries one vote.

As of 31 December 2009 the total number of authorised preference shares was 25,200 shares (2008: 25,200 shares) with a par value of Tenge 1,432 per share (2008: Tenge 1,432 per share). The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Company's liquidation. Holders of preferred shares are entitled to a fixed annual dividend at 1 Tenge per share in accordance with par. 4.2. of the Charter.

All preference and placed ordinary shares were fully paid as of 31 December 2009.

The following dividends were declared and paid during the year:

<i>In thousands of Kazakhstani Tenge</i>	2009		2008	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Dividends payable at 1 January				
Dividends declared during the year	-	25	940,681	142,630
Dividends paid during the year	-	25	940,681	142,630
Dividends payable at 31 December	-	-	-	-
Dividends per share declared	-	0.001	57	57

Based on the results for the year 2008, on 26 May 2009 the General Shareholders Meeting determined the dividends payable for preference shares in the amount of Tenge 25 thousand, i.e. Tenge 1 per 1 share. All dividends were declared and paid in Tenge.

<i>In thousands of Kazakhstani Tenge</i>	31 December 2009		31 December 2008	
	Amount	Ownership	Amount	Ownership
<i>Soyuz Inter Product LLP</i>				
Ordinary shares	-	-	166,200	100%
Preference shares	-	-	25,200	100%
<i>Tolukbayev Serik Kulumbekovich</i>				
Ordinary shares	124,650	75%	-	-
Preference shares	18,900	75%	-	-
<i>Mozhayev Baurzhan Anuarbekovich</i>				
Ordinary shares	41,550	25%	-	-
Preference shares	6,300	25%	-	-

Ust-Kamenogorsk Poultry Farm JSC
Notes to the Financial Statements – 31 December 2009

14 Loans and Borrowings

<i>In thousands of Kazakhstani Tenge</i>	Note	2009	2008
Short-term loans and borrowings			
Halyk Bank (USD/Tenge)		815,515	757,555
Current portion of loan from KazAgroFinance (Tenge)		59,903	51,864
BTA Orix (Tenge)		7,988	9,774
Aitas Distribution (Tenge)	6	-	76,050
Bonds issued (Tenge)		-	872
Total short term loans and borrowings		883,406	896,115
Long-term loans and borrowings			
Halyk Bank (USD/Tenge)		276,718	352,494
Bonds issued (Tenge)		194,240	188,137
Long-term portion of loan from KazAgroFinance (Tenge)		74,433	126,296
BTA Orix (Tenge)		5,996	12,080
Total long-term loans and borrowings		551,387	679,007
Total loans and borrowings		1,434,793	1,575,122

The interest accrued is as follows:

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Halyk Bank (USD/Tenge)	9,544	7,985
Bonds issued (Tenge)	5,000	5,000
KazAgroFinance (Tenge)	1,840	2,485
Aitas Distribution (Tenge)	-	3,584
BTA Orix (Tenge)	-	128
Total interest accrued	16,384	19,182

Minimum lease payments under finance leases and their present values are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Due in 1 year	Due between 1 and 5 years	Due after 5 years	Total
Minimum lease payments at 31 December 2009	9,766	6,163	-	15,929
Less future finance charges	(2,591)	(2,167)	-	(4,758)
Present value of minimum lease payments at 31 December 2009	7,175	3,996	-	11,171
Minimum lease payments at 31 December 2008	13,048	14,117	-	27,165
Less future finance charges	(3,394)	(2,947)	-	(6,341)
Present value of minimum lease payments at 31 December 2008	9,654	11,170	-	20,824

Leased assets with carrying amount disclosed in Note 7 are effectively pledged for finance lease liabilities as the rights to the leased asset revert to the lessor in the event of default.

