



UST-KAMENOGORSK POULTRY FARM JSC

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

31 December 2010

(Translated from the Russian original)

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INDEPENDENT Auditor's report

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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 2010 and the statements of comprehensive income, changes in equity and cash flows 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgment, 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.

Translated from the Russian original



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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Basis for qualified opinion

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 2010 should be increased by Tenge 280,118 thousand and retained earnings as at 31 December 2010 should be decreased by Tenge 280,118 thousand, respectively.

Qualified opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Almaty, Kazakhstan
20 May 2011

Approved by:

Signed by:

Zhanbota T. Bekenov
Managing 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
№00000056 dated 28 February 1994)

Translated from the Russian original

Ust-Kamenogorsk Poultry Farm JSC
Statement of Financial Position

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,601,494	3,446,110
Biological assets	8	171,955	154,077
Loans to related party	5	-	66,583
Other non-current assets	7	241,878	29,665
Total non-current assets		4,015,327	3,696,435
Current assets			
Biological assets	8	240,365	67,202
Inventories	9	508,397	331,307
Accounts receivable	10	232,664	161,350
Deferred income tax asset		9,334	12,011
Available for sale assets		19,522	46,014
Cash and cash equivalents	11	562,702	119,220
Total current assets		1,572,984	737,104
TOTAL ASSETS		5,588,311	4,433,539
EQUITY			
Share capital	12	245,819	245,819
Revaluation reserve		545,251	668,053
Retained earnings		2,688,373	1,731,373
TOTAL EQUITY		3,479,443	2,645,245
LIABILITIES			
Non-current liabilities			
Loans and borrowings	13	1,230,096	551,387
Governmental grant	14	172,979	-
Deferred income tax liability	23	139,230	89,721
Total non-current liabilities		1,542,305	641,108
Current liabilities			
Loans and borrowings	13	92,200	899,790
Accounts payable	15	438,012	229,481
Taxes payable	23	34,126	17,113
Income tax payable		2,225	802
Total current liabilities		566,563	1,147,186
TOTAL LIABILITIES		2,108,868	1,788,294
TOTAL LIABILITIES AND EQUITY		5,588,311	4,433,539

Approved for issue and signed on behalf of the Management on 10 June 2011.

T. Kozhakhmetov
General Director

S. Sadykov
Deputy General Director on
Finance and Economics

N. Yu. Kolesnikova
Chief Accountant

Ust-Kamenogorsk Poultry Farm JSC
Statement of Comprehensive Income

<i>In thousands of Kazakhstani Tenge</i>	Note	2010	2009
Revenue	16	4,065,828	3,015,407
Cost of sales	17	(2,797,178)	(2,359,332)
Gross profit		1,268,650	656,075
Change in fair value of biological assets	8	137,626	(127,450)
Distribution costs	19	(79,088)	(72,309)
General and administrative expenses	20	(462,589)	(296,883)
Other operating income, net	18	490,911	317,149
Operating profit		1,355,510	476,582
Finance income	21	174,971	9,972
Finance costs	22	(178,129)	(216,014)
Profit before income tax		1,352,352	270,540
Income tax expense	23	(108,306)	(30,709)
Profit for the year		1,244,046	239,831
Other comprehensive income			
Income tax recognized directly in equity	23	(6,951)	(4,734)
Total other comprehensive income		(6,951)	(4,734)
Total comprehensive income for the year		1,237,095	235,097
Profit per share (basic and diluted), in Tenge	12	7,443	1,415

Approved for issue and signed on behalf of the Management on 10 June 2011.

T. Kozhakhmetov
General Director

S. Sadykov
Deputy General Director on
Finance and Economics

N. Yu. Kolesnikova
Chief Accountant

Ust-Kamenogorsk Poultry Farm JSC
Statement of Changes in Equity

<i>In thousands of Kazakhstani Tenge</i>	Note	Share capital	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2009		245,819	759,803	1,404,551	2,410,173
Realised revaluation reserve		-	(87,016)	87,016	-
Income tax recognised directly in equity	23	-	(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	12	-	-	(25)	(25)
Balance at 31 December 2009		245,819	668,053	1,731,373	2,645,245
Realised revaluation reserve		-	(115,851)	115,851	-
Income tax recorded directly in equity	23	-	(6,951)	-	(6,951)
Net income recognised directly in equity		-	(122,802)	115,851	(6,951)
Profit for the year		-	-	1,244,046	1,244,046
Total profit for 2010		-	(122,802)	1,359,897	1,237,095
Dividends declared	12	-	-	(402,897)	(402,897)
Balance at 31 December 2010		245,819	545,251	2,688,373	3,479,443

Approved for issue and signed on behalf of the Management on 10 June 2011.

T. Kozhakhmetov
General Director

S. Sadykov
Deputy General Director on
Finance and Economics

N. Yu. Kolesnikova
Chief Accountant

Ust-Kamenogorsk Poultry Farm JSC
Statement of Cash Flows

<i>In thousands of Kazakhstani Tenge</i>	Note	2010	2009
Cash flows from operating activities			
Profit before income tax		1,352,352	270,540
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		217,055	137,133
Change in fair value of biological assets	8	(137,626)	127,450
Gains on disposal of property, plant and equipment	18	(876)	(1,859)
Allocations to provision for impairment of trade receivables	10	10,309	2,970
Finance income	21	(174,971)	(9,972)
Finance costs	22	178,129	216,014
Unrealised foreign exchange (income)/loss		(10,620)	256,766
Provision/(recovery) and write off of obsolete inventories	20	7,204	(13,311)
Other	18	-	(4,671)
Operating cash flows before working capital changes		1,440,956	981,060
(Increase) decrease in accounts receivable		(11,914)	160,155
Decrease in other non-current assets		6,875	-
Decrease in inventories		2,984	99,776
Decrease in accounts payable		(62,349)	(284,080)
Increase/(decrease) in taxes payable		25,545	(26,113)
Cash generated from operations		1,402,097	930,798
Income taxes paid		(72,857)	-
Interest paid		(109,722)	(255,303)
Net cash from operating activities		1,219,518	675,495
Cash flows from investing activities			
Purchase of property, plant and equipment		(389,931)	(185,163)
Purchase of chickens		(53,415)	(55,026)
Loans to related party		85,950	-
Advances issued for property, plant and equipment		(147,514)	-
Interests received		1,220	-
Deposits	7	(43,431)	-
Net cash used in investing activities		(547,121)	(240,189)
Cash flows from financing activities			
Proceeds from loans and borrowings		1,527,998	1,229,314
Repayment of loans and borrowings		(1,405,171)	(1,620,898)
Dividends paid	12	(351,742)	(25)
Net cash used in financing activities		(228,915)	(391,609)
Net increase in cash and cash equivalents		443,482	43,697
Cash and cash equivalents at the beginning of the year	11	119,220	75,523
Cash and cash equivalents at the end of the year	11	562,702	119,220

