Joint Stock Company

Holding KAZEXPORTASTYK

Consolidated Financial Statements
for the year ended 31 December 2006

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Independent Auditors' Report

To the Shareholders of Joint Stock Company Holding KAZEXPORTASTYK

Report on Consolidated Financial Statement

We have audited the accompanying consolidated financial statements of Joint Stock Company Holding KAZEXPORTASTYK (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2006, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Berdalina J. K.
Certified auditor
Managing Partner

Matthew Cook
Audit Partner

KPMG Audit LLC
Licence #0000021 dated 06 December 2006
to conduct audits

16 May 2007

	Note	2006 ’000 KZT	2005 ’000 KZT
Revenue	5	9,821,663	6,325,114
Cost of sales	6	(7,596,294)	(5,003,222)
Gross profit		**2,225,369**	**1,321,892**
Other income	7	240,379	8,436
Distribution expenses	8	(320,509)	(47,964)
Administrative expenses	9	(364,215)	(176,945)
Other expenses	11	(8,091)	(36,480)
Financial income	10	422,587	147,626
Financial expense	10	(1,049,856)	(377,905)
Profit before income tax		**1,145,664**	**838,660**
Income tax expense	13	(30,563)	(72,792)
Profit for the year		**1,115,101**	**765,868**
Attributable to:			
Shareholders of the Company		1,115,051	765,842
Minority interest		50	26
		1,115,101	**765,868**

These consolidated financial statements were approved by management on 16 May 2007 and were signed on its behalf by:

Yessenkulov Y.S.
General Director

Kassabekov M.A.
Chief Financial Officer

The consolidated income statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 41.

		2006	2005
ASSETS	**Note**	**'000 KZT**	**'000 KZT**
Non-current assets			
Property, plant and equipment	14	813,770	666,841
Biological assets	15	29,661	9,597
Advances for property, plant and equipment		737,984	342,681
Deferred tax assets	16	8,028	26,645
Non-current portion of net investment in finance leases	17	3,905,088	2,334,790
Total non-current assets		**5,494,531**	**3,380,554**
Current assets			
Inventories	18	7,890,164	3,300,531
Biological assets	15	52,195	19,585
Advances for delivery of inventory	19	1,634,793	7,126,211
Current portion of net investment in finance leases	17	901,563	451,511
Trade and other receivables	20	3,613,383	508,487
Cash and cash equivalents	21	4,098,187	39,642
Total current assets		**18,190,285**	**11,445,967**
Total assets		**23,684,816**	**14,826,521**
EQUITY AND LIABILITIES			
Equity	22		
Share capital		5,260,105	4,260,010
Share premium		1,236,645	-
Reserve capital		398,301	398,301
Retained earnings		2,144,564	1,042,688
Total equity attributable to shareholders of the Company		**9,039,615**	**5,700,999**
Minority interest		187	137
Total equity		**9,039,802**	**5,701,136**
Non-current liabilities			
Loans and borrowings	23	9,912,257	1,195,595
Total non-current liabilities		**9,912,257**	**1,195,595**
Current liabilities			
Loans and borrowings	23	3,661,290	6,795,344
Trade and other payables	24	1,071,467	1,134,446
Total current liabilities		**4,732,757**	**7,929,790**
Total liabilities		**14,645,014**	**9,125,385**
Total equity and liabilities		**23,684,816**	**14,826,521**

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 41.

	2006 '000 KZT	2005 '000 KZT
OPERATING ACTIVITIES		
Profit for the year	**1,115,101**	**765,868**
Adjustments for:		
Depreciation	94,667	69,443
(Recovery of)/impairment loss on trade accounts receivable	(25,548)	12,630
Loss on disposal of property, plant and equipment	5,279	2,210
(Gain)/loss on change in fair value of biological assets	(35,566)	25,927
Interest income	(1,108,109)	(669,784)
Interest expense on loans	693,752	213,778
Interest expense on bonds	324,415	-
Interest expense on leases	31,689	18,406
Minority interest	-	111
Income tax expense	30,563	72,792
Net unrealised foreign exchange (gain)/loss	(334,543)	57,624
Operating profit before changes in working capital and provisions	**791,700**	**569,005**
(Increase)/decrease in trade and other receivables	(3,101,671)	7,636,857
Increase in inventory	(7,231,056)	(5,306,420)
Increase in biological assets	(15,548)	(14,031)
(Increase)/decrease in advances paid	5,541,701	(7,028,868)
Decrease in trade and other payables	(157,078)	(4,461,286)
Cash flows utilized by operations before ncome taxes and interest paid	**(4,171,952)**	**(8,604,743)**
Income taxes paid	(31,686)	(39,329)
Finance lease interest paid	(32,556)	(4,366)
Interest paid on loans	(665,950)	(195,615)
Interest paid on bonds	(381,237)	-
Cash flows utilised by operating activities	**(5,283,381)**	**(8,844,053)**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(245,666)	(88,265)
Advances paid for property, plant and equipment	(395,303)	(250,531)
Repayment of finance lease liabilities	600,595	251,269
Lease interest received	1,119,184	486,699
Proceeds from sale of biological assets	(1,560)	1,886
Proceeds from sale of property, plant and equipment	4,480	19,863
Cash flows from investing activities	**1,081,730**	**420,921**
FINANCING ACTIVITIES		
Proceeds from issue of share capital	2,000,190	2,000,010
Capital contribution	236,551	-
Dividends paid	(13,175)	(15,136)
Proceeds from issue of bonds	7,946,503	-
Proceeds from borrowings	4,824,237	9,074,533
Repayment of loans	(6,680,087)	(2,563,402)
Repayment of finance lease liabilities	(54,023)	(54,003)
Cash flows from financing activities	**8,260,196**	**8,442,002**
Net increase in cash and cash equivalents	**4,058,545**	**18,870**
Cash and cash equivalents at beginning of year	39,642	20,772
Cash and cash equivalents at end of year (**N**ote 21)	**4,098,187**	**39,642**

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 41.