14 Loans and Borrowings (Continued)

The Company's loans and borrowings (including accrued interest) mature as follows:

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Loans and borrowings due: - within 1 year	899,790	915,297
- between 2 and 5 years	551,387	679,007
- after 5 years	-	-
Total loans and borrowings	1,451,177	1,594,304

Halyk Bank

On 20 August 2007, the Company entered into a credit facility KC-108 with Halyk Bank JSC (the "Halyk Credit Facility KC-108"). In 2008 the terms of Halyk Credit Facility KC-108 were changed as follows: the amount of maximum line of credit in the form of loans, letters of credit and guarantees was changed for Tenge 854,000 thousand instead of Tenge 554,000 thousand, the currency of Halyk Credit Facility KC-108 was changed from Kazakhstani Tenge to US dollars. From September 2009 the currency of Halyk Credit Facility KC-108 was again changed from US dollars to Kazakhstani Tenge. The purpose of the Halyk Credit Facility KC-108 is to finance the working capital of the Company.

The Halyk Credit Facility KC-108 is available during 96 months starting from 20 August 2007 to 19 August 2015. The Halyk Credit Facility KC-137 is available during 60 months starting from 6 May 2008 to 5 May 2013. Principal amount with accrued interest is repayable on a monthly basis. The effective interest rate range is from 15% to 17% per annum.

On 6 May 2008 the Company entered into credit facility with Halyk Bank JSC (the "Halyk Credit Facility KC-137"). The maximum amount of credit line in the form of loans, letters of credit and guarantees is Tenge 450,000 thousand. The currency of Halyk Credit Facility KC-137 is Tenge and US dollars. The purpose of the Halyk Credit Facility is to invest the capital construction and equipment of workshops. The effective interest rate range is from 16% to 19.5% per annum.

On the basis of Halyk Credit Facility KC-108 and KC-137 at 31 December 2009, the Company obtained the loans in the total amount of Tenge 1,142,910 thousand (2008: Tenge 803,986 thousand).

Halyk Bank credit facility is secured by certain property, plant and equipment in the amount of Tenge 1,648,902 thousand as disclosed in Note 7.

KazAgroFinance

On 5 April 2006, the Company entered into a loan agreement with KazAgroFinance JSC (the "KazAgroFinance Loan 1"). Within that agreement Company received loan in the amount of Tenge 127,788 thousand. The KazAgroFinance Loan 1 is repayable during the period from March 2007 to April 2013 on annual basis. The effective interest rate of the KazAgroFinance Loan 1 as of 31 December 2009 is 12.55 % per annum.

On 1 December 2006, the Company entered into loan agreement with KazAgroFinance JSC (the "KazAgroFinance Loan 2") in the amount of Tenge 122,402 thousand. The KazAgroFinance Loan 2 is repayable during the period from May 2007 to May 2013 on annual basis. The effective interest rate of the KazAgroFinance Loan 2 as of 31 December 2009 is 12.28 % per annum.

Interest on loans from KazAgroFinance is paid on a quarterly basis. The purpose of loans is to finance purchases of machinery and equipment.

KazAgroFinance loans are secured by certain property, plant and equipment in the amount of Tenge 316,605 thousand as disclosed in Note 7.

Aitas Distribution

In 2008 the Company entered into four loan agreements with Aitas Distribution LLP for total amount of Tenge 152,000 thousand. The effective interest rate on Aitas Distribution loans as at 31 December 2009 varies from 14% to 14.75% per annum. In October 2009 the outstanding amount was fully repaid.

14 Loans and Borrowings (Continued)

Bonds issued

On 13 and 28 November 2008 the Company issued bonds with maturity of 5 November 2013. The effective interest of bonds issued is 18 % per annum, the annual coupon rate on bonds is 14 % per annum, repayable on semi-annual basis. The purpose of the bond issue was to finance the Company's investment programme.

BTA Orix

On 16 May 2008 the Company signed two loan agreements with BTA Orix JSC in the form of financial leasing ("Financial leasing") for the amounts of Tenge 14,900 thousand and Tenge 17,941 thousand with maturities of 20 July 2011 and 20 September 2011, respectively. The effective interest rate under financial leasing agreements is 19% per annum. Interest on financial leasing is repayable on monthly basis. The purpose of financial leasing is to purchase machinery and equipment.