Approved for issue and signed on behalf of the Management on 10 June 2011.

T. Kozhakhmetov
General Director

S. Sadykov
Deputy General Director on
Finance and Economics

N. Yu. Kolesnikova
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 2010 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 amount 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 the controlling 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 joint contributions to the Company in the form of equity financing, lending resources and technical and other consulting services.

In April 2004, the Company redeemed Delta LLP's interest in the Company's share capital. On 24 November 2004, the Company's shares owned by EBRD and GIMV were purchased 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 "Sole Shareholder").

On 4 February 2009 Soyuz Inter Product LLP decided to sell 75% of shares to Mr. S.K. Tolukpayev, and 25% of shares to Mr. B.A. Mozhayev (the "Shareholders").

On 3 February 2011 S. K. Tolukpayev, the Company's shareholder, purchased all the ordinary and preference shares from B. A. Mozhayev (Note 12), and thereby became the Sole Shareholder of the Company.

Principal activity

The Company is a vertically integrated broiler enterprise 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 Molodezhny 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).

2 Summary of Significant Accounting Policies (Continued)

Presentation and functional currency

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

Foreign currency translation

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 2010 the principal rates of exchange used for translating foreign currency balances were US dollar (US\$) 1 = Tenge 147.40 and EURO 1 = Tenge 195.23 (2009: US\$ 1 = Tenge 148.36, EURO 1 = Tenge 212.84). 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.

2 Summary of Significant Accounting Policies (Continued)

(ii) Classification of financial assets

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

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments, which are not traded in an active market. Loans and receivables of the Company in the statement of financial position are comprised of trade receivables and receivables from related parties (Note 10), and cash and cash equivalents (Note 11).

(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 13), 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 at 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 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 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.

2 Summary of Significant Accounting Policies (Continued)

(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.

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 lease liabilities, net of future finance charges, are included in borrowings. The interest expense is charged to the statement of comprehensive income 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 inventories supplies 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 distribution 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.

2 Summary of Significant Accounting Policies (Continued)

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.

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 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 financial asset 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 an 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 subsequent events.

2 Summary of Significant Accounting Policies (Continued)

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.

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.

Capitalisation of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that is not carried at fair value and 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 2010. Capitalization ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The commencement date for capitalization is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalization ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The Company capitalizes borrowing costs that would have been avoided if it had not made capital expenditure on qualifying assets. Capitalized borrowing costs are calculated according to the average cost of Company 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. In such case, the actual borrowing costs incurred are capitalized less any investment income on temporary investments in such borrowings.

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.

2 Summary of Significant Accounting Policies (Continued)

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.

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.

Earnings per share

Preference shares are not redeemable, and are considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year.

Income taxes

Income taxes have been provided for in these 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.

2 Summary of Significant Accounting Policies (Continued)

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:

Fair value of biological assets

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

These factors could include:

- differences between the actual prices and the 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;
- 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 model include:

- budgeting of the Company's expenditures for every stage of broiler raising remains unchanged for future periods;
- no significant changes in egg production capacity of breeding stock;
- discount rate of 12.01% 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 44.40 produced by the Company.

Management determined that the recoverable amount calculations are most sensitive to changes in such assumptions as egg production capacity, the expenditures budgeting 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.

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 5.

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*.

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

Tax legislation

Kazakhstani tax, foreign currency and customs legislation is subject to varying interpretations (see Note 23)

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).

Provision for receivables impairment

Provision for impairment of trade receivables and receivables from the related parties is based on the management's regular assessment of the receivables collection and overdue status. The management believes that impairment provisions accrued at 31 December 2010 and 31 December 2009 are adequate and present the management's best estimate of bad receivables.

4 New Accounting Pronouncements

(a) Standards effective for annual periods beginning on or after 1 January 2010

The following new standards and interpretations became effective for the Company from 1 January 2010:

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets should be recognised in profit or loss when the entity settles the dividend payable. *IFRIC 17 did not have an impact on these financial statements.*

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. *IFRIC 18 did not have an impact on these financial statements.*

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. In addition, the amendments clarifying classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary published as part of the *Annual Improvements to International Financial Reporting Standards*, which were issued in May 2008, are effective for annual periods beginning on or after 1 July 2009. The amendments did not have a material impact on these financial statements.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Company's financial statements.

4 New Accounting Pronouncements (Continued)

(b) Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2011 or later and which the Company has not early adopted:

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities.

Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

Classification of Rights Issues - Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Company does not expect the amendments to have any material effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Company does not expect the amendments to have any material effect on its financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The Company does not expect IFRIC 19 to have any material effect on its financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Company does not expect the amendments to have any material effect on its financial statements.

4 New Accounting Pronouncements (Continued)

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity (this amendment was early adopted by the Company); IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Company does not expect the amendments to have any material effect on its financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, *Financial Instruments: Disclosures*. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The Company does not expect the amendments to have any effect on its financial statements.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment is not expected to have any impact on the Company's financial statements.

Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, *Property, Plant and Equipment*, was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The Company does not expect the amendments to have any material effect on its financial statements.

4 New Accounting Pronouncements (Continued)

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position. The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities where the fair value is established through valuation techniques at initial recognition and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes. The Company does not expect the amendments to have any effect on its financial statements.

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

5 Balances and Transactions with Related Parties

Parties are generally considered to be related if one party can control the other party, is under common control, or can exercise the 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 2010, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	Entities under common control	Shareholders	Key management personnel
Accounts receivable		67,522	-	7,923
Accounts payable		958	51,155	-

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	Key management personnel
Accounts receivable		38,227	-	2,310
Loan to related party		66,583	-	-
Accounts payable		4,628	-	-

Under the amendment No 3 to Agreement No181 dated 10 March 2005, on 1 July 2008 the Company reclassified trade receivables balance as of 31 December 2008 from Soyuz Inter Product LLP to long-term interest-free loan. Nominal value of interest-free loan was Tenge 85,840 thousand. At 31 December 2010 this loan was fully and early repaid. Due to early repayment of this loan, the Company recognised the finance income in the amount of Tenge 19,367 thousand.

In April 2010 the refrigerator-base of Tenge 57,727 thousand located at 15A, Samarskoye highway was disposed to the related party, Aitas Group LLP. At 31 December 2010 the above amount is not received, so it is stated as accounts receivable.

5 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for 2010 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	Entities under common control	Shareholders	Key management personnel
Finance income from early repayment of loan to related parties		19,367	-	-
Compensation to key management personnel		-	7,384	49,997
Dividends declared	12	-	402,897	-

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 2009 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	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	15,201
Dividends declared	12	-	25	-

6 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 2009	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 1 January 2009	2,164	1,691,797	380,700	75,050	24,234	1,194,834	3,368,779
Additions	-	-	8,617	5,171	6,957	254,006	274,751
Disposals	-	(20,153)	(6,002)	(5,703)	(1,122)	-	(32,980)
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 2009	2,164	2,304,878	885,669	64,825	36,962	151,612	3,446,110
Additions	-	27,226	42,011	14,984	41,248	324,640	450,109
Disposals	(2,112)	(57,727)	(1,938)	(3,904)	(475)	-	(66,156)
Transfers	-	3,641	2,439	-	-	(6,080)	-
Depreciation	-	(81,224)	(120,854)	(16,877)	(9,614)	-	(228,569)
Book value at 31 December 2010	52	2,196,794	807,327	59,028	68,121	470,172	3,601,494
Cost at 31 December 2010	52	2,419,585	1,060,330	106,753	84,674	470,172	4,141,566
Accumulated depreciation	-	(222,791)	(253,003)	(47,725)	(16,553)	-	(540,072)
Book value at 31 December 2010	52	2,196,794	807,327	59,028	68,121	470,172	3,601,494

Translated from the Russian original

6 Property, Plant and Equipment (Continued)

At 31 December 2010 construction in progress mainly represents the central sanitary inspection point building of Tenge 32,198 thousand, construction of poultry houses for rearing stock of Tenge 306,739 thousand, reconstruction of the current poultry houses for broilers of Tenge 87,662 thousand, expansion project costs up to 25,000 tons per year, design and survey works, technical support for the total amount of Tenge 14,004 thousand. Capitalized borrowing costs were Tenge 12,338 thousand. Capitalization rate for borrowings from Halyk Bank was from 16% to 19.5% per annum, for borrowings from KazAgrofinance – 13.58% per annum.

In 2010 the Company introduced the new type of product, cooled chicken, therefore 128 new refrigerated display cases for the total amount of Tenge 24,952 thousand were purchased and recognized within “Other” group.

In December 2010 the Company purchased and installed the grease collector at the Poultry Production and Processing Plant (“PPPP”) for the total amount of Tenge 2,693 thousand to eliminate the sewage clogging. Additionally, the main communication line was under major repair for the total amount of Tenge 3,550 thousand. In February the laundering workshop was opened at PPPP, therefore the washing machine and drier were purchased for Tenge 1,455 thousand. The Company purchased the data gathering terminal for Tenge 584 thousand to read the finished good barcodes. In April 10 glass door cases were purchased for the shops for the total amount of Tenge 2,170 thousand.

Building and constructions include the disposal of refrigerator base located at 15A, Samarskoye highway with carrying value of Tenge 57,727 thousand to the related party, Aitas Group LLP.

At the end of 2010 the certain property, plant and equipment with carrying amount of Tenge 1,975,009 thousand were pledged for borrowings from KazAgrofinance (2009: Tenge 1,965,507 thousand for borrowings from Halyk Bank and KazAgrofinance) (Note 0).

Depreciation charge

<i>In thousands of Kazakhstani Tenge</i>	Note	2010	2009
Cost of sales	17	201,448	118,848
Finished goods		3,582	27,307
General and administrative expenses	20	20,619	17,349
Distribution costs	19	2,920	936
Total depreciation charge		228,569	164,440

7 Other Non-Current Assets

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Intangible assets	4,869	5,704
Long-term receivables on sold apartments	12,729	-
Long-term inventories	15,195	13,544
Restricted cash	43,431	-
Advances issued for supply of property, plant and equipment	147,514	-
Other long-term receivables	18,140	10,417
Total other non-current assets	241,878	29,665

Long-term inventories represent the spare parts for the current equipment and other inventory with shelf life of more than 1 year.

Advances issued for supply of property, plant and equipment represent the prepayment for equipment for growing and feeding the broilers, and equipment for incubation under the lease agreement with JSC KazAgroFinance.

According to Agreement №304 dated 8 September 2010 signed with JSC Halyk Saving Bank of Kazakhstan, the deposit in the amount of Tenge 43,431 thousand is the collateral for loans under the credit line № 108 – KS dated 20 August 2007. This agreement is valid until the Company’s complete fulfillment of all obligations under the credit line.