’000 KZT	**Attributable to shareholders of the Company**					**Minority**	**Total**
	Share capital	**Share premium**	**Reserve capital**	**Retained earnings**	**Total**	**interest**	**Equity**
Balance at 1 January 2005	2,260,000	-	398,301	327,180	2,985,481	-	2,985,481
Acquisition of subsidiary	-	-	-	-	-	111	111
Profit and total recognized income and expenses for the year	-	-	-	765,842	765,842	26	765,868
Distributions to related parties	-	-	-	(35,198)	(35,198)	-	(35,198)
Dividends to shareholders	-	-	-	(15,136)	(15,136)	-	(15,136)
Shares issued	2,000,010	-	-	-	2,000,010	-	2,000,010
Balance at 31 December 2005	4,260,010	-	398,301	1,042,688	5,700,999	137	5,701,136
Balance at 1 January 2006	4,260,010	-	398,301	1,042,688	5,700,999	137	5,701,136
Profit and total recognized income and expenses for the year	-	-	-	1,115,051	1,115,051	50	1,115,101
Dividends to shareholders	-	-	-	(13,175)	(13,175)	-	(13,175)
Shares issued	1,000,095	1,000,095	-	-	2,000,190	-	2,000,190
Contribution by shareholders (Note 22 (e))	-	236,550	-	-	236,550	-	236,550
Balance at 31 December 2006	**5,260,105**	**1,236,645**	**398,301**	**2,144,564**	**9,039,615**	**187**	**9,039,802**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 41.

1 Background

(a) Organisation and operations

Joint Stock Company Holding KAZEXPORTASTYK (the "Company") is a Kazakhstan joint stock company as defined in the Civil Code of the Republic of Kazakhstan. The Company was registered on 8 October 2004 after changing its name and legal form from LLC "BidayExim Taiynsha". LLC "BidayExim Taiynsha" was registered on 15 June 2004 after an increase of charter capital from 100 thousand tenge (hereinafter "KZT") to KZT 2,260,000 thousand and changing its name from LLC "Agrofirm Eximnan", registered on 2 April 1999. The Company's shares are not traded on a public stock exchange.

LLC "Agrofirm Eximnan" (hereinafter the "Subsidiary") was registered as a separate entity on 21 December 2004. On 25 July 2005 the Company contributed KZT 463,512 thousand to charter capital of the Subsidiary. KZT 111 thousand were contributed by minority shareholders, Subsidiary's employees. The Company owns 99.98% of the Subsidiary.

The Company's registered office is in Astana at Otyrar Street, 27.

The Company's principal activity is the purchase of wheat from companies controlled by the Company's ultimate controlling party (hereinafter "Companies under Common Control"), Mr. R. J. Moldabekov (hereinafter "the Shareholder"), and subsequent re-sale to third parties. A secondary activity of the Company is the purchase of machinery and equipment and subsequent leasing of this equipment to the Companies under Common Control.

The Subsidiary is involved in the production of wheat and other agricultural products. The Company leases land of approximately 38,000 hectares from small land owners and the Government of Kazakhstan. Harvested products are sold to the Company.

The Company and its Subsidiary (hereinafter the "Group") deal in wheat and other agricultural products, selling in Kazakhstan as well as abroad. The activities of the Companies under Common Control are closely linked with the requirements of the Group, and determination of the prices at which products are sold to the Companies under Common Control is undertaken in conjunction with the Companies under Common Control. Related party transactions are detailed in Note 29.

The Group is ultimately controlled by a single individual, Mr. R.J. Moldabekov, who has the power to direct the transactions of the Group at his own discretion and for his own benefit. He also has a number of other business interests outside the Group.

(b) Business environment

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial assets available-for-sale and biological assets are measured at fair value and fair value less point-of-sale costs, respectively.

(c) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan Tenge ("KZT"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in KZT has been rounded to the nearest thousand.

(d) Use of judgements, estimates and assumptions

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRSs. Actual results may differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies are described in the following notes:

- Note 15 – biological assets;
- Note 28 – contingencies.

3 Significant accounting policies

The significant accounting policies applied in the preparation of the consolidated financial statements are described in Note 3(a) to 3(r). These accounting policies have been consistently applied.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3 Significant accounting policies, continued

(a) Basis of consolidation, continued

(ii) Acquisitions and disposals of minority interests

Any difference between the consideration paid to acquire a minority interest, and the carrying amount of that minority interest, is recognised as goodwill or negative goodwill.

Any difference between the consideration received upon disposal of a minority interest, and the carrying amount of that portion of the Group's interest in the subsidiary including attributable goodwill, is recognised in the income statement.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(ii) Non-derivative financial instruments, continued

Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expenses is discussed in Note 3(n).

(d) Share capital

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3 Significant accounting policies, continued

(e) Property, plant and equipment, continued

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- buildings and constructions 5 - 40 years
- machinery and equipment 5 - 25 years
- vehicles 7 - 10 years
- other property, plant and equipment 3 - 5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(f) Biological assets

Biological assets represent primarily livestock. Livestock are measured at their fair value and less estimated point-of-sale costs with any resultant gain or loss recognised in profit and loss. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding the costs necessary to get the assets to market. The fair value of livestock is determined based on the market prices of the livestock of similar age, breed, and genetic merit.

