JSC RG BRANDS AND ITS SUBSIDIARIES

Consolidated Financial Statements
For the year ended December 31, 2005

and Independent Auditors' Report

JSC RG BRANDS AND ITS SUBSIDIARIES

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company RG Brands and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at December 31, 2005, the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

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

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in accordance with the accounting rules and regulations promulgated by the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The accompanying consolidated financial statements for the year ended December 31, 2005 were authorized for issuance on February 10, 2006 by the Group's management.

On behalf of the Group's management:

____________________	____________________
Zhanalinov A. S.	**Nurmukhambetov T. K.**
Director	**Finance director**
February 10, 2006	February 10, 2006

INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC RG Brands:

We have audited the accompanying consolidated balance sheet of Joint Stock Company RG Brands and its subsidiaries (the "Group") as at December 31, 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 21 to the accompanying consolidated financial statements, the Group has introduced a stock option plan to some of its employees. The Group has recorded the transaction based on the proceeds received, which practice is not in accordance with International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" which requires the transaction to be recorded at fair value, and International Financial Reporting Standard 2 "Share-Based Payment" which requires the discount of proceeds compared to fair value to be expensed over the vesting period.

In our opinion, except for the effect of non-compliance with International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and International Financial Reporting Standard 2 "Share-Based Payment", the accompanying consolidated financial statements present fairly, in all material respect, the consolidated financial position of the Group as at December 31, 2005, and the consolidated results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

February 10, 2006

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2005
(in thousands of tenge)

	Notes	2005	2004
REVENUE	4	14,309,912	10,713,306
COST OF SALES	5	(9,655,447)	(7,569,591)
GROSS PROFIT		4,654,465	3,143,715
Selling expenses	6	(2,739,863)	(1,389,093)
General and administrative expenses	7	(567,599)	(1,156,296)
PROFIT FROM OPERATIONS		1,347,003	598,326
Foreign exchange gain		105,443	119,836
Income from non-operating activities, net	8	147,454	657,134
Share of loss of associates	16	(20,542)	(32,808)
Interest income		37,170	5,133
Finance costs	9	(533,535)	(373,609)
PROFIT BEFORE INCOME TAX (EXPENSES)/BENEFIT		1,082,993	974,012
Income tax (expenses)/benefit	10	(160,205)	17,839
NET PROFIT FOR THE YEAR		922,788	991,851
Attributable to:			
Equity holders of the parent		922,766	991,896
Minority interest		22	(45)
		922,788	991,851
Basic and diluted earnings per share (in KZT)	11	498	551

On behalf of the Group's management:

Zhanalinov A. S.	**Nurmukhambetov T.K.**
Director	**Finance director**
February 10, 2006	February 10, 2006

The notes on pages 8 to 31 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2005
(in thousands of tenge)

	Notes	2005	2004
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment, net	12	2,984,4	2,143,4
Goodwill	13	68,0	68,0
Intangible assets, net	14	15,4	20,3
Investments in associates	16	-	74,3
		3,067,9	2,306,1
DEFERRED TAX ASSETS	10	18,7	51,2
CURRENT ASSETS:			
Inventories, net	17	3,365,8	2,781,8
Accounts receivable and other current assets, net	18	5,492,0	4,975,3
Available for sale investments	19	56,6	-
Investments held for trading	19	501,7	177,2
Cash and cash equivalents	20	152,5	85,3
		9,568,8	8,019,7
TOTAL ASSETS		12,655,5	10,377,1
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	21	1,800,0	1,800,0
Revaluation reserve		1,6	-
Translation reserve		226	-
Retained earnings		2,120,0	1,296,5
Equity attributable to equity holders of the parent		3,922,0	3,096,5
Minority interest		33	38
TOTAL EQUITY		3,922,0	3,096,5
DEFERRED TAX LIABILITIES	10	17,0	5,4
NON-CURRENT LIABILITIES:			
Long-term loans	22	150,0	211,0
Notes payable	23	2,182,3	2,247,7
Obligations under finance leases	24	491,0	513,1
Accounts payable for equipment	25	81,9	35,8
		2,905,3	3,007,8
CURRENT LIABILITIES:			
Accounts payable and letters of credit	25	4,175,7	2,698,1
Short-term loan and current portion of long-term loan	22	970,6	356,8
Securities sold under repurchase agreements	26	178,2	100,1
Interest payable	27	149,4	107,1
Current portion of obligations under finance lease	24	203,9	201,8
Taxes payable		12,7	49,6
Other accounts payable and accrued liabilities	28	120,2	753,6
		5,811,0	4,267,3
TOTAL EQUITY AND LIABILITIES		12,655,5	10,377,1

On behalf of the Group's management:

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Zhanalinov A. S.
Director

February 10, 2006

Nurmukhambetov T.K.
Finance director

February 10, 2006

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JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005
(in thousands of tenge)

	Share capital	Revaluation reserve	Translation reserve	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total equity
Balance as at December 31, 2003	1,478,023	121,282	-	304,619	1,903,924	-	1,903,924
Net profit for the year	-	-	-	991,896	991,896	(45)	991,851
Minority interest – acquisition of subsidiary	-	-	-	-	-	83	83
Revaluation reserve released on disposal of available-for-sale investments	-	(121,282)	-	-	(121,282)	-	(121,282)
Increase in share capital	321,977	-	-	-	321,977	-	321,977
Balance as at December 31, 2004	1,800,000	-	-	1,296,515	3,096,515	38	3,096,553
Net profit for the year	-	-	-	922,766	922,766	22	922,788
Purchase of share of minority	-	-	-	-	-	(27)	(27)
Dividends	-	-	-	(99,190)	(99,190)	-	(99,190)
Gain on available-for-sale investments	-	1,655	-	-	1,655	-	1,655
Exchange differences arising on translation of foreign operations	-	-	226	-	226	-	226
Increase in share capital	53	-	-	-	53	-	53
Balance as at December 31, 2005	1,800,053	1,655	226	2,120,091	3,922,025	33	3,922,058