8 Biological Assets

The Company is engaged in growing of broilers for supply to various customers. Presented below are approximate quantities of bearer (parent stock) and consumable (broilers) biological assets in thousands of heads as of 31 December 2010 and 31 December 2009:

	Bearer biological assets (parent stock)		Consumable biological assets (broilers)	
	2010	2009	2010	2009
Females	84	93	-	-
Males	8	9	-	-
Broilers	-	-	860	658
Total quantity of biological assets	92	102	860	658

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 regularly monitors the chicken meat prices to consider the need for active financial risk management.

For the year ended 31 December 2010 the Company produced 12,029 thousand kilograms of chicken meat and by-products (2009: 10,422 thousand kilograms).

Presented below are the movements in biological assets:

	Consumable biological assets (broilers)	Bearer biological assets (parent stock)	Total biological assets
<i>In thousands of Kazakhstani Tenge</i>			
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 distribution costs	1,735,706	(98,825)	1,636,881
Decrease due to slaughtering	(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
Purchase of chickens	-	53,415	53,415
Chicken breed from parent stock	557,205	-	557,205
Change in fair value less distribution costs	3,374,348	(21,750)	3,352,598
Decrease due to slaughtering	(3,758,390)	(13,787)	(3,772,177)
Change in fair value of biological assets	173,163	(35,537)	137,626
Carrying amount at 31 December 2010 – at fair value	240,365	171,955	412,320

9 Inventories

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Raw materials	492,165	305,868
Finished products	24,365	30,656
Less: provision for obsolete inventories	(8,133)	(5,217)
Total inventories	508,397	331,307

Increase in raw materials balance resulted from increase in feed components inventories (Tenge 174,982 thousand) and increase in average price of wheat at the end of 2010.

10 Accounts Receivable

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Trade receivables	63,013	33,077
Receivables from related parties	67,522	18,167
Receivables for utilities services rendered	6,470	11,931
Less: impairment provision	(1,200)	(1,544)
Total financial assets within accounts receivable	135,805	61,631
Advances to suppliers	109,969	77,719
VAT recoverable	-	17,277
Taxes prepaid	347	234
Receivables from employees	2,297	8,713
Deferred expenses	2,533	3,410
Less: impairment provision	(18,287)	(7,634)
Total accounts receivable	232,664	161,350

As at the end of 2010 the Company issued the advances for feeds supply for the amount of Tenge 61,805 thousand, fuel in the amount of Tenge 13,861 thousand.

VAT reimbursable as at 31 December 2009 represents the excess of offset amount over VAT payable to budget.

Accounts receivable are denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Tenge	223,153	152,690
Euro	7,181	8,331
Russian Roubles	2,330	329
Total accounts receivable	232,664	161,350

Presented below are the movements in the impairment provision for accounts receivable:

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Provision for impairment at 1 January	9,178	6,208
Provision for impairment during the year	10,309	2,970
Provision for impairment at 31 December	19,487	9,178

10 Accounts Receivable (Continued)

Presented below is the aging analysis of accounts receivable:

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Current but not overdue or impaired	120,882	24,117
Total current and not impaired	120,882	24,117
<i>Overdue but not impaired</i>		
- less than 30 days overdue	12,651	25,489
- 30 to 90 days overdue	2,065	11,944
- 91 to 180 days overdue	1	1
- 181 to 360 days overdue	206	80
- over 360 days overdue	-	-
Total overdue but not impaired	14,923	37,514
<i>Individually impaired</i>		
- less than 30 days overdue	-	-
- 30 to 90 days overdue	-	-
- 91 to 180 days overdue	-	-
- 181 to 360 days overdue	-	-
- over 360 days overdue	1,200	1,544
Total individually impaired	1,200	1,544
Less: impairment provision	(1,200)	(1,544)
Total	135,805	61,631

11 Cash and Cash Equivalents

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Cash at bank accounts – in Tenge	140,979	114,257
Cash at deposit accounts	406,569	-
Cash at hand	15,154	4,963
Total cash and cash equivalents	562,702	119,220

On 13 December 2010 bank deposit accounts were opened at JSC Halyk Bank, Kazakhstan for the total amount of Tenge 300,000 thousand for the period from 13 December 2010 to 13 December 2011, interest rate on such deposits is 6% per annum.

On 31 December 2010 bank deposit accounts were opened at JSC Halyk Bank, Kazakhstan for the total amount of 106,569 thousand for the period from 31 December 2010 to 31 March 2011, interest rate on such deposits is 6% per annum.

All bank account balances are neither past due nor impaired. Presented below is an analysis of bank account balances by the credit quality:

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
<i>Standard and Poor's rating</i>		
From B+ to B (2009: from B+ to B)/ forecasted rating - "Stable"	547,548	114,257
Total	547,548	114,257

12 Share Capital

<i>In thousands of Kazakhstani Tenge</i>	31 December 2010		31 December 2009	
	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

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 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 ordinary and preference shares.

<i>In thousands of Kazakhstani Tenge</i>	31 December 2010		31 December 2009	
	Amount	Ownership	Amount	Ownership
<i>Tolukbayev Serik Kulumbekovich</i>				
Ordinary shares	124,650	75%	124,650	75%
Preference shares	18,900	75%	18,900	75%
<i>Mozhayev Baurzhan Anuarbekovich</i>				
Ordinary shares	41,550	25%	41,550	25%
Preference shares	6,300	25%	6,300	25%

On 16 February 2009 the transaction on the Poultry Farm's shares sales to the individuals was input into the securities register of JSC Securities Registration System.

As of 31 December 2010 the total number of placed ordinary shares was 166,200 shares (2009: 166,200 shares) with a par value of Tenge 1,432 per share (2009: Tenge 1,432 per share). Each ordinary share carries one vote.

As of 31 December 2010 the total number of authorised preference shares was 25,200 shares (2009: 25,200 shares) with a par value of Tenge 1,432 per share (2009: 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. The holders of preference shares are entitled to 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 2010.