Wheat and other crops are measured at fair value at the point of harvest. Fair value is determined based on the price of the wheat of a similar kind less costs to sell.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

3 Significant accounting policies, continued

(h) Investment in finance leases

Gross investments in the lease are the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor. Minimum lease payments are the payments over the lease term that the lessee is, or can be required, to make excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor.

Net investment in a lease is the gross investment in the lease less unearned finance income and are recorded in “net investment in finance leases” in the balance sheet. The unearned finance income is amortised to finance lease revenues over the lease term to produce a constant percentage return on the net investment in the lease. Any allowance for possible losses under finance leases is charged to expense and is recorded as a reduction to the net investment in the lease.

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments to be equal to the fair value of the leased asset.

Fair value is the amount for which a leased asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

(ii) Reversal of impairment

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

3 Significant accounting policies, continued

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans, including Kazakhstan's State pension fund, are recognised as an expense in profit or loss when they are due.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3 Significant accounting policies, continued

(m) Revenue

(i) Sale of wheat

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(ii) Leased equipment

Revenue from equipment that the Group leases out under finance leases is recognised at the point when the significant risks and rewards have been transferred to the lessee as determined by the lease agreements. Revenue also includes finance lease interest income.

(n) Financial income and expense

Financial income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Financial expense comprises interest expense on borrowings, foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(o) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3 Significant accounting policies, continued

(o) Income tax expense, continued

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(q) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2006, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the consolidated Group's operations. The Group plans to adopt these pronouncements when they become effective.

- IFRS 7 *Financial Instruments: Disclosures* and the *Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect to Group's financial instruments and share capital. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- IFRS 8 *Operating Segments,* which is effective for annual periods beginning on or after 1 January 2009. The Standard introduces the "management approach" to segment reporting. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

3 Significant accounting policies, continued

(r) Comparative information

During the current year, the Group modified the classification of finance lease interest income as revenue. Comparatives have been reclassified accordingly.

VAT benefit was reclassified from cost of sales to revenue. The reclassification did not impact the Group's cash flows.

Impairment loss on trade and other receivables and recovery of receivables previously provided for were reclassified from other expenses to distribution expenses.

Lease and loan interest payable were reclassified to trade and other payables. Lease and loan payable balances were combined to a single financial statement caption.

Lease interest receivable was reclassified to trade and other receivables.

4 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is not determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis of allocation of the Group's revenues and expenses, as well as assets and liabilities is primary goal or source of the operation. Unallocated items comprise mainly income-earning assets and revenue, and corporate assets and expenses, and income tax assets and liabilities.

(a) Business segments

The Group comprises the following main business segments:

Agriculture: Sowing, growing, harvesting and sale of wheat.

Leasing. Purchase of agricultural equipment and leasing to the producing farms under finance leases.

(b) Geographical segments

The wheat producing and leasing segments are managed in Kazakhstan. The Group's assets are concentrated in the Republic of Kazakhstan, and the majority of the Group's revenues and net income is derived from operations in, or connected with, the Republic of Kazakhstan.

4 Segment reporting, continued

(i) Business segments

	Agriculture		Leasing		Total	
’000 KZT	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Revenue from external customers	6,261,362	3,112,843	3,560,301	3,212,271	9,821,663	6,325,114
Segment result	**1,081,655**	**723,726**	**861,738**	**296,741**	**1,943,393**	**1,020,467**
Unallocated expenses					(364,215)	(176,945)
Unallocated financial income					422,587	147,626
Unallocated financial expenses					(856,101)	(152,488)
Income tax expense					(30,563)	(72,792)
Profit for the year					**1,115,101**	**765,868**

4 Segment reporting, continued

(i) Business segments, continued

	Agriculture		Leasing		Other operations		Consolidated	
’000 KZT	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Segment assets	13,913,626	11,493,075	5,640,341	3,217,405	-	-	19,553,967	14,710,480
Unallocated assets	-	-	-	-	4,130,849	116,041	4,130,849	116,041
Total assets	**13,913,626**	**11,493,075**	**5,640,341**	**3,217,405**	**4,130,849**	**116,041**	**23,684,816**	**14,826,521**
Segment liabilities	12,664,770	7,746,177	1,980,244	1,315,442	-	-	14,645,014	9,061,619
Unallocated liabilities	-	-	-	-	-	63,766	-	63,766
Total liabilities	**12,664,770**	**7,746,177**	**1,980,244**	**1,315,442**	**-**	**63,766**	**14,645,014**	**9,125,385**
Depreciation	83,345	33,736	-	-	11,322	35,707	94,667	69,443
Capital expenditure	125,583	30,886	-	-	120,083	57,379	245,666	88,265

5 Revenue

	2006	2005
	’000 KZT	**’000 KZT**
Revenue from sales of agricultural products	6,148,565	3,110,308
Revenue from leasing activities	2,504,808	2,690,113
Lease interest income from finance leases	1,055,493	522,158
Revenue from sales of spare parts	105,032	-
Other revenue	7,765	2,535
	9,821,663	**6,325,114**

6 Cost of sales

	2006	2005
	’000 KZT	**’000 KZT**
Cost of agricultural products sold	4,990,427	2,310,574
Cost of equipment sold under finance leases	2,504,808	2,690,113
Cost of spare parts sold	93,115	-
Cost of other products sold	7,944	2,535
	7,596,294	**5,003,222**

7 Other income

	2006	2005
	’000 KZT	**’000 KZT**
Income from penalties	185,817	-
Gain on revaluation of biological assets	35,566	-
Other income	18,996	8,436
	240,379	**8,436**

Income from penalties is earned from farmers who fail to deliver wheat in accordance with their contract.