On behalf of the Group's management:

Zhanalinov A. S.
Director

February 10, 2006

Nurmukhambetov T.K.
Finance director

February 10, 2006

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JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005
(in thousands of tenge)

	Notes	2005	2004
OPERATING ACTIVITIES:			
Profit before income tax (expenses)/benefit		1,082,993	974,012
Adjustments for:			
Depreciation and amortization expense	12, 14	563,821	350,740
Negative goodwill released to income		-	(453,165)
Finance costs	9	533,535	373,609
Amortization of the discount on notes payable		2,232	2,356
Foreign exchange gain		(92,021)	(39,973)
Loss/(gain) on disposal of property, plant and equipment and intangible assets		31,602	(6,323)
Gain from disposal of available for sale investments		-	(109,813)
Gain from disposal of investment in associate	8, 16	(43,123)	-
Share of loss of associates	16	20,542	32,808
(Gain)/loss on measurement of trading investments at fair value	19	(5,800)	1,126
Loss from inventories write-off	8	35,618	-
Increase in provisions for obsolete inventory	7	50,977	-
(Recovery)/accrual of provision for doubtful debts	7	(395,836)	491,495
Operating cash flows before movements in working capital		1,784,540	1,616,872
Increase in inventories		(670,624)	(320,236)
Increase in accounts receivable and other current assets		(120,865)	(627,038)
Increase in accounts payable and letters of credit		1,494,905	155,976
(Decrease)/increase in taxes payable		(52,692)	31,047
(Decrease)/increase in other accounts payable and accrued liabilities		(633,325)	380,763
Cash from operations		1,801,939	1,237,384
Interest paid		(429,842)	(370,519)
Income tax paid		(107,023)	(531)
Net cash provided by operating activities		1,265,074	866,334
INVESTING ACTIVITIES:			
Proceeds on disposal of available for sale investments		-	508,588
Proceeds on disposal of investments in associates	16	96,921	186,708
Proceeds on disposal of property, plant and equipment		24,836	87,046
Proceeds on disposal of investments held for trading		345,758	-
Purchase of investments held for trading		(586,360)	-
Purchase of property, plant and equipment	12	(1,126,288)	(422,953)
Purchase of intangible assets	14	(9)	(671)
Purchase of investment in associates		-	(168,856)
Purchase of available for sale investments	19	(55,000)	-
Purchase of subsidiary (Uni Commerce Ltd LLP)		-	(604,563)
Purchase of subsidiary (Cosmis LLP)		-	(64,267)
Net cash used in investing activities		(1,300,142)	(478,968)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2005
(in thousands of tenge)

	Notes	2005	2004
FINANCING ACTIVITIES:			
Repayment of loans		(947,708)	(2,607,511)
Purchase of shares of minority		(27)	-
Repayment of obligations under finance leases		(283,692)	(236,079)
Extinguishment of notes payable		(67,700)	(95,000)
Dividends paid		(99,190)	-
Proceeds on issuance of shares		53	321,977
Loans received		1,500,580	2,297,398
Net cash provided by/(used in) financing activities		102,316	(319,215)
NET INCREASE IN CASH AND CASH EQUIVALENTS		67,248	68,151
CASH AND CASH EQUIVALENTS, beginning of the year	20	85,315	17,164
CASH AND CASH EQUIVALENTS, end of the year	20	152,563	85,315

During the year ended December 31, 2005 the Group acquired property, plant and equipment in the amount of 330,094 thousand tenge under finance lease agreements (2004: 721,483 thousand tenge).

On behalf of the Group's management:

Zhanalinov A. S.	**Nurmukhambetov T.K.**
Director	**Finance Director**
February 10, 2006	February 10, 2006

The notes on pages 8 to 31 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

1. NATURE OF BUSINESS

The principal activity of JSC RG Brands and its subsidiaries (the "Group") is the production of juices, carbonated soft drinks, milk, tea packing as well as commercial and trading activity. The operations of the Group are performed mainly on the territory of the Republic of Kazakhstan.

The holding company, JSC RG Brands ("RG Brands" or the "Company") was initially registered on June 22, 1998 as a limited liability partnership and thereafter was re-established on March 27, 2001 as an open joint-stock company. On February 17, 2004 the Company was reregistered as a joint stock company.

The Group incorporates the following subsidiaries: JSC PRG Bottlers, Tealand LLP, Uni Commerce Ltd. LLP, Express Trading Ltd. LLC and Cosmis LLP (the "PRG Bottlers", "Tealand", "Uni Commerce", "Express Trading" and "Cosmis", respectively) (see Note 15).

RG Brands produces natural juices under the following trademarks: "Gracio", "Da-Da", and "Nektar Solnechniy". RG Brands has up-to-date equipment from "Tetra Pak Export" (Sweden), the world's leading producer in this industry. The Company commenced production and bottling of juices in November 1999.

The major shareholder of RG Brands is Resmi Group LLP with 97.12% of total share capital of the Company (see Note 21).

PRG Bottlers produces carbonated soft drinks under the "Pepsi", "7UP", "Mirinda", "Aquafina", "Aqua Minerale" and "Evervess" brands. PRG Bottlers has up-to-date equipment from "Krones AG" and "Krupp Corpoplast Maschinenbau GmbH" (Germany), the world's leading producers in this industry. PRG Bottlers commenced production and bottling of soft drinks in November 1999.