The following dividends were declared and paid during the year:

<i>In thousands of Kazakhstani Tenge</i>	2010		2009	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Dividends payable at 1 January				
Dividends declared during the year	349,851	53,046	-	25
Dividends paid during the year	298,696	53,046	-	25
Dividends payable at 31 December	51,155	-	-	-
Dividends per share declared during the year	2	2	-	0.001

Based on the results for the year 2005, on 30 March 2010 the General Shareholders Meeting determined the dividends payable for ordinary and preference shares in the amount of Tenge 265,920 thousand and Tenge 40,320 thousand, respectively, i.e. Tenge 1,600 per share.

12 Share Capital (Continued)

Based on the results for the year 2008, on 30 March 2010 the General Shareholders Meeting determined the dividends payable for ordinary and preference shares in the amount of Tenge 83,931 thousand and Tenge 12,726 thousand, respectively, i.e. Tenge 505 per share.

Earnings per share

Below is the calculation of earnings per ordinary share (basic and diluted):

	2010 r.	2009 r.
1 Profit for the year, thousand Tenge	1,237,095	235,097
2 Number of ordinary shares in issue	166,200	166,200
3 Earnings per share (basic and diluted earnings), Tenge	7,443	1,415
<i>Loans and Borrowings In thousands of Kazakhstani Tenge</i>		
	2010	2009
Short-term loans and borrowings		
Current portion of loan from KazAgroFinance (Tenge)	34,576	59,903
Current portion of loan from SK Leasing (BTA Orix) (Tenge)	6,978	7,988
Halyk Bank (USD/Tenge)	-	815,515
Total short-term loans and borrowings	41,554	883,406
Long-term loans and borrowings		
Long-term portion of loan from KazAgroFinance (Tenge)	1,027,919	74,433
Bonds issued (Tenge)	199,471	194,240
Long-term portion of loan from SK Leasing (BTA Orix) (Tenge)	2,706	5,996
Halyk Bank (USD/Tenge)	-	276,718
Total long-term loans and borrowings	1,230,096	551,387
Total loans and borrowings	1,271,650	1,434,793

The interest accrued is as follows:

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
KazAgroFinance (Tenge)	45,603	1,840
Bonds issued (Tenge)	5,000	5,000
SK Leasing (BTA Orix) (Tenge)	43	-
Halyk Bank (USD/Tenge)	-	9,544
Total interest accrued	50,646	16,384

13 Loans and Borrowings (Continued)

Presented below are the minimum lease payments under finance leases with SK Leasing (BTA Orix) 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 2010	6,601	4,852	-	11,453
Less: future finance charges	(2,146)	(4,393)	-	(6,539)
Present value of minimum lease payments at 31 December 2010	4,455	459	-	4,914
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

Carrying amount of leased assets at the end of the year was Tenge 23,091 thousand. These assets are effectively pledged for finance lease liabilities as the rights to the leased asset revert to the lessor in the event of default.

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

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Loans and borrowings due: - within 1 year	62,230	899,790
- between 2 and 5 years	285,814	551,387
- after 5 years	974,252	-
Total loans and borrowings	1,322,296	1,451,177

Halyk Bank

On 23 April 2010 the Company fully repaid the credit lines KS-108 and KS-137 to the Halyk Bank against the loans of JSC KazAgroFinance received under the loan refinancing agreement № VKO-4/22-10.

KazAgroFinance ("KAF")

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 interest rate on loan agreement is 4% per annum. The effective interest rate of the KazAgroFinance Loan 1 as of 31 December 2010 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 interest rate on loan agreement is 9% per annum. The effective interest rate of the KazAgroFinance Loan 2 as of 31 December 2010 is 12.28 % per annum.

On 2 March 2010 the Company signed the Agreement with KAF for total amount of Tenge 2,643,455 thousand. The Company's co-finance amount was Tenge 254,332 thousand. The loan amount of Tenge 2,389,123 thousand will be used as follows:

- in the form of loan up to Tenge 460,069 thousand for construction of new and reconstruction of old poultry houses;

13 Loans and Borrowings (Continued)

- in the form of loan up to Tenge 947,905 thousand for refinancing of current outstanding loan to JSC Halyk Bank, Kazakhstan.
- in the form of leasing up to Tenge 981,149 thousand for purchase of the poultry farm equipment.

The contract was signed under the following terms and conditions: the grace period for principal amount repayment for 2 years, the grace period for interest repayment for 1 year. The loan is intended for implementation of investment project - current poultry farm expansion up to 20,000 tons of meat products per year. The pledged buildings and constructions, equipment and 100% of shares of the Poultry Farm should be at least 120% of loan amount plus the amount of expected annual interest and guarantee of the commercial bank.

On 15 March 2010 the Company signed the loan agreement № VKO-4/22-10 with KAF for the amount of Tenge 947,905 thousand for refinancing of the current outstanding loan to JSC Halyk Bank Kazakhstan with the annual principal amount repayment period from March 2012 to March 2017. The interest rate on loan agreement is 6% per annum. The effective interest rate under this loan agreement is 14.26%, with the grace period for interest repayment up to 17 April 2011.

On 28 April 2010 the Company signed the finance lease agreement № VKO-4/24-10 with KAF for the amount of Tenge 765,579 thousand for supply of the equipment for growing and feeding the broilers with the useful life of 8 years. Such equipment is purchased from Big Dutchman International GmbH (Germany). Interest rate on leasing is 6% per annum. Leasing period is up to 10 March 2018. The Company's co-financing amount is Tenge 114,837 thousand. The principal lease amount of Tenge 650,742 thousand will be repaid annually during the period from 1 to 10 March. The grace period on principal amount repayment is 2 years.

On 5 May 2010 the Company signed the finance lease agreement № VKO-4/25-10 with KAF for the amount of Tenge 217,851 thousand for purchase of equipment for incubator with the useful life of 8 year. Such equipment is purchased from Pas Perform B.V., Netherlands. Interest rate for this agreement is 6%. Lease period is up to 10 March 2018. The Company's co-financing amount is Tenge 32,678 thousand. The principal amount of Tenge 185,173 thousand will be repaid during the period from 1 to 10 March. The grace period for repayment of the principal amount is 2 years.