The carrying amounts of borrowings as of 2009 and 2008 year-ends approximate their fair value. The fair values are based on cash flows discounted using a rate based on the loans and borrowing rate of 16% per annum.

15 Accounts Payable

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Trade payables	190,777	469,475
Total financial liabilities within accounts payable	190,777	469,475
Salaries payable	21,053	24,791
Advances received	17,328	5,522
Other payables	323	348
Total accounts payable	229,481	500,136

Accounts payable denominated in foreign currencies are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Euro	69,510	63,601
US dollars	1,961	-
Accounts payable denominated in foreign currencies	71,471	63,601

16 Revenue

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Sale of broiler meat and by-products	3,040,766	2,605,803
Sale of sausages and smoked products	-	10,891
Other sales	3,813	5,984
Goods returns and discounts	(29,172)	(350)
Total revenue	3,015,407	2,622,328

17 Cost of Sales

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Feed	1,450,714	1,515,650
Payroll and related expenses	251,133	231,830
Materials	157,532	156,203
Electricity	110,302	83,413
Depreciation of property, plant and equipment	7	95,696
Fuel	105,935	73,506
Veterinary	70,150	85,276
Other	94,718	103,728
Total cost of sales	2,359,332	2,345,302

18 Other Operating Income and Expense

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Government grants received	536,630	421,706
Foreign exchange losses less gains	(259,890)	(9,233)
Loss from utilities sold	(24,933)	(18,068)
Net income from barter transactions	4,671	-
Income/(loss) from disposal of property, plant and equipment and intangible assets	1,859	(12,850)
Income from penalties received	1,433	5,058
Rent income	1,664	(557)
Income from VAT discount	76,337	-
Other (expenses)/income	(20,622)	12,186
Total other operating income and expenses	317,149	398,242

During 2009 and 2008 the Company obtained grant under the government programme *Subsidisation of Improvement of Productivity and Quality of Agriculture Production*. The grant is intended to partially reduce the cost of combined feed used to feed chicken to 45% in order to stimulate the production and sales of chicken meat, raise productivity, quality and competitiveness of poultry products. The grant was distributed to the domestic agricultural commodity producers specializing in chicken meat production based on actual volumes of sales of chicken meat in slaughter weight sold in the domestic market. In 2009 the Company sold whole product balance of the year 2008 which caused increase at amount of government grant received.

The only condition for the grant was chicken meat sale that the Company fulfilled completely. Therefore, the grant for both years was recognised as income.

Foreign exchange loss resulted from the devaluation of Tenge on 5 February 2009 conducted by the National Bank of the Republic of Kazakhstan whereby the exchange rate of Tenge to US dollar increased from Tenge 122.32 to Tenge 143.98 resulting in foreign exchange loss on US dollar denominated borrowings received from Halyk Bank, Kazakhstan.

In 2009 the Company received 17 apartments under share construction agreement with Aitas Stroi LLP, 8 of which are transferred as settlement of accounts payable. Under the barter transactions the Company received net income of Tenge 4,671 thousand.

Income from VAT discount represents 70% discount introduced by the tax legislation of the Republic of Kazakhstan for VAT from 1 January 2009 for the entities applying the Special tax regime for the legal entities - producers of agricultural products and agricultural consumers' cooperatives.

19 Distribution Costs

<i>In thousands of Kazakhstani Tenge</i>	Note	2009	2008
Warehouses		36,020	40,070
Payroll and related expenses		14,211	13,869
Transportation		9,858	14,857
Electricity		7,869	10,091
Marketing and advertising		1,705	54
Depreciation of property, plant and equipment	7	936	1,523
Repair and maintenance		245	281
Other		1,465	2,486
Total distribution costs		72,309	83,231