The activity of Tealand is packing of tea of different sorts from imported raw stock. Tealand produces tea under the "Piala", "Jenning" and "Indi" brands.

The principal activity of Cosmis LLP is the production of packaged milk of "Nestle", "Miss", "Moye" and "Zorka" trademarks. The factory is equipped with "Tetra Pak Export" (Sweden) equipment.

Uni Commerce and Express Trading companies distribute the Group's productions and sell other goods on the territory of the Republic of Kazakhstan and the Kyrgyz Republic.

Twenty-eight different Kazakhstani companies are the major wholesale customers of the Group's products, purchasing over 25% of the whole production sold by the Group.

The Company's offices and production facilities are located in Almaty, the Republic of Kazakhstan.

Legal address:	212 B, Raimbek ave., Almaty, Republic of Kazakhstan
Ownership status:	Private

During 2005 the Group had approximately 1,467 employees, including 897 employees working under patent (2004: 1,100 employees, including 570 employees working under patent).

These consolidated financial statements were authorized for issuance by the Group's management on February 10, 2006.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Adoption of revised International Financial Reporting Standards – In 2005, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2005. The adoption of the new and revised Standards and Interpretations has resulted in expansion of the Group's disclosures in the following areas that have affected the amounts reported for the current or prior years:

- Related party disclosures (IAS 24 (Revised)); and
- Earnings per share (IAS 33 (Revised)).

IAS 24 (Revised), Related party disclosures

For the reporting periods beginning on January 1, 2005 IAS 24 (Revised) requires disclosure of the compensation of key management personnel as well as disclosure of transactions among profit-oriented state-controlled entities. Prior to the adoption of the revised IAS 24, the Group did not disclose the compensation of key management personnel.

The Group has adopted revised IAS 24 and expanded respective disclosure for the current and prior years (see Note 30).

IAS 33 (Revised), Earnings per share

The revised IAS 33 which is effective for the reporting periods beginning on January 1, 2005, shall be applied by entities whose ordinary shares or potential ordinary shares are publicly traded and by entities that are in the process of issuing ordinary shares or potential ordinary shares in public markets. Prior to the adoption of the revised IAS 33, the Group did not disclose earnings per share in its consolidated financial statements.

The Group has adopted revised IAS 33 and disclosed relevant information for the current and prior years (see Note 11).

Basis of presentation – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and presented in thousands of tenge unless otherwise indicated. The Group maintains its accounting records in tenge ("tenge" or "KZT").

These consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments.

Use of estimates – The preparation of consolidated financial statements in accordance with IFRS requires management to make reasonable assumptions and estimates. These assumptions and estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses in the reporting periods. Due to the inherent uncertainty in making those estimates, actual results reported in future periods may be based upon amounts that differ from those estimates.

Functional and presentation currency – The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in tenge, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities (see Note 15).

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combination – The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, Business Combination, are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in consolidated statement of income.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Revenues and expense recognition – Sales of goods are recognized when goods are delivered and the risks and rewards have passed. Expenses are accounted for on an accrual basis in the period in which the expenses are incurred.

Leases – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to consolidated statement of income on a straight-line basis over the term of the relevant lease.

***Foreign currencies* –** Transactions in currencies other than tenge are initially translated at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the consolidated statement of income. As at December 31, 2005 and 2004 the exchange rates used by the Group were 133.77 and 130.00 tenge for 1 US Dollar ("USD"), and 158.54 and 177.10 Tenge for 1 Euro, respectively.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) in Kyrgyz Republic are expressed in tenge using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized in consolidated statement of income in the period in which the foreign operation is disposed of.

Retirement benefit costs – In accordance with the legislative requirements of the Republic of Kazakhstan the Group pays into an employee pension fund the amount equivalent to 10% of each employee's wage, but not to exceed 52,500 tenge till July 1, 2005 and 69,900 tenge from July 1, 2005 per month (2004: 49,500 tenge). These amounts are expensed when they are incurred. Pension fund payments are withheld from employees' salaries and included with other salary costs in the consolidated statement of income. The Group does not have other liabilities related to pension payments.

***Income taxes* –** Income tax expense represents the sum of the tax currently payable and deferred income tax.

The tax currently payable is based on the taxable income for the year. Taxable income differs from net profit as reported in the consolidated statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates in effect at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax income nor the accounting income.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

A deferred tax asset or liability is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the consolidated statement of income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

(a) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Capital construction in progress

Capital construction in progress ("CIP") includes costs incurred on specific assets that have not been completed or placed into service. When such assets are completed and placed into service they are transferred to the relevant property, plant and equipment category and depreciated on the basis described below.

(c) Subsequent expenditures

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, are capitalized with the carrying amount of the component being depreciated. Other subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognized in the consolidated statement of income as an expense when incurred.

(d) Depreciation

Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally-constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The following average useful economic lives are used:

Buildings and constructions	13 to 20 years
Machinery and equipment	5 to 14 years
Vehicles	7 to 14 years
Other	3 to 14 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Intangible assets **–** Intangible assets are initially recorded at cost and amortized on a straight-line basis over the estimated useful lives, assumed by the management, as presented below:

Licenses	5 to 6 years
Software	7 years
Organizational costs	5 to 6 years
Other	2 to 7 years

Goodwill – Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Goodwill is reviewed for impairment at least annually. Any impairment is recognized immediately in consolidated statement of income and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of tangible and intangible assets – At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land or buildings at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments – Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity ("held-to-maturity debt securities") are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. An impairment loss is recognized in consolidated statement of income when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in the consolidated statement of income for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the consolidated statement of income for the period. Impairment losses recognized in the consolidated statement of income for equity investments classified as available-for-sale are not subsequently reversed through consolidated statement of income. Impairment losses recognized in the consolidated statement of income for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Investments in associates – An associate is an entity over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Investments in associates are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

Where a Group entity transacts with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealized losses provide evidence of an impairment of the asset transferred.