8 Distribution expenses

	2006	2005
	’000 KZT	**’000 KZT**
Transportation expense	194,492	25,152
Grain elevator services	133,052	9,021
Impairment loss on/(recovery of) trade and other receivables	(25,548)	12,630
Other	18,513	1,161
	320,509	**47,964**

9 Administrative expenses

	2006	2005
	’000 KZT	**’000 KZT**
Bank commisions	138,686	70,706
Salaries	63,645	31,260
Taxes other than on income tax	30,567	15,961
Vehicle maintenance	18,426	9,606
Audit and consultancy	18,388	15,949
Business travel	12,507	5,524
Brokerage fees	12,496	-
Supplies	11,446	1,766
Depreciation	11,322	1,767
Communication expense	10,628	4,418
Sponsorship	9,074	5,882
Other	27,030	14,106
	364,215	**176,945**

10 Financial income and expense

	2006	2005
	’000 KZT	**’000 KZT**
Financial income		
Unwinding of discount on interest-free loans	50,283	147,626
Interest earned on deposits	2,333	-
Foreign exchange gain	369,971	-
	422,587	**147,626**
Financial expenses		
Interest on loans	617,663	213,778
Interest on bonds	324,415	-
Loan guarantee expense	76,089	67,205
Interest expense on leases	31,689	18,406
Foreign exchange loss	-	78,516
	1,049,856	**377,905**

11 Other expenses

	2006	2005
	’000 KZT	**’000 KZT**
Loss on disposal of property, plant and equipment	5,279	2,210
Reduction in fair value of biological assets	-	25,927
Other expenses	2,812	8,343
	8,091	**36,480**

12 Personnel costs

	2006	2005
	’000 KZT	**’000 KZT**
Salary expense	123,127	84,897
Pension fund contributions	11,998	4,756
	135,125	**89,653**

13 Income tax expense

	2006 '000 KZT	2005 '000 KZT
Current tax expense		
Current year	10,870	34,958
Under provided in prior years	1,076	562
	11,946	**35,520**
Deferred tax expense		
Origination and reversal of temporary differences	18,617	37,272
	30,563	**72,792**

The Company's applicable tax rate is 30% (2005: 30%), and the Subsidiary's applicable tax rate is 10% (2005: 10%) with 80% (2005: 80%) exemption on income from agricultural activities.

Reconciliation of effective tax rate:

	2006 '000 KZT	%	2005 '000 KZT	%
Profit before income tax	**1,145,664**	**100**	**838,660**	**100**
Income tax at applicable tax rates	343,699	30	251,598	30
Effect of Subsidiary's lower tax rate	(58,205)	(5)	(43,235)	(5)
Non-taxable items	(256,007)	(22)	(136,133)	(16)
Under/(over) provided in prior years	1,076	-	562	-
	30,563	**3**	**72,792**	**9**

Non-taxable items are represented by interest income from finance leases which is not taxable under current tax regulations.

14 Property, plant and equipment

'000 KZT	**Land**	**Buildings and constructions**	**Machinery and equipment**	**Vehicles**	**Other property, plant and equipment**	**Total**
Cost						
Balance at 1 January 2005	-	49,704	1,389,667	29,105	187	1,468,663
Additions	3,118	852	8,612	59,151	16,532	88,265
Disposals	-	(27,056)	(795,255)	(26,971)	(5,748)	(855,030)
Balance at 31 December 2005	3,118	23,500	603,024	61,285	10,971	701,898
Balance at 1 January 2006	3,118	23,500	603,024	61,285	10,971	701,898
Additions	2,428	21,014	90,576	120,083	11,565	245,666
Disposals	(2,150)	(2,195)	(662)	(2,288)	(3,028)	(10,323)
Transfers	-	8,530	339	-	(8,869)	-
Transfers from other accounts	-	-	-	-	5,689	5,689
Balance at 31 December 2006	**3,396**	**50,849**	**693,277**	**179,080**	**16,328**	**942,930**
Depreciation and impairment losses						
Balance at 1 January 2005	-	23,996	116,115	9,751	99	149,961
Depreciation charge	-	3,658	61,678	3,508	599	69,443
Disposals	-	(27,031)	(145,634)	(11,533)	(149)	(184,347)
Balance at 31 December 2005	-	623	32,159	1,726	549	35,057
Balance at 1 January 2006	-	623	32,159	1,726	549	35,057
Depreciation charge	-	1,941	77,301	13,879	1,546	94,667
Disposals	-	(44)	(105)	(130)	(285)	(564)
Balance at 31 December 2006	**-**	**2,520**	**109,355**	**15,475**	**1,810**	**129,160**
Net book value						
At 1 January 2005	-	25,708	1,273,552	19,354	88	1,318,702
At 31 December 2005	3,118	22,877	570,865	59,559	10,422	666,841
At 31 December 2006	**3,396**	**48,329**	**583,922**	**163,605**	**14,518**	**813,770**

In 2006 depreciation expense of KZT 83,345 thousand (2005: KZT 67,676 thousand) has been charged in production costs and KZT 11,322 thousand (2005: KZT 1,767 thousand) in administrative expense.