On 26 July 2010 the Company signed the loan agreement № VKO-4/28-10 with KAF for the amount of Tenge 132,989 thousand for construction of new and reconstruction of the current poultry houses with the annual repayment of the principal amount during the period from 26 March 2012 to 26 March 2017. The interest rate on loan agreement is 6% per annum. The effective interest rate for this loan agreement is 14.2 %, with the grace period for interest repayment up to 20 July 2011.

On 4 October 2010 the Company signed the loan agreement № VKO-4/31-10 with KAF for the amount of Tenge 70,000 thousand for construction of new and reconstruction of the current poultry houses with the annual repayment of principal amount during the period from 4 March 2012 to 23 April 2017. The interest rate on loan agreement is 6% per annum. The effective interest rate under this agreement is 14 % with the grace period for interest repayment up to 5 November 2011.

On 5 November 2010 the Company signed the loan agreement № VKO-4/32-10 with KAF for the amount of Tenge 115,000 thousand for construction of new and reconstruction of the current poultry houses with the annual repayment of principal amount during the period from 5 March 2012 to 23 April 2017. The interest rate on loan agreement is 6% per annum. The effective interest rate under this agreement is 14.0 % with the grace period for interest repayment up to 30 September 2011.

Certain property, plant and equipment of Tenge 1,975,009 thousand (see Note 6) are pledged for the loans received from KAF.

According to the Agreement on granting a credit line from KAF on March 2, 2010 Company must fulfill the following obligations:

- Company agrees to the use of the amount of the loan to give preference to domestic producers and suppliers of goods and services acquired for the purposes of the Project;
- Do not use the amount of funding for consulting services;
- Development of design estimates documentation for the project must be implemented by the Company only in the project companies, accredited by KAF;
- KazAgroFinance may involve independent experts in the field of construction control and supervision. All costs will be borne by the Company;

13 Loans and Borrowings (Continued)

- The project must be operational no later than 23 months from the beginning of project financing;
- KazAgroFinance has an unconditional agreement to direct debit money from any bank accounts of the Company for repayment of financial obligations;
- Coefficient reindexing for a loan lease is equivalent to 230 tenge for 1 Euro;
- The company must provide 100% share capital of the UPF as collateral;
- The guarantor must be second-tier bank or a legal person - resident of the Republic of Kazakhstan, having a debt rating not lower than group B, assigned by Standart &Poors;
- The company should provide all necessary information on any request from KAF;
- The company provides a full and unqualified right to members of KAF to conduct an inventory of assets and liabilities;
- The given loans should be used no later than December 31, 2011.

In case of violation of obligations, the Company, at the request of KAF, should pay penalties (fines) established by the Agreement, as well as to compensate all losses of KAF, including the cost of enforcing the discharge of the obligations and any duties and taxes payable due to breach of its obligations.

As at December 31, 2010 the Company fulfilled its obligations to KAF and bore no cost for the penalty.

International Financial Corporation

On 28 June 2010 the Company signed the financing agreement with the International Financial Corporation ("IFC") for the amount of 2 million USD for the period of 6 years, interest rate of 8.5% per annum, repayment by 8 semi-annual payments upon expiration of 2-year—grace-period. This financing is secured by equipment for sunflower seed processing with cost of two million USA dollars (\$ 2,000,000) to be acquired by MFK loans, and secured with the priority of the claim.

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.

SK Leasing (BTA Orix)

In October 2010 BTA Orix Leasing was renamed into SK Leasing.

On 16 May 2008 the Company signed two loan agreements with JSC BTA Orix in the form of finance lease ("Finance lease") for the amounts of Tenge 14,900 thousand and Tenge 17,941 thousand with repayment period up to 20 July 2011 and 20 September 2011, respectively. The effective interest rate under these finance lease agreements is 19% per annum. Interest on finance lease will be repaid on monthly basis. The finance lease is intended for purchase of machinery and equipment.

On 29 March 2010 the Company signed the loan agreement with JSC BTA Orix in the form of finance lease ("Finance lease") for the amount of Tenge 5,268 thousand with maturity date up to 25 April 2013. The effective interest rate under the finance lease agreement is 20% per annum. The interest on finance lease will be repaid on the monthly basis. The finance lease is intended for purchase of lorries - GAZ 3302-216.

Carrying amount of loans and borrowings at the end of 2010 and 2009 approximates their fair value. Fair value is based on the cash flows discounted using the rate of loans and borrowings of 15% per annum.

13 Government Grant

Under loans №VKO-4/22-10, VKO-4/28-10, VKO-4/31-10, VKO-4/32-10 received from KAF, described in Note 13, the Company recognized the deferred income in accordance with IAS 20 and IAS 39 for the amount of Tenge 174,936 thousand. The deferred income will be amortized evenly within the useful life of assets for construction of which such loans are received. In 2010 finance income was amortized and recognized in the amount of Tenge 1,957 thousand.

14 Accounts Payable

<i>In thousands of Kazakhstani Tenge</i>	Note	2010	2009
Trade payables		267,078	190,777
Salaries payable		15,689	21,053
Dividends payable	12	51,155	-
Accrued bonuses		60,000	-
Total financial liabilities within accounts payable		393,922	211,830
Advances received		43,443	17,328
Other payables		647	323
Total payables		438,012	229,481

Accounts payable denominated in foreign currencies are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Euro	98,886	69,510
US dollars	21,624	1,961
Roubles	15	-
Accounts payable denominated in foreign currencies	120,525	71,471

15 Revenue

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Sale of broiler meat and by-products	4,084,754	3,040,766
Other sales	14,996	3,81
Goods returns and discounts	(33,922)	(29,172)
Total revenue	4,065,828	3,015,407

16 Cost of Sales

<i>In thousands of Kazakhstani Tenge</i>	Note	2010	2009
Feed		1,570,060	1,450,714
Payroll and related expenses		344,730	251,133
Materials		223,436	157,532
Electricity		163,988	110,302
Depreciation of property, plant and equipment	6	201,448	118,848
Fuel		127,384	105,935
Veterinary services		92,263	70,150
Other		73,869	94,718
Total cost of sales		2,797,178	2,359,332

In 2010 the Company changes the vaccination system which had the positive impact: poultry safety in 2010 reached 94.1% in comparison to 2009 – 89,9% (safety is determined as the number of poultry reaching the production).