Inventories – Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads, which have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out ("FIFO") method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments – Financial assets and financial liabilities are recognized on the Group's consolidated balance sheet when the Group has become a party to the contractual provisions of the instrument.

Accounts receivable – Accounts receivable are stated at their face value less provision for doubtful debts. Provision for doubtful debts is a specific provision on accounts receivable from certain customers, which the management consider unrecoverable based on the history of relations with customers. Such provisions reflect estimates based on evidence of collectability.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, in banks and term deposits with original maturity of three months or less. Where restricted for use, cash and cash equivalents are disclosed appropriately in the notes to the consolidated financial statements.

Repurchase and reverse repurchase agreements – The Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collaterized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Bank loans – Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance costs, including premiums payable on settlement or redemption, are accounted for on an accrual basis.

Notes payable **–** At the date of issue, the fair value of the liability is estimated using the prevailing market interest rate for similar notes. The differences between the net proceeds of issue and the face value of the notes are regarded as a discount or a premium and are either deducted or added to the unamortized cost of the notes. Issue costs are deferred and amortized to expenses during the term of the notes using the straight-line method. Amortization of the discount or the premium on the notes payable is calculated using the straight-line method and is included in the finance costs for the period.

Trade payables – Trade payables are stated at their nominal value.

Provisions – Provisions are recognized when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Provisions for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

Related party transactions **–** The following parties are deemed related parties in preparation of these consolidated financial statements:

A party is related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party:
   i) controls, is controlled by, or is under common control with, the entity (this includes holding companies, subsidiaries and fellow subsidiaries);
   ii) has an interest in the entity that gives it significant influence over the entity; or
   iii) has joint control over the entity;
(b) the party is an associate of the entity;
(c) the party is a joint venture in which the entity is a venturer;
(d) the party is a member of the key management personnel of the entity or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Reclassifications due to the changes in IFRS – Certain reclassifications have been made to the consolidated financial statements for the year ended December 31, 2004 to comply with the changes in IAS 1 “Presentation of Financial Statements” effective for the periods beginning on or after January 1, 2005. Such reclassifications have been done retrospectively to the earliest consolidated financial statements period presented.

According to the revised IAS 1 “Presentation of Financial Statements”, profit or loss attributable to minority interest should not be presented in the consolidated financial statements as items of income or expense, and the amount attributable to minority interest in the consolidated balance sheet should be presented as part of equity.

Consolidated balance sheet item/Consolidated statement of income item	Amount, 2004	Amount, 2005	Effect on the consolidated financial statements,
Minority interest	38	-	38

Reclassifications – Certain reclassifications have been made to the consolidated financial statements for the year ended December 31, 2004 to conform to the presentation of the consolidated financial statements for the year ended December 31, 2005 as current year presentation provides better view of the consolidated financial statements.

Nature of reclassification	Amount	Consolidated balance sheet line, 2004	Consolidated balance sheet line, 2005
Short-term loan and current portion of long-term loan	302,57	659,38	356,81
Securities sold under repurchase agreements	100,13	-	100,13
Accounts payable and letters of credit	202,44	2,495,68	2,698,13

4. REVENUE

During the years ended December 31, 2005 and 2004, revenues were as follows:

	2005	2004
Revenue from sales of carbonated soft drinks	4,446,263	2,522,745
Revenue from sales of juices	3,216,888	2,627,626
Revenue from sales of packed tea	2,641,874	2,072,960
Revenue from sales of packed milk	740,435	169,925
Revenue from sales of goods for resale	3,264,452	3,320,050
	14,309,912	10,713,306

Sales of goods for resale represent the sales of cleansers and hygienic products, food and children’s meals, and other agricultural and pharmaceuticals goods.

5. COST OF SALES

During the years ended December 31, 2005 and 2004, costs of sales were as follows:

	2005	2004
Materials	6,366,109	4,441,534
Cost of goods purchased for resale	2,540,454	2,608,524
Depreciation and amortization	385,827	235,278
Payroll and related costs	194,318	133,364
Utility expenses	65,420	56,486
Repairs	20,229	67,113
Other costs	83,090	27,292
	9,655,447	7,569,591

6. SELLING EXPENSES

During the years ended December 31, 2005 and 2004, selling expenses were as follows:

	2005	2004
Advertising campaign and market research	755,101	576,077
Advertising campaign and market research expenses recovered	(76,353)	(198,355)
Transportation expenses	609,634	326,096
Success fee	539,165	-
Payroll and related costs	279,687	116,570
Sales agents expenses	217,633	159,836
Advertisement material written off	157,197	94,339
Amortization of marketing equipment	114,495	87,203
Taxes	23,874	15,948
Business trip expenses	4,421	8,579
Lease of transport vehicles, warehouses and office premises	-	101,822
Other selling expenses	115,009	100,978
	2,739,86 3	1,389,093

For the year ended December 31, 2005, the Group agreed to pay a success fee to its related party - UNI Commerce LLP in the amount of 539,165 thousand tenge (2004: nil) - as a contribution to market research undertaken by that company prior to and in preparation for the transfer of its trading activities to Uni Commerce between the fourth quarter of 2003 through 2004 until fully completed in 2005, further costs incurred during such transitional period, and in recognition of the time and effort that resulted in the seamless transfer of contracts, credit details and credit-lines, to support the changeover from direct sales to third-party distribution necessary for the development of strong regional partnerships able to better manage locally small higher risk accounts - resulting in a successful outcome for customers, suppliers, employees, and the significantly improved results for shareholders.