14 Property, plant and equipment, continued

(a) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each lease the Group has the option to purchase the equipment at a beneficial price. At 31 December 2006 the net book value of leased plant and machinery was KZT 314,089 thousand (2005: KZT 334,359 thousand). The leased equipment secures lease obligations.

15 Biological assets

’000 KZT	Held-for-sale	Held-for-breeding	Total
Carrying amount as of 1 January 2005	31,824	24,881	56,705
Change in fair value less estimated point-of-sale costs	(14,838)	(11,089)	(25,927)
Increase due to purchases	4,094	-	4,094
Increase due to births	15,600	-	15,600
Transfers to inventory	(11,432)	(2,309)	(13,741)
Decrease due to sales	(5,663)	(1,886)	(7,549)
Carrying amount as of 31 December 2005	19,585	9,597	29,182
Change in fair value less estimated point-of-sale costs	26,258	9,308	35,566
Increase due to purchases	2,716	1,561	4,277
Increase due to births and increase in weight	24,340	3,035	27,375
Transfers	(6,532)	10,341	3,809
Decrease due to deaths	(10,049)	(3,894)	(13,943)
Decrease due to sales	(4,123)	(287)	(4,410)
Carrying amount as of 31 December 2006	**52,195**	**29,661**	**81,856**
Current	**52,195**	**-**	**52,195**
Non-current	**-**	**29,661**	**29,661**

15 Biological assets, continued

(a) Composition of biological assets

(i) Biological assets held-for-breeding

	2006			2005		
	Quantity	Fair value per unit	Closing balance	Quantity	Fair value per unit	Closing balance
Cows	156	63.56	9,916	139	39.00	5,421
Brood mares	28	269.57	7,548	35	67.50	2,363
Mares	31	241.45	7,485	15	67.50	1,013
Stallions	10	287.00	2,870	4	113.00	452
Bulls	7	82.00	574	7	25.00	175
Horses	13	97.54	1,268	1	173.00	173
	245		**29,661**	**201**		**9,597**

(ii) Biological assets held-for-sale

	2006			2005		
	Quantity	Fair value per unit	Closing balance	Quantity	Fair value per unit	Closing balance
Stallions	33	330.55	10,908	20	113.00	2,260
Bulls	123	81.75	10,055	154	25.00	3,850
Stud horses	22	407.36	8,962	23	173.00	3,979
Mares	22	407.36	8,962	49	67.50	3,308
Horses	23	330.57	7,603	13	113.00	1,469
Cows	147	38.81	5,705	121	39.00	4,719
	370		**52,195**	**380**		**19,585**

During the year ended 31 December 2006, the Group sold 31 (2005: 22) cattle and 2 (2005: 12) horses.

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

’000 KZT	**Assets**		**Liabilities**		**Net**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Property, plant and equipment	-	-	(2,192)	(5,867)	(2,192)	(5,867)
Biological assets	-	7,770	(2,892)	-	(2,892)	7,770
Advances	7,408	18,063	-	-	7,408	18,063
Inventory	-	-	(882)	-	(882)	-
Trade and other receivables	-	8,315	-	-	-	8,315
Loans from banks	9,276	-	(4,039)	(3,019)	5,237	(3,019)
Lease payable	601	408	-	-	601	408
Interest payable	748	975	-	-	748	975
Net tax assets/(liabilities)	**18,033**	**35,531**	**(10,005)**	**(8,886)**	**8,028**	**26,645**

(b) Movement in temporary differences during the year

	1 January 2005	**Recognised in income**	**Recognised in equity**	**31 December 2005**
Property, plant and equipment	-	(5,867)	-	(5,867)
Biological assets	-	7,770	-	7,770
Advances paid for inventory	44,288	(41,310)	15,085	18,063
Trade and other receivables	4,867	3,448	-	8,315
Loans from banks	(3,019)	-	-	(3,019)
Lease payable	-	408	-	408
Interest payable	2,696	(1,721)	-	975
Net tax assets/(liabilities)	**48,832**	**(37,272)**	**15,085**	**26,645**

16 Deferred tax assets and liabilities, continued

(b) Movement in temporary differences during the year, continued

’000 KZT	1 January 2006	Recognised in income	31 December 2006
Property, plant and equipment	(5,867)	3,675	(2,192)
Biological assets	7,770	(10,662)	(2,892)
Advances paid for inventory	18,063	(10,655)	7,408
Inventory	-	(882)	(882)
Trade and other receivables	8,315	(8,315)	-
Loans from banks	(3,019)	8,256	5,237
Lease payable	408	193	601
Interest payable	975	(227)	748
Net tax assets/(liabilities)	**26,645**	**(18,617)**	**8,028**

17 Net investment in finance leases

This note provides information about the contractual terms of the finance lease receivables.

	2006			2005		
KZT’000	**Minimum lease payments receivable**	**Unearned finance income**	**Net investment in finance leases**	**Minimum lease payments receivable**	**Unearned finance income**	**Net investment in finance leases**
Less than one year	1,979,481	1,077,918	901,563	1,221,776	770,265	451,511
Between one and five years	5,347,863	1,442,775	3,905,088	3,881,315	1,546,525	2,334,790
	7,327,344	**2,520,693**	**4,806,651**	**5,103,091**	**2,316,790**	**2,786,301**

The finance lease receivables have an effective interest rate of 26.5%. The leased agricultural equipment secures the lease receivables. The leases are provided to related parties (Note 29).