20 General and Administrative Expenses

<i>In thousands of Kazakhstani Tenge</i>	Note	2009	2008
Payroll and related expenses		107,898	87,153
Audit and consulting services		28,550	40,600
Taxes other than on income		26,374	60,435
Transportation		22,144	24,989
Security		20,410	21,764
Depreciation of property, plant and equipment	7	17,349	13,069
Business trip and representative expenses		14,430	7,075
(Recovery)/impairment provision and write down of obsolete inventories		(13,311)	18,045
Fines and penalties		11,062	1,945
Communication		7,650	6,130
Bank charges		5,787	4,649
Insurance		4,832	3,362
Catering and medical service		4,453	4,359
Materials		4,258	2,367
Impairment of accounts receivable/(recovery)	11	2,970	(46,255)
Social payments		3,259	1,761
Repair and maintenance		640	832
Environmental expenses		383	2,783
Other		27,745	23,746
Total general and administrative expenses		296,883	278,809

21 Finance Income

<i>In thousands of Kazakhstani Tenge</i>	Note	2009	2008
Loans to related party: amortization of present value discount	6	9,972	27,674
Gain on early redemption of loan to the Single shareholder	6	-	122,951
Total finance income		9,972	150,625

22 Finance Costs

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Interest expense – Halyk Bank	154,639	110,503
Interest expense – issued bonds 2008	30,001	5,000
Interest expense – KazAgroFinance	24,878	26,817
Interest expense – BTA orix	6,010	2,887
Interest expense – Aitas Distribution	486	14,291
Total finance costs	216,014	159,498

23 Taxes

Income tax expense/(benefit) comprises the following:

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Current income tax	10,165	12,613
Deferred income tax	20,544	(24,461)
Income tax expense/(benefit) for the year	30,709	(11,848)

Reconciliation between the expected and the actual taxation charge/(credit) is provided below:

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Profit before tax	270,540	102,914
Theoretical tax charge at applicable statutory rate (6 percent for agricultural activities and 20 percent for other activities)	16,232	6,175
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-taxable government grants received	-	(25,302)
- Effect from change of statutory tax rate ⁽¹⁾	(5,399)	(7,544)
- Non-taxable income	(4,580)	-
- Unrecognised tax loss carry forward	18,834	-
- Prior year tax assessments	-	13,316
- No-deductible provisions for obsolete and shortage of inventories	1,509	883
- Non-deductible fines and penalties	164	178
- Other non-deductible expenses	3,949	446
Income tax expense / (benefit)	30,709	(11,848)

(1) – change represents reduction of the corporate income tax rate from 20% to 17.5% in the financial year 2013, from 17.5% to 15% in 2014 (2009).

23 Taxes (Continued)

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the applicable tax rate.

<i>In thousands of Kazakhstani Tenge</i>	1 January 2009	Charged/ (credited) to profit or loss	Recognised directly in equity	31 December 2009
Tax effect of deductible temporary differences				
Tax losses carried forward	19,309	(475)		18,834
Loans to related parties	1,540	(378)		1,162
Accounts receivable	239	312		551
Unrecognised deferred income tax asset	-	(18,834)		(18,834)
Deferred income tax asset, net	21,088	(19,375)		1,713
Tax effect of taxable temporary differences				
Property, plant and equipment	70,201	8,754	4,734	83,689
Biological assets	15,419	(5,541)		9,878
Loans and borrowings	180	821		1,001
Other payables	1,329	(4,113)		(2,784)
Inventories	(1,598)	1,248		(350)
Gross deferred income tax	85,531	1,169	4,734	91,434
Less offsetting with deferred tax	(21,088)	19,375		(1,713)
Recognised deferred income tax liability	64,443	20,544	4,734	89,721

Amount of Tenge 4,734 thousand (2008: Tenge 51,968 thousand) charged directly to equity in relation to deferred tax consists of a revaluation effect of property, plant and equipment (Note 7).

Deductible temporary differences in respect of accounts receivable, biological assets, other payables and inventories are expected to be settled within 2009. Taxable temporary differences in respect of property, plant and equipment, loans to related parties and loans and borrowings are expected to be settled after 2009.