7. GENERAL AND ADMINISTRATIVE EXPENSES

During the years ended December 31, 2005 and 2004, general and administrative expenses were as follows:

	2005	2004
(Recovery)/accrual of provision for doubtful debts	(395,836)	491,495
Consulting fees	315,537	182,390
Payroll and related costs	205,303	119,025
Bank charges	173,667	133,318
Provision for obsolete inventory	50,977	-
Taxes, other than income tax	45,225	34,040
Waste goods written-off	39,243	68,240
Insurance	36,159	18,985
Depreciation and amortization	35,655	28,259
Communications costs	15,684	10,283
Transportation expenses	13,298	6,533
Penalties and fines	2,705	2,130
Utility costs	2,389	9,701
Training	1,437	2,091
Recruitment services	1,015	16,762
Other expenses	25,141	33,044
	567,599	1,156,296

8. INCOME FROM NON-OPERATING ACTIVITIES, NET

During the years ended December 31, 2005 and 2004, income from non-operating activities, net, was as follows:

	2005	2004
Other income	322,215	145,576
Other loss	(217,884)	(51,420)
Gain from sale of investment in associate (Note 16)	43,123	-
Negative goodwill released to income on acquisition on Uni Commerce	-	453,165
Income from sale of shares of JSC Bank TuranAlem	-	109,813
	147,454	657,134

Other loss during the year ended December 31, 2005 includes 35,618 KZT'000 of inventories written-off as a result of fire at one of the warehouses of Cosmis in Kostanai.

9. FINANCE COSTS

During the years ended December 31, 2005 and 2004, interest expenses were as follows:

	2005	2004
Interest on bank and other loans	261,868	110,629
Interest accrued on notes payable	227,761	234,997
Interest accrued on obligations under finance leases	43,906	27,983
	533,535	373,609

10. TAXATION

The Group's provision for income tax for the years ended December 31, 2005 and 2004 was as follows:

	2005	2004
Current income tax expenses	(116,066	(1,150
Deferred income tax (expenses)/benefit	(44,139	18,989
	(160,205	17,839

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The movement for the years ended December 31, 2005 and 2004 in the Group's deferred tax position were as follows:

	2005	2004
Deferred tax liabilities		
Deferred tax liabilities at January 1,	5,429	1,165
Charged to consolidated statement of income	11,626	1,163
Deferred tax liabilities acquired on acquisition of subsidiary	-	3,101
Deferred tax liabilities at December 31,	17,055	5,429

	2005	2004
Deferred tax assets		
Deferred tax assets at January 1,	51,222	-
Charged to consolidated statement of income	(32,513	20,152
Deferred tax assets acquired on acquisition of subsidiary	-	31,070
Deferred tax assets at December 31,	18,709	51,222

The tax effect on the major temporary differences that give rise to the deferred tax assets/(liabilities) as at December 31, 2005 and 2004 is presented below:

	2005	2004
Property, plant and equipment	59,41	89,43
Intangible assets	2,95	1,24
Loss carry-forward	-	80,06
Statutory tax rate	30%	30%
Deferred tax assets	18,70	51,22
Property, plant and equipment	56,82	18,09
Intangible assets	24	-
Statutory tax rate	30%	30%
Deferred tax liabilities	(17,055	(5,429

The statutory tax rate effective in the Republic of Kazakhstan, the location of the majority of the Group’s entities, was 30% in 2005. The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to the net profit before income tax. Below is a reconciliation of theoretical income tax at 30% to the actual expense recorded in the Group’s consolidated statement of income:

	2005	2004
Profit before income tax (expenses)/benefit	1,082,993	974,012
Income tax at statutory tax rate of 30%	(324,898)	(292,204)
Tax exempt income of PRG Bottlers and RG Brands	56,880	426,922
Change in valuation allowance	-	72,598
Allowance for doubtful debts and provision for obsolete inventory	103,458	(147,448)
Other permanent differences	4,355	(42,029)
Income tax (expenses)/benefit	(160,205)	17,839

In accordance with the Contract #0506-12-2004 dated December 31, 2004 signed between the Committee of Investments of the Ministry of Industry and Trade of the Republic of Kazakhstan and RG Brands the Company is granted with the following benefits and preferences with the aim to provide a favorable investment climate upon creation of new, their extension and renewal of existing productions in prioritized operation types:

- In terms of the corporate income tax the Company is entitled to deduct from the aggregate annual income the cost of placing in operation property, plant and equipment in the framework of the investment project by equal installments with a validity of three years from January 1 of the year following the year of placement in operation of the property, plant and equipment in the framework of the investment project;

- In terms of property tax the Company is exempted from payment of such in relation to property, plant and equipment newly placed in operations in the framework of the investment project with a validity of two years from 1 January of the year following the year of placement of property, plant and equipment in the framework of the investment project.

11. EARNINGS PER SHARE

The calculation of earnings per share is the net profit for the year attributable to equity holders of the parent divided by the weighted average number of ordinary shares outstanding during the year, calculated as shown below. The Group has no dilutive potential ordinary shares.