18 Inventories

	2006 KZT'000	2005 KZT'000
Wheat	7,657,286	2,012,229
Finished goods	142,279	8,712
Work in progress (principally cost of fertilizers and overheads)	47,530	71,000
Raw materials	18,730	7,925
Spare parts	11,232	8,363
Wheat seeds	-	788,400
Barley	-	190,298
Sunflower	-	163,120
Other materials and goods	13,107	50,484
	7,890,164	**3,300,531**

Finished goods represent wheat and other crops measured at the fair value less costs to sell at the point of harvest. Total value of inventories carried at fair value less costs to sell is equal to KZT 142,279 thousand (2005: KZT 8,712 thousand).

19 Advances for delivery of inventory

	2006 ’000 KZT	2005 ’000 KZT
Advances to related parties	1,118,778	5,190,226
Advances to non-related parties	508,115	1,921,758
Other advances	7,900	14,227
	1,634,793	**7,126,211**

20 Trade and other receivables

	2006 ’000 KZT	2005 ’000 KZT
Trade receivables	2,415,491	32,448
VAT receivable	1,108,239	369,165
Advances paid for services	39,259	-
Income tax recoverable	18,869	-
Lease interest receivable	12,868	74,227
Deferred expenses	1,718	296
Receivables from employees	598	27,284
Other receivables	16,341	5,067
	3,613,383	**508,487**

21 Cash and cash equivalents

	2006	2005
	’000 KZT	**’000 KZT**
Bank deposits	4,000,000	-
Bank balances	96,145	38,090
Petty cash	2,042	1,552
	4,098,187	**39,642**

Bank deposits bear interest rate of 6% per annum and have maturities less than three months.

22 Equity

(a) Share capital and share premium

Number of shares unless otherwise stated	**Ordinary shares**	**Ordinary shares**
	2006	**2005**
Authorised shares	277,000	188,496
Par value	KZT 22,600	KZT 22,600
On issue at beginning of year	188,496	100,000
Issued for cash	44,252	88,496
On issue at end of year, fully paid	**232,748**	**188,496**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Shareholders

	2006	2005
	Voting shares	**Voting shares**
Moldabekov R.J.	100,000	100,000
APC Invest Corporation LLP	66,374	44,248
Grain Leasing Corporation LLP	66,374	44,248
	232,748	**188,496**

APC Invest Corporation LLP and Grain Leasing Corporation purchased 22,126 shares each at the end of December 2006 at a price of KZT 45,200 per share. During the year ended 31 December 2006, Mr. R.J. Moldabekov was granted an option to purchase 44,252 shares by the Company. This option is exercisable up to 27 December 2007 at a price of KZT 22,600 per share (see Note 31).

22 Equity, continued

(c) Reserve capital

The reserve capital was created in 2000 and 2001 by transfering KZT 398,301 thousand from retained earnings. The reserve capital is distributable and may be transferred to retained earnings by decision of the shareholders.

(d) Dividends

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with International Financial Reporting Standards. As at 31 December 2006 the Company had retained earnings, including the profit for the current year, of KZT 1,812,177 thousand (2005: KZT 925,953 thousand).

In 2006, the Company paid out dividends to the Subsidiary's minority shareholders in amount of KZT 13,175 thousand (2005: KZT 15,136 thousand).

(e) Contribution by shareholders

In December 2006, the Group's largest shareholder contributed a plot of land to the Company. This land was disposed prior to the end of the year. The capital contribution was measured at the fair value of the land represented by the proceeds from disposal, net of related taxation.

23 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 25(b) and Note 25(c).

	2006	2005
	'000 KZT	**'000 KZT**
Non-current liabilities		
Unsecured bonds payable	7,826,161	-
Secured bank loans denominated in USD	2,001,518	1,044,346
Secured finance lease payable	84,578	151,249
	9,912,257	**1,195,595**
Current liabilities		
Secured bank loans denominated in EUR	1,671,200	-
Secured bank loans denominated in USD	1,428,725	3,756,762
Unsecured bank loans denominated in KZT	500,000	1,000,000
Secured finance lease payable	61,365	58,579
Secured bank loans denominated in KZT	-	1,980,003
	3,661,290	**6,795,344**

23 Loans and borrowings, continued

(a) Loan security

Bank loans are secured by the following:

- Secured bank loans in USD are secured by guarantees from KazKommertsBank JSC, ATF Bank JSC, Halyk Bank JSC and Bank TuranAlem JSC.
- Secured bank loans in EUR are secured by guarantee from KazKommertsBank JSC.

Guarantee expense is included in financial expense.

(b) Terms and repayment schedule of finance leases

	2006			**2005**		
'000 KZT	**Minimum lease payments**	**Interest**	**Principal**	**Minimum lease payments**	**Interest**	**Principal**
Less than one year	71,517	10,152	61,365	72,508	13,929	58,579
Between one and five years	91,710	7,132	84,578	168,932	17,683	151,249
	163,227	**17,284**	**145,943**	**241,440**	**31,612**	**209,828**

24 Trade and other payables

	2006	**2005**
	'000 KZT	**'000 KZT**
Trade payables	449,094	79,876
Advances received for delivery of wheat	420,505	901,075
Loan interest payable	158,372	76,483
Payable to employees	12,013	8,817
VAT payable	5,379	-
Other taxes payable	2,301	1,494
Lease interest payable	1,066	1,383
Income tax payable	-	871
Vacation reserve	-	223
Other payables	22,737	64,224
	1,071,467	**1,134,446**

25 Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group does not hedge its exposure to such risk.