17 Other Operating Income, Net

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Government grants received	404,241	536,630
Income from VAT discount	91,485	76,337
Foreign exchange profit/(losses)	10,751	(259,890)
Rent income	2,056	1,664
Income from disposal of property, plant and equipment	876	1,859
Income from penalties received	448	1,433
Net income from barter transactions	-	4,671
Loss from provision of utilities services	(9,726)	(24,933)
Other expenses	(9,220)	(20,622)
Total other operating income, net	490,911	317,149

During 2010 and 2009 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% to stimulate the production and sales of chicken meat, improve productivity, quality and competitiveness of poultry products. The grant was distributed to the domestic agricultural commodity producers specializing in chicken meat production based on the actual volumes of sales of chicken meat in slaughter weight sold in the domestic market. 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.

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

Foreign exchange loss in 2009 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 JSC Halyk Bank, Kazakhstan.

18 Distribution Costs

<i>In thousands of Kazakhstani Tenge</i>	Note	2010	2009
Transportation		27,289	9,858
Materials		15,626	-
Warehouse storing expenses		11,382	36,020
Payroll and related expenses		10,218	14,211
Marketing and advertising		5,513	1,705
Depreciation of property, plant and equipment	6	2,920	936
Electricity		612	7,869
Repair and maintenance		-	245
Other		5,528	1,465
Total distribution costs		79,088	72,309

20 General and Administrative Expenses

<i>In thousands of Kazakhstani Tenge</i>	Note	2010	2009
Payroll and related expenses		212,721	107,898
Audit and consulting services		40,418	28,550
Taxes other than on income		28,226	26,374
Security		21,015	20,410
Depreciation of property, plant and equipment	6	20,619	17,349
Transportation		18,580	22,144
Business trip and representative expenses		13,722	14,430
Provision for impairment of accounts receivable	10	10,309	2,970
Fines and penalties		8,430	11,062
Provision/(recovery) for impairment of obsolete inventories		7,204	(13,311)
Bank charges		7,721	5,787
Communication		7,109	7,650
Materials		6,644	4,258
Insurance		5,364	4,832
Catering and medical service		4,497	4,453
Environmental expenses		2,688	383
Social payments		1,470	3,259
Repair and maintenance		1,096	640
Other		44,756	27,745
Total general and administrative expenses		462,589	296,883

21 Finance Income

<i>In thousands of Kazakhstani Tenge</i>	Note	2010	2009
Income from loans received from KAF at the rate below market		154,384	-
Income from early repayment of loan to the Shareholder	5	19,367	-
Income from deposits		1,220	-
Loans to related party: amortization of present value discount	5	-	9,972
Total finance income		174,971	9,972

22 Finance Costs

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Interest payable – KazAgroFinance	88,272	24,878
Interest payable – Halyk Bank	55,187	154,639
Interest payable – issued bonds 2008	30,001	30,001
Interest payable – SK Leasing	4,669	6,010
Interest payable – Aitas Distribution	-	486
Total finance costs	178,129	216,014

23 Taxes

Income tax expense comprises the following:

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Current income tax	65,748	10,165
Deferred income tax	42,558	20,544
Income tax expense for the year	108,306	30,709

Reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Profit before tax	1,352,352	270,540
Theoretical tax charge at applicable statutory rate (6 percent for agricultural activities and 20 percent for other activities)	81,141	16,232
Tax effect of non- deductible expenses or non- taxable income:		
- Effect of change in current tax rate	14,475	(5,399)
- Non-taxable income	-	(4,580)
- Unrecognised tax loss carry forward	-	18,834
- Prior year tax assessments	1,120	-
- Non-deductable provisions for obsolete and shortage of inventories	5,781	1,509
- Non-deductible fines and penalties	-	164
- Other non-deductible expenses	5,789	3,949
Income tax expense	108,306	30,709

24 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 2010	Charged/ (credited) to profit or loss	Recognised directly in equity	31 December 2010
Tax effect of deductible temporary differences				
Loans to related parties	1,162	(1,162)		-
Accounts receivable	551	618		1,169
Other payables	2,784	1,040		3,824
Inventories	350	122		472
Deferred income tax asset	4,847	618		5,465
Tax effect of taxable temporary differences				
Property, plant and equipment	83,689	10,547	6,951	101,187
Biological assets	9,878	14,861		24,739
Loans and borrowings	1,001	17,768		18,769
Gross deferred income tax	94,568	43,176	6,951	144,695
Less: offsetting with deferred tax assets	(4,847)	(618)		(5,465)
Recognised deferred income tax liability	89,721	42,558	6,951	139,230

Amount of Tenge 6,951 thousand (2009: Tenge 4,734 thousand) charged directly to equity in relation to deferred tax consists of a revaluation effect of property, plant and equipment.

Temporary differences on accounts receivable, biological assets, other payables and inventories will be settled in 2011. Taxable temporary differences on property, plant and equipment, loans to related parties and loans and borrowings are expected to be settled after 2012.

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23 Taxes (Continued)

<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 liability	85,531	1,169	4,734	91,434
Less: offsetting with deferred tax assets	(21,088)	19,375	.	(1,713)
Recognised deferred income tax liability	64,443	20,544	4,734	89,721

Taxes Payable

Current income tax

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Current income tax	2,225	802
Total income tax	2,225	802

Other taxes payable

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
VAT	19,710	6,173
Pension contributions	5,508	4,675
Payment for pollution emissions to environment	3,219	2,584
Individual income tax	3,558	2,149
Social tax	2,021	1,322
Other	110	210
Total other taxes payable	34,126	17,113

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.