Shares unless otherwise stated	2005	2004
Net profit for the year attributable to equity holders of the parent, KZT’000	922,766	991,896
Weighted average number of ordinary shares	1,853,409	1,800,000
Basic and diluted earnings per share, KZT	498	551

The following is a reconciliation of the weighted average number of shares:

In shares	2005	2004
Issued shares at January 1,	1,800,00(	1,478,02:
Effect of shares issued in the year	53,40(	321,97'
Weighted average number of shares at December 31,	1,853,40(	1,800,00(

12. PROPERTY, PLANT AND EQUIPMENT, NET

As at December 31, 2005 and 2004, property, plant and equipment, net, were as follows:

	Land	Buildings and construc-tions	Machinery and equipment	Vehicles	Other	CIP	Total
Cost							
Balance as at January 1, 2005	57,390	380,166	2,484,118	121,416	116,781	58,598	3,218,469
Additions	6,182	194,857	292,994	180,037	68,287	714,025	1,456,382
Internal transfers	28	15,645	566,684	-	314	(582,671)	-
Disposals	-	-	(21,218)	(39,317)	(8,722)	(13,448)	(82,705)
Balance as at December 31, 2005	63,600	590,668	3,322,578	262,136	176,660	176,504	4,592,146
Accumulated depreciation							
Balance as at January 1, 2005	-	73,613	955,228	25,310	20,886	-	1,075,037
Charge for the year	-	24,901	495,584	21,869	16,672	-	559,026
Disposals	-	-	(11,238)	(11,366)	(3,759)	-	(26,363)
Balance as at December 31, 2005	-	98,514	1,439,574	35,813	33,799	-	1,607,700
Net book value as at December 31, 2005	63,600	492,154	1,883,004	226,323	142,861	176,504	2,984,446
Net book value as at December 31, 2004	57,390	306,553	1,528,890	96,106	95,895	58,598	2,143,432

The Group's property, plant and equipment as at December 31, 2005 with the carrying amount of 791,108 KZT'000 (December 31, 2004: 745,515 KZT'000) were acquired under finance leases.

As at December 31, 2005 the Group has pledged buildings and machinery and equipment with the carrying amount of 600,320 KZT'000 (December 31, 2004: 576,771 KZT'000) to secure banking facilities granted to the Group (see Note 22).

13. GOODWILL

The goodwill in the amount of 68,026 thousand tenge arose on the Group's acquisition of 100% of Cosmis LLP on July 1, 2004. Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from the business combination. At December 31, 2005 and 2004, goodwill of 68,026 KZT'000 was allocated to the machinery and equipment CGU within Cosmis' property, plant and equipment.

The Group tests goodwill annually for impairment or more frequently, if there are indications that goodwill might be impaired.

Due to stable conditions in the market and positive cash flow forecasts for this CGU, no impairment of goodwill is required as at December 31, 2005 and 2004.

14. INTANGIBLE ASSETS, NET

As at December 31, 2005 and 2004, intangible assets, net, were as follows:

	Licenses	Software	Organiza-tional costs	Other	Total
Cost					
Balance as at January 1, 2005	12	30,699	1,644	110	32,465
Additions	-	9	-	-	9
Disposals	-	(12)	(886)	-	(898)
Balance as at December 31, 2005	12	30,696	758	110	31,576
Accumulated amortization					
Balance as at January 1, 2005	8	10,972	1,010	100	12,090
Charge for the year	2	4,605	178	10	4,795
Disposals	-	(3)	(799)	-	(802)
Balance as at December 31, 2005	10	15,574	389	110	16,083
Net book value as at December 31, 2005	2	15,122	369	-	15,493
Net book value as at December 31, 2004	4	19,727	634	10	20,375

15. SUBSIDIARIES

The Company's subsidiaries as at December 31, 2005 are as follows:

Name of subsidiary	Place of registration and operations	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
PRG Bottlers	Almaty, Republic of Kazakhstan	100.0	100.0	Production of carbonated soft drinks
Tealand	Almaty, Republic of Kazakhstan	100.0	100.0	Packaging of tea
Cosmis	Kostanai, Republic of Kazakhstan	100.0	100.0	Production of packaged milk
Uni Commerce	Almaty, Republic of Kazakhstan	99.9	99.9	Trading
Express Trading	Bishkek, Kyrgyz Republic	99.9	99.9	Trading

RG Brands has exercised control over PRG Bottlers since August 30, 2002. On December 29, 2002 Resmi Group LLP transferred to RG Brands 100% of PRG Bottlers' shares as a contribution to the share capital. The main activity of PRG Bottlers is the production and bottling of carbonated soft drinks under the trade mark PepsiCo Inc.

RG Brands has exercised control over Tealand since September 2002. Tealand is engaged in packing and sale of various brands of tea produced from imported raw tea.

On January 27, 2004 RG Brands purchased 99.9933% share in the share capital of Uni Commerce. On November 28, 2005 RG Brands purchased additional 0.0022% share in the share capital of Uni Commerce from minority holder.

RG Brands is also the owner of 99.9% of the share capital of Express Trading registered on March 11, 2004.

On July 15, 2004 under purchase contract dated June 21, 2004 the Company purchased 100% of the share capital of Cosmis.

16. INVESTMENTS IN ASSOCIATES

As at December 31, 2005 and 2004, investments in associates were as follows:

	2005	2004
Cost of investments	-	107,148
Share of loss of associates	-	(32,808)
	-	74,340

During 2005 the Group's share of post-acquisition loss amounted to 20,542 KZT'000 (2004: 32,808 KZT’000) leading to further decrease in the cost of the investments in SK Premier to 53,798 KZT'000 before these investments were sold. These investments were sold by the Group at 96,921 KZT’000 on September 5, 2005.