23 Taxes (Continued)

<i>In thousands of Kazakhstani Tenge</i>	1 January 2008	Charged/ (credited) to profit or loss	Recognised directly in equity	31 December 2008
Tax effect of deductible temporary differences				
Tax losses carried forward	-	19,309	-	19,309
Loans to related parties	8,762	(7,222)	-	1,540
Accounts receivable	3,304	(3,065)	-	239
Gross deferred income tax asset	12,066	9,022	-	21,088
Tax effect of taxable temporary differences				
Property, plant and equipment	39,365	(21,132)	51,968	70,201
Biological assets	6,078	9,341	-	15,419
Loans and borrowings	1,815	(1,635)	-	180
Other payables	1,502	(173)	-	1,329
Inventories	242	(1,840)	-	(1,598)
Gross deferred income tax	49,002	(15,439)	51,968	85,531
Less offsetting with deferred tax	(12,066)	(9,022)	-	(21,088)
Recognised deferred income tax liability	36,936	(24,461)	51,968	64,443

Other Taxes Payable

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
VAT	6,173	6,286
Pension contributions	4,675	5,159
Payment for pollution emissions to environment	2,584	9,681
Individual income tax	2,149	7,550
Social tax	1,322	2,909
Current income tax	802	54
Other	210	2,224
Total other taxes payable	17,915	33,863

24 Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

Whilst there have been improvements in the economic situation in the Republic of Kazakhstan in recent years, its economy continues to display some 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 of debt and equity securities in the markets.

Additionally, the agricultural sector in Kazakhstan is 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 economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Company's control.

Translated from the Russian original

24 Contingencies, Commitments and Operating Risks (Continued)

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.

Recent volatility in global financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia, Kazakhstan and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Operational climate during 2009

Some of the operating risks faced by the Company during 2009 outlined below significantly impacted the financial result for the year as compared with 2008 (refer to Statement of Comprehensive Income):

- Revenue from sales reflect the impact of the improving economic situation and sales in excess of plan due to more flexible pricing policy, commencement of sales of new types of products such as chilled meat during 2009 (see Note 16).
- Cost of sales does not significantly differ from the last year due to decrease of cost of feed components in 2009 in comparison with 2008 and increase of cost of fuel, electricity and accrued amortisation due to commissioning of new poultry processing plant (Note 17).
- Distribution costs decreased due to decrease in finished goods in warehouses (see Note 19).
- Finance costs increased as a result of the additional loans received under renewable credit lines of Halyk Bank, Kazakhstan during 2009 (see Note 22).

Tax legislation

Kazakhstani tax legislation and practice is in a state of continuous 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, transactions may be challenged by tax authorities 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.

24 Contingencies, Commitments and Operating Risks (Continued)

On 10 December 2008 the President of the Republic of Kazakhstan signed the new Tax Code and related normative acts. The new Tax Code came into effect from 1 January 2009. The main changes include: reduction of corporate income tax rate from 30% to 20% during 2009 financial year, to 17.5% in 2010, and 15% in 2011, reduction of VAT rate from 13% to 12%, introduction of flat social tax of 11%; increase of property tax from 1% to 2% in terms of the tax base represented only by the real estate property; and other changes.

However, due to further changes in tax legislation of the Republic of Kazakhstan, effective from 1 January 2009, reduction of corporate income tax rates is suspended. As at 31 December 2009 tax rate will be 20% in 2009 – 2012, 17.5% in 2013 and 15% in 2014 and further (2008: 30%). The effect of the above change of corporate income tax represents the effect of new tax rate to carrying amount of deferred income tax as at 31 December 2009 (see Note 23).

The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2009 no provision for potential tax liabilities had been recorded (2008: no provision).