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.

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.

On 26 November 2010 the President of the Republic of Kazakhstan signed the *Law Concerning Introduction of Amendments into the Taxation Normative Acts of the Republic of Kazakhstan* whereby the corporate income tax rate was fixed at 20% without any changes in further years. The changes in corporate income tax rates had the effect on the recognised amount of deferred income tax liability (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 2010 no provision for potential tax liabilities had been recorded (2009: 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. According to the World Health Organization, during the period from 2003 to 2009, 262 people in 16 countries died of avian influenza. The latest case of man death of avian influenza was recorded on 20 January 2009 in China.

The World Health Organization since 1997 confirmed about 512 (2009: 467) cases of human infection of which 304 (2008: 282) 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. According to the 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 follow-up 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.

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

<i>In thousands of Kazakhstani Tenge</i>	Note	2010	2009
Cash and cash equivalents			
- Cash and cash equivalents	11	547,548	114,257
Accounts receivable			
- Current financial assets, net	10	69,483	45,008
Loans to related party			
- Loans to related party		-	66,583
Total maximum exposure to credit risk		617,031	225,848

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 10. Any delays in payment are investigated.

Credit risks concentration

As at 31 December 2010 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 2010 the Company had no counterparties with aggregated receivables balances above 10 percent of the Company's net assets. The same situation was in 2009.

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default (Note 11). **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 2010 the Company fully repaid the USD denominated loans received from Halyk Bank and has not received any new foreign currency denominated loans. As at 31 December 2010, the Company had the accounts payable denominated in Euro and USD. Foreign currency denominated liabilities (see Notes 13, 14) expose the Company to the currency risk.

25 Financial Risk Management (Continued)

In 2010 there were no any dramatic fluctuations in foreign exchange rates, the fluctuation ranges from Tenge 146.4 to Tenge 148.5 for 1 USD, from Tenge 175.5 to Tenge 215.1 for 1 Euro.

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>	2010	2009
<i>Impact on profit or loss and on equity of:</i>		
US Dollar strengthening/weakening by 10 percent in 2010 and 25 percent in 2009	9,889	152,568
Euro strengthening/weakening by 10 percent in 2010 and 25 percent in 2009	2,162	36,014

Interest rate risk on borrowings

Interest rate risk arises for borrowings. As at 31 December 2010 interest rates on all the Company's borrowings are fixed, therefore the Company is not exposed to interest rate risk.

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 2010 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 2010 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)	1,240	20,252	70,707	1,120,949	421,965	1,635,113
Trade payables (Note 15)	282,767	111,155	-	-	-	393,922
Total future payments, including future principal and interest payments	284,007	131,407	70,707	120,949	421,965	2,029,035

25 Financial Risk Management (Continued)

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

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 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 2010, the Company's strategy was to maintain the gearing ration within 20-40% and minimize the gearing ratio by repaying its debt.

The gearing ratios at 31 December 2010 and 2009 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	2010	2009
Total debt	1,322,296	1,451,177
Total equity	3,479,443	2,645,245
Gearing ratio	38%	55%

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.

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 3 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 21 January 2011 the Company signed the Credit Line Agreement KS-169 with JSC Halyk Bank, Kazakhstan whereby the Bank provides the renewable credit line which includes the bank loans. This credit line is intended for replenishment of the working capital for the total amount of Tenge 300 million, interest rate on these bank loans is at least 12% per annum in Tenge, the annual effective interest rate is 12.7%. The credit line will be provided for the period from 21 January 2011 to 21 January 2014.

On 24 February 2011 under the decision of the Company's Sole Shareholder, the 100% of shares have been pledged to JSC KazAgroFinance for liabilities of JSC Ust-Kamenogorsk Poultry Farm to JSC KazAgroFinance in the signed Investment Project Financing Agreement dated 2 March 2010.

On 17 February 2011 the Company purchased the feeding and watering equipment to grow the broilers under leasing with JSC KazAgroFinance in the amount of Tenge 765,579 thousand under the finance leasing agreement № VKO-4/24-10 dated 28 April 2010. The equipment was purchased from Big Dutchman International GmbH (Germany) (see Note 13).

On 10 March 2011 the Company signed the loan agreement № VKO-4/33-11 with JSC KazAgroFinance in the amount of Tenge 64,000 thousand for construction of the new and reconstruction of the current poultry houses with the annual repayment of principal amount during the period from 10 March 2012 to 23 April 2017. The effective interest rate under this agreement is 6.1 % with the grace period for interest repayment up to 10 March 2012.

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Notes to the Financial Statements – 31 December 2010

Information on the calculation of book value per share at 31 December, 2010 and 31 December, 2009 years according to the method of the Listing Rules of JSC "Kazakhstan Stock Exchange".

The carrying value of an ordinary share is calculated by dividing the net assets to ordinary shares by the number of ordinary shares on the balance sheet date.

	2010	2009
1 Assets, thousand Tenge	5,588,311	4,433,539
2 Intangible assets, thousand Tenge	4,869	5,704
3 Liabilities, thousand Tenge	2,108,868	1,788,294
4 Preferred shares, thousands Tenge	36,079	36,079
5 Net assets, thousand Tenge ((p.1 – p.2) – p.3 – p.4)	3,438,495	2,603,462
6 Number of ordinary shares	166,200	166,200
7 The carrying amount of an ordinary share, thousand Tenge (p.5 / p.6)	20.69	15.66

The carrying amount of preferred shares is determined by dividing the capital owned by the holders of preference shares by the number of preferred shares at that date.

	2010	2009
1 Equity attributable to holders of preferred shares, thousand Tenge	36,079	36,079
2 Number of preferred shares	25,200	25,200
3 The carrying amount of preferred shares, thousand Tenge (p.1 / p.2)	1.43	1.43