17. INVENTORIES, NET

As at December 31, 2005 and 2004, inventories, net, were as follows:

	2005	2004
Goods for resale	1,449,319	1,549,600
Raw materials	736,754	773,159
Finished goods	561,434	13,668
Packing materials	429,437	255,904
Spare parts	108,253	53,340
Other	131,619	136,139
Less: Provision for obsolete inventories	(50,977)	-
	3,365,839	2,781,810

Inventories with a carrying amount of 2,434,451 KZT’000 (2004: 2,365,841 KZT'000) were pledged as security for certain of the Group’s bank loans (see Note 22).

18. ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS, NET

As at December 31, 2005 and 2004, accounts receivable and other current assets, net, were as follows:

	2005	2004
Advances paid	1,699,619	235,812
Trade receivables	197,336	863,012
VAT receivable	131,788	6,571
Prepaid expenses	4,608	48,529
Other receivables	3,537,810	4,312,966
Less: Provision for doubtful debts	(79,065)	(491,495)
	5,492,096	4,975,395

Advances paid as at December 31, 2005 are mainly represented by advances paid to related parties - Systema Ten LLP and Nea Management LLP in the amount of 707,194 thousand tenge and 255,167 thousand tenge, respectively (2004: nil).

Other accounts receivable as at December 31, 2005 are mainly represented by dues from related parties - Uni Commerce LLP, Resmi Group LLP, Nea Management LLP and Top Trade LLP in the amount of 300,033 thousand tenge, 767,409 thousand tenge, 408,251 thousand tenge and 356,998 thousand tenge respectively (2004: 2,010,107 thousand tenge, 605,227 thousand tenge, 364,088 thousand tenge and 510,096 thousand tenge, respectively).

19. AVAILABLE FOR SALE INVESTMENTS AND INVESTMENTS HELD FOR TRADING

As at December 31, 2005 and 2004, available for sale investment were as follows:

	2005	2004
Cost of investments	55,000	-
Increase in fair value	1,655	-
	56,655	-

These investments have no fixed maturity or coupon rate. These investments represent share of stock in "Monetnyi Dvor" investment trust fund purchased by the Group during year 2005.

As at December 31, 2005 and 2004, investments held for trading were as follows

	2005	2004
Cost of investments	495,935	178,338
Increase/(decrease) in fair value	5,800	(1,126)
	501,735	177,212

The investments above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices.

The investments above also represent investments in debt securities that offer the Group the opportunity for return through interest income and fair value gains. The fair values of these securities are based on quoted market prices.

As at December 31, 2005 and 2004 investments held for trading included securities under reverse repurchase agreements amounting to 108,861 KZT'000 and 138,000 KZT'000, respectively, with maturity of no longer than one month.

As at December 31, 2005 and 2004 investments held for trading included corporate bonds pledged under repurchase agreements with third parties amounting to 175,946 KZT'000 and 100,933 KZT'000, respectively. All agreements have maturity with no longer than one month (see Note 26).

20. CASH AND CASH EQUIVALENTS

As at December 31, 2005 and 2004, cash and cash equivalents were as follows:

	2005	2004
Cash in bank in settlement accounts, KZT	115,228	64,297
Other local currency bank accounts, KZT	29,328	3,905
Petty cash in tenge	7,481	4,883
Cash in bank in foreign currency accounts	526	9,240
Cash in transit	-	2,990
	152,563	85,315

21. SHARE CAPITAL

The registered share capital of the Group as at December 31, 2005 and 2004 is 1,800,053 KZT'000 and 1,800,000, respectively. As at December 31, 2005 and 2004 the unpaid portion of share capital was nil and 321,977 KZT'000. The share capital consists of 1,800 thousand ordinary shares with a par value of 1,000 tenge each. During the year 2005 the Group distributed additional 53,409 ordinary shares among its employees at an offering price of 1 tenge each in accordance with a stock option plan (2004: nil). The Group has one class of ordinary shares which carry no right to fixed income.

As at December 31, 2005 and 2004, the shareholders of the Group were as follows:

Shareholder	2005			2004		
	Amount,	Number of shares	Share-holding	Amount,	Number of shares	Share-holding
Resmi Group LLP	1,800,000	1,800,000	97.118%	1,800,000	1,800,000	100%
Zhanalinov A.S.	26	26,505	1.430%	-	-	-
Nurmukhambetov T.K.	10	10,014	0.540%	-	-	-
Kiyambekov M.E.	7	6,776	0.366%	-	-	-
Kaltayev T.S.	7	6,776	0.366%	-	-	-
Jamburshina A.A	3	3,338	0.180%	-	-	-
	1,800,053	1,853,409	100%	1,800,000	1,800,000	100%

On September 28, 2005 the Group declared dividends in the amount of 99,190 KZT'000 representing 10% of the net profit for the year ended December 31, 2004 to be paid to the shareholders. As at December 31, 2005 the dividends were fully paid (2004: nil).

On December 9, 2005 the Board of Directors of the Group authorized to distribute additional 146,651 ordinary shares among its employees at an offering price of 1 tenge each. These shares were issued and paid on January 12, 2006.

22. LOANS

As at December 31, 2005 and 2004, loans were as follows:

	2005	2004
Bank loans	1,120,646	567,843
	1,120,646	567,843

Loans are subject to repayment as follows:

On demand or within one year	970,6	356,8
In the second year	90,2	140,6
In the third to fifth year inclusive	59,7	70,3
	1,120,	567,8
Less: Amount due for settlement within 12 months (shown under current liabilities)	(970,6	(356,8
Amount due for settlement after 12 months	150,0	211,0

Analysis of loans by currency:

December 31, 2005	Total	US Dollars	EURO	KZT
Bank loans	1,120,646	-	99,619	1,021,027

December 31, 2004	Total	US Dollars	EURO	KZT
Bank loans	567,843	3,477	-	564,366

All bank loans are secured by the property, plant and equipment and inventories of the Group (see Notes 12 and 17).