(a) Credit risk

The Group does not require collateral in respect of financial assets, except for lease receivables that are secured by the leased assets. The maximum exposure to credit risk on lease receivables is the difference between the fair value of the leased assets and the outstanding balance receivable under the lease.

Recovery of advances paid for delivery of inventory depends, in part, on the outcome of the harvest. Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount. The maximum exposure to credit risk, other than in relation to finance lease receivables, is represented by the carrying amount of each financial asset in the balance sheet.

At the balance sheet date there was a significant concentration of credit risk in respect of amounts receivable from related parties. The total amount receivable from related parties was KZT 1,276,284 thousand (2005: KZT 5,387,438 thousand) or 35% (2005: 70%) of the total receivables.

(b) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

All floating interest-bearing financial assets and liabilities reprice within six months.

25 Financial instruments, continued

(b) Interest rate risk, continued

The following table shows the contractual maturities of interest-bearing financial assets and liabilities.

2006	**Average interest rate**								
’000 KZT	**Contractual**	**Effective**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 yearrs**	**3-4 years**	**4-5 years**	**Total**
Assets									
Lease receivables	26.50%	26.50%	-	901,563	1,147,606	1,305,749	1,043,310	408,423	4,806,651
Cash deposit	6.00%	6.00%	4,000,000	-	-	-	-	-	4,000,000
			4,000,000	**901,563**	**1,147,606**	**1,305,749**	**1,043,310**	**408,423**	**8,806,651**
Liabilities:									
KZT – fixed									
Overdraft Bank CentreCredit	13%	13%	(500,000)	-	-	-	-	-	(500,000)
EUR – floating:									
Standard Bank	LIBOR+1%	4.757%	(1,671,200)	-	-	-	-	-	(1,671,200)
USD – floating:									
Standard Bank	LIBOR+1.5%	6.98%	(635,000)	-	-	-	-	-	(635,000)
KazKommertsBank JSC	LIBOR+2.57%	9.29%	(86,920)	(87,015)	(175,430)	(176,442)	(177,697)	(105,944)	(809,448)
KazKommertsBank JSC	LIBOR+4%	7.92%	(166,394)	-	-	-	-	-	(166,394)
PEFCO	LIBOR+0.6%	10.81%	(49,050)	(49,483)	(99,729)	(100,965)	(50,997)	-	(350,224)
Deere Credit Inc.	LIBOR + 0.5%	4.97%	(138,943)	(140,751)	(276,936)	(286,812)	(290,204)	(82,389)	(1,216,035)
Deere Credit Inc.	LIBOR + 0.6%	4.08%	(24,009)	(24,580)	(49,882)	(50,659)	(51,533)	(52,479)	(253,142)
KZT - floating									
Bonds payable	Inflation rate + 1%	10.70%	-	-	-	-	-	(4,231,121)	(4,231,121)
Bonds payable	Inflation rate + 1%	9.90%	-	-	-	-	-	(3,595,040)	(3,595,040)
Finance lease liabilities									
USD – floating:									
Standard Leasing Corporation	LIBOR+3%	6.11%	-	(55,141)	(60,791)	(23,787)	-	-	(139,719)
KZT - fixed:									
Astyk Trade LLP	0%	44%	-	(6,224)	-	-	-	-	(6,224)
			(3,271,516)	**(363,194)**	**(662,768)**	**(638,665)**	**(570,431)**	**(8,066,973)**	**(13,573,547)**
Net assets/(liabilities)			**728,484**	**538,369**	**484,838**	**667,084**	**472,879**	**(7,658,550)**	**(4,766,896)**

25 Financial instruments, continued

(b) Interest rate risk, continued

2005	Average interest rate								
’000 KZT	**Contractual**	**Effective**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 yearrs**	**3-4 years**	**4-5 years**	**Total**
Assets									
Financial aid to related parties	0%	10%	2,044,950	-	-	-	-	-	2,044,950
Lease receivables	26.50%	26.50%	-	451,512	555,597	697,589	745,189	336,414	2,786,301
			2,044,950	**451,512**	**555,597**	**697,589**	**745,189**	**336,414**	**4,831,251**
Liabilities:									
KZT – fixed									
Loans Bank CentreCredit	13%	13%	-	(1,254,458)	-	-	-	-	(1,254,458)
Astana Finance JSC - ST Loan	12%	12%	(1,000,000)	-	-	-	-	-	(1,000,000)
Loans Kazcommercbank	12.50%	13%	(690,545)	-	-	-	-	-	(690,545)
Loans Kazagrofinance	6%	6%	-	(35,000)	-	-	-	-	(35,000)
USD – fixed:									
Loans Bank CentreCredit	12%	12%	(668,850)	(1,337,700)	-	-	-	-	(2,006,550)
Loans Development Bank of Kazakhstan	6.85%	7%	(1,342,382)	-	-	-	-	-	(1,342,382)
Loans Kazcommercbank	14%	14%	(165,202)	(175,263)	-	-	-	-	(340,465)
USD – floating:									
PEFCO	LIBOR + 0.6%	5.16%	(49,318)	(51,563)	(103,786)	(105,045)	(106,347)	(49,039)	(465,098)
Deere Credit Inc.	LIBOR + 0.5%	4.53%	(59,609)	(62,553)	(128,005)	(130,670)	(132,082)	(133,694)	(646,613)
Finance lease liabilities									
USD – floating:									
Standard Leasing Corporation	LIBOR + 3%	6.11%	-	(53,638)	(58,080)	(62,474)	(25,113)	-	(199,305)
KZT - fixed:									
Astyk Trade LLP	0%	44.00%	-	(4,560)	(5,963)	-	-	-	(10,523)
			(3,975,906)	**(2,974,735)**	**(295,834)**	**(298,189)**	**(263,542)**	**(182,733)**	**(7,990,939)**
Net assets/(liabilities)			**(1,930,956)**	**(2,523,223)**	**259,763**	**399,400**	**481,647**	**153,681**	**(3,159,688)**

25 Financial instruments, continued

(c) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the respective Group entities. The currencies giving rise to this risk are primarily USD and Euro.