Legal proceedings

From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates and both internal and external professional advice the management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Avian Influenza (Bird flu) H5N1

Avian influenza, an infection caused by H5N1 virus, was first detected in Asia in 1996. The virus occurs naturally among wild birds, and is very contagious for domesticated birds. Since first detection, outbreaks of highly pathogenic avian influenza occurred among poultry in South-Eastern Asia, Europe and the Middle East. The World Health Organization since 1997 confirmed about 467 (2008: 417) cases of human infection of which 282 (2008: 256) death cases from several subtypes of avian influenza infection resulted from contact with infected poultry or contaminated surfaces.

At present, no evidence for genetic mutation between human and avian influenza virus genes has been found, however, bird import restrictions for certain Asian and European countries remains effective in the most of countries. As per American Centre for Diseases, the avian influenza animal outbreak is not expected to diminish significantly in the short term.

Management has taken a number of reactive measures to prevent and mitigate any negative impact of the Asian influenza on the Company's chicken flock including but not limited to tightened security procedures and veterinary treatment. Management believes that the avian influenza will not have a material adverse effect on the Company's operations and financial position.

25 Financial Risk Management

Financial risk factors

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets. Financial assets, which potentially subject Company entities to credit risk, consist principally of trade receivables. The Company has policies in place to ensure that sales of finished goods are made on credit to customers with an appropriate credit history. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the provisions already recorded.

25 Financial Risk Management (Continued)

The Company's maximum exposure to credit risk by class of assets is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	2009	2008
Cash and Cash Equivalents			
- Cash and cash equivalents	12	114,257	74,197
Accounts receivable			
- Current financial assets, net	11	45,008	47,172
Loans to related party			
- Loans to related party		66,583	56,611
Total maximum exposure to credit risk		225,848	177,980

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or group of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The Company's management reviews ageing analysis of outstanding accounts receivable and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 11. Any delays in payment are investigated.

Credit risks concentration

As at 31 December 2009 the Company is not exposed to concentrations of credit risk. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to counterparties with aggregated balances in excess of 10% of the Company's net assets. At 31 December 2009 the Company had no counterparties with aggregated receivables balances above 10 percent of the Company's net assets. The same situation was in 2008.

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default (Note 12).

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk

The Company is mainly exposed to the risk of changes in the exchange rate of Tenge to USD and Tenge to EURO.

In 2009 the Company indexes borrowings received from Halyk Bank to USD and attracts new borrowings, denominated in USD. As at 31 December 2009 the Company also had accounts payable denominated in EURO. Foreign currency denominated liabilities (see Notes 14, 15) give rise to foreign exchange exposure.

As of 5 February 2009 the National Bank of the Republic of Kazakhstan ceased to maintain the Tenge within the previous implicit range within 117-123 Tenge per 1 USD. According to official press release of the National Bank of the Republic of Kazakhstan, it is expected that the exchange rate will approximate Tenge 150 per 1 USD, with upward or downward fluctuations up to 3% or Tenge 5. In February 2010 the National Bank of the Republic of Kazakhstan established the new range for exchange rate of Tenge to US dollar within 127.5 – 165 Tenge per 1 USD.

At the date of the issuance of these financial statements the exchange rate was equal to 146.77 Tenge per 1 USD. At the date of the issuance of these financial statements the exchange rate was equal to 181.85 Tenge per 1 EURO.

25 Financial Risk Management (Continued)

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the reporting date, with all other variables held constant:

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
<i>Impact on profit or loss and on equity of:</i>		
US Dollar strengthening/weakening by 25 percent	152,568	228,645
EURO strengthening/weakening by 28 percent	36,014	31,204

Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company is exposed to fair value interest rate risk through market value fluctuations of interest-bearing borrowings. A detailed analysis of the Company's borrowings, together with their respective interest rates and maturity dates, are included in Note 14.

For Halyk Bank borrowings, the Company is exposed to potential market risk in relation to changes in LIBOR rate and second-tier banks refinancing rate.

The Company does not have the formal policies and procedures in place for management of interest rate risks.