The Group has the following foreign-currency denominated financial assets and liabilities:

'000 KZT	USD-denominated 2006	Euro-denominated 2006	USD-denominated 2005	Euro-denominated 2005
Current assets				
Cash	-	-	10,068	-
Receivables	4,775	-	5,029	-
Current liabilities				
Loans and borrowings	(1,428,725)	(1,671,200)	(3,756,762)	-
Payables	(224,951)	-	(31,979)	-
Non-current liabilities				
Lease payable	(139,306)	-	(199,305)	-
Loans and borrowings	(2,001,518)	-	(1,044,346)	-
	(3,789,725)	**(1,671,200)**	**(5,017,295)**	**-**

The following exchange rates applied at 31 December:

	USD 2006	Euro 2006	USD 2005	Euro 2005
1 unit of foreign currency equals (KZT)	127.00	167.12	133.77	158.54

(d) Fair values

The management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

In assessing fair values, management used the following major methods and assumptions:

Biological assets. Fair value of biological assets has been determined by reference to market values at the balance sheet date.

Loans and borrowings. Expected future principal and interest cash flows were discounted at rates of between 7 and 13%. These rates were not materially different from the contractual interest rates.

Net investment in finance lease Expected future principal and interest cash flows were discounted at rate of 26.5 %. This rate was not materially different from the contractual interest rate.

25 Financial instruments, continued

(d) Fair values, continued

Bonds. Expected future principal and interest cash flows were discounted at rates of between 9 and 11%. These rates were not materially different from the contractual interest rates.

Trade and other receivables and payables. For receivables and payables with a maturity of less than six months fair value is not materially different from the carrying amount because the effect of the time value of money is not material.

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2006 '000 KZT	2005 '000 KZT
Less than one year	520	520
Between one and five years	2,079	2,079
More than five years	20,583	21,103
	23,182	**23,702**

The Group leases a land under operating leases. The leases typically run for an initial period of 49 years, with an option to renew the lease after that date.

During the current year KZT 529 thousand was recognised as an expense in the income statement in respect of operating leases.

27 Commitments

The Group has entered into a contract to deliver 300,000 tons of soft wheat of third class to Salus International Trading Ltd during the period from 1 March 2006 till 1 January 2008.

28 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

28 Contingencies, continued

(b) Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised by numerous taxes and frequent changes in legislation, official pronouncements and court decisions. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

29 Related party transactions

(a) Control relationships

The Company's ultimate controlling party is Mr. R.J. Moldabekov, see Note 31.

(b) Transactions with management

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see Note 12):

	2006	**2005**
	'000 KZT	**'000 KZT**
Salaries and bonuses	11,257	4,307
Contributions to State pension fund	1,091	474
	12,348	**4,781**

(c) Transactions with other related parties

The Group's other related party transactions are disclosed below.

(i) Revenue

'000 KZT	**Transaction value**	**Outstanding balance**	**Transaction value**	**Outstanding balance**
	2006	**2006**	**2005**	**2005**
Companies under common control:				
Sale of goods	187,741	142,426	1,212,962	259,295
Sale of equipment leased to farmers under finance leases	2,504,808	4,806,651	2,690,113	2,786,301
Lease interest income on finance leases	1,055,493	12,868	522,158	74,227
	3,748,042	**4,961,945**	**4,425,233**	**3,119,823**

29 Related party transactions, continued

(c) Transactions with other related parties, continued

(i) Revenue, continued

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date. None of the balances are secured, other than the net investment in finance leases. In 2006, the Group sold inventories to a related party at their carrying amount of KZT 941,957 thousand.

During 2006, the majority shareholder disposed of several entities under common control that the Group transacts with. The amounts above represent the transactions up to the date of disposal and the outstanding balance of these transactions as at 31 December 2006.

(ii) Expenses

’000 KZT	**Transaction value 2006**	**Outstanding balance 2006**	**Transaction value 2005**	**Outstanding balance 2005**
Companies under common control:				
Purchase of goods	8,835,070	1,118,778	4,165,191	5,190,226
Equipment leased	-	(10,523)	-	(10,261)
	8,835,070	**1,108,255**	**4,165,191**	**5,179,965**

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date. None of the balances are secured, other than lease liabilities.

(d) Pricing policies

Related party transactions are not based on market prices.

30 Subsidiary

		2006	**2005**
	Country of incorporation	**Ownership/voting**	**Ownership/voting**
“Agrofirm Eximnan” LLC	Kazakhstan	99.98%	99.98%

31 Events subsequent to the balance sheet date

Subsequent to 31 December 2006, Mr. R.J. Moldabekov exercised his options and acquired 44,252 additional shares at a price of KZT 22,600 per share (see Note 22). After this transaction, the Company’s share capital is owned as follows:

	Voting shares	**% ownership**
Mr. R.J. Moldabekov	144,252	52
APC Invest Corporation LLP	66,374	24
Grain Leasing Corporation LLP	66,374	24
	277,000	**100**