At 31 December 2009, if interest rate at that date had been 300 basis points lower/higher (2008: 300 basis points lower/higher) with all other variables held constant, profit for the year would have been Tenge 38,061 thousand lower/higher (2008: Tenge 21,175 thousand), mainly as a result of lower interest expense on variable interest liabilities.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Company's liquidity reserve (comprising undrawn working capital facilities) and cash and cash equivalents on the basis of expected cash flow.

The table below shows liabilities at 31 December 2009 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the reporting date.

The maturity analysis of financial liabilities at 31 December 2009 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Borrowings (including principal amount and interest payable)	196,701	836,678	159,400	446,982	-	1,639,761
Trade payables (Note 15)	102,091	86,304	15,010	26,076	-	229,481
Total future payments, including future principal and interest payments	298,792	922,982	174,410	473,058	-	1,869,242

25 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2008 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Borrowings (including principal amount and interest payable)	121,485	346,011	390,653	756,325	-	1,614,471
Trade payables (Note 15)	149	469,326	-	-	-	469,475
Total future payments, including future principal and interest payments	121,634	815,337	390,653	756,322	-	2,083,946

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the Shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the Shareholder, return capital to the Single Shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by equity. Debt represents the carrying amounts of loans and borrowings (including current and non-current borrowings and interest payable as shown in the statement of financial position). The owner's equity is calculated as 'equity' as shown in statement of financial position. During 2009, the Company's strategy, which unchanged from 2006, was to maintain the gearing ratio within 20-40% and minimize the gearing ratio by repaying its debt.

The gearing ratios at 31 December 2009 and 2008 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	2009	2008
Total borrowings (Note 14)	1,451,177	1,594,304
Total debt	1,451,177	1,594,304
Total owners' equity	2,645,245	2,410,173
Gearing ratio	55%	66%

26 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables approximate fair values due to their short-term maturities.

Translated from the Russian original

26 Fair Value of Financial Instruments (Continued)

Liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Refer to Note 14 for the estimated fair values of borrowings. Carrying amounts of trade and other payables approximate fair values.

27 Events After the End of the Reporting Period

On 2 March 2010 the agreement was signed with JSC KazAgroFinance (“KAF”) for the total amount of Tenge 2,643,455 thousand. The Company’s co-financing amount was Tenge 254,332 thousand. The borrowing amount of Tenge 2,389,123 thousand will be used:

- as borrowing up to Tenge 460,069 thousand for construction of new and reconstruction of old poultry houses;
- as borrowing up to Tenge 947,905 thousand for refinancing of current loan payables to JSC Halyk Bank, Kazakhstan;
- as leasing up to Tenge 981,148 thousand for purchase of poultry farm equipment.

This contract was signed on the following terms: the grace period for principal amount repayment of 2 years, the grace period from interest repayment of 1 year. This contract is aimed for implementation of investment program *Current Poultry Farm Expansion up to 20,000 tons of Poultry meat per year*. Collateral under this contract of buildings and constructions, equipment and 100% of shares of Poultry Farm should constitute the amount not less than 120% of borrowings amount plus expected annual interest and guarantee of commercial bank.

On 28 April 2010 the finance lease agreement was signed with KAF for the amount of Tenge 765,579 thousand for supply of equipment for broilers growing and feeding with the useful life of 8 years. Such equipment was sold by Big Dutchman International GmbH, Germany. Lease interest rate is 6% per annum. Lease term is up to 10 March 2018. The Company’s co-financing amount was Tenge 114,837 thousand. Lease principal amount of Tenge 650,742 thousand will be repaid annually during the period from 1 to 10 March. Grace period for principal amount repayment is 2 years.

On 5 May 2010 finance lease agreement was signed with KAF for the amount of Tenge 217,851 thousand for purchase of incubator equipment with useful life of 8 years. Such equipment is sold by Pas Perform B.V., the Netherlands. Interest rate is 6%. Lease term is up to 10 March 2018. The Company’s co-financing amount was Tenge 32,678 thousand. The principal amount of Tenge 185,174 thousand will be repaid annually during the period from 1 to 10 March. The grace period for principal amount repayment is 2 years.