The average interest rates the Group's loans were from EURIBOR plus 1.5% per annum to 13.75% per annum. Interest is payable on a monthly basis.

23. NOTES PAYABLE

On January 22, 2003 the Group registered the following coupon bonds in the National Commission on securities of the Republic of Kazakhstan:

Face amount of the issue	2,350,000,000 KZT
Face value of one note	1 KZT
Type of note	Coupon
Total quantity	2,350,000,000
Maturity	Within 5 years
Stated interest rate	10%
Assets pledged	No
Date of initial placement	January 31, 2003
Payment of interest	Semiannually on January 31 and July 31

During the year ended December 31, 2003 the Group received 2,336,089 KZT'000 on issue of the notes, which resulted in a discount of 13,911 KZT'000.

As at December 31, 2005 and 2004 notes payable amounted to 2,182,318 KZT'000 and 2,247,786 KZT'000, respectively.

24. OBLIGATIONS UNDER FINANCE LEASES

As at December 31, 2005 and 2004, obligations under finance leases were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2005	**2004**	**2005**	**2004**
Amounts payable under finance leases				
Within one year	206,876	211,233	203,99	201,87
In the second to fifth years inclusive	570,469	578,781	491,08	513,10
	777,345	790,014	695,07	714,98
Less: future finance charges	(82,266)	(75,028)	-	-
Present value of lease obligations	695,079	714,986		
Less: Amount due for settlement within 12 months (shown under current liabilities)			203,99	201,87
Amount due for settlement after 12 months			491,08	513,10

It is the Group policy to lease certain of its fixtures and equipment under finance leases. The average lease term is five years. For the year ended December 31, 2005 the average effective borrowing rate was 5.73% (December 31, 2004: 6.05%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in USD and Euro.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

25. ACCOUNTS PAYABLE AND LETTERS OF CREDIT

As at December 31, 2005 and 2004, accounts payable and letters of credit were as follows:

	2005	**2004**
Accounts payable for goods	556,093	747,711
Accounts payable for raw materials	438,697	1,100,272
Accounts payable for services	301,069	282,350
Accounts payable for packing materials	84,338	365,356
Current portion of long-term accounts payable for equipment	36,590	-
Letters of credit	2,758,962	202,441
	4,175,749	2,698,130

As at December 31, 2005 and 2004 long-term accounts payable for equipment amounted to 81,916 KZT’000 and 35,889 KZT’000, respectively.

As at December 31, 2005 the long-term accounts payable for equipment included payable in the amount of 13,432 KZT’000, 97,394 KZT’000 and 7,680 KZT’000 to Union Engineering, KHS MASCHINEN-UND and JSC Arna, respectively (December 31, 2004: 24,843 KZT’000, 1,700 KZT’000 and 9,346 KZT’000 to Union Engineering, Helkama Forste and JSC Arna, respectively). The Group started to repay these liabilities from October 2002. Maturity date is May 2010. The purchased equipment is pledged as collateral for loans.

Long-term accounts payable for equipment are subject to repayment as follows:

	2005	2004
On demand or within one year	36,5	-
In the second year	35,5	14,7
In the third to fifth year inclusive	46,4	21,1
	118,5	35,8
Less: Amount due for settlement within 12 months (shown under current liabilities)	(36,5	-
Amount due for settlement after 12 months	81,9	35,8

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As at December 31, 2005 and 2004 the Group attracted financing from third parties under repurchase agreements amounting to 178,251 KZT’000 and 100,130 KZT’000, respectively, with maturity no longer than one month. Such agreements are secured with investments held for trading at fair value (see Note 19).

27. INTEREST PAYABLE

As at December 31, 2005 and 2004, interest payable was as follows:

	2005	2004
Interest payable – notes	93,762	97,917
Interest payable – loans	55,650	9,257
	149,412	107,174

28. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31, 2005 and 2004, other accounts payable and accrued liabilities were as follows:

	2005	2004
Other payables	73,970	724,693
Other accrued liabilities	26,012	22,191
Advances received	20,299	6,722
	120,281	753,606

29. EMPLOYEE BENEFITS

In accordance with the legislative requirements of the Republic of Kazakhstan the Group pays into an employee pension fund the amount equivalent to 10% of each employee's wage, but not to exceed 52,500 tenge until July 1, 2005 and 69,900 tenge from July 1, 2005 a month (2004: 49,500 tenge). These amounts are expensed when they are incurred. Pension fund payments are withheld from employees' salaries and included with other salary costs in the consolidated statement of income.

As at December 31, 2005 and 2004, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

30. RELATED PARTIES

Control relationships – The parent of the Group is Resmi Group LLP (97.12%). Mr. Mazhibayev K. and Mr. Koshkinbayev E. each own 50% of Resmi Group LLP.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. A significant part of the Group's transactions are with related parties. The Group's related parties are the companies controlled by and associated with Resmi Group LLP. Details of transactions between the Group and related parties are disclosed below.

Trading transactions – In 2005 and 2004 the Group had trading transactions with the following related parties: Resmi Group LLP, Uni Commerce LLP, Resmi Commerce LLP, Top Trade LLC, Kazexpert LLP, JSC TC AKhBK, RG Securities LLP, Systema Ten LLP and Nea Management LLP.

Transactions with related parties include sales of carbonated soft drinks, natural juices, tea, sales/purchase of other inventories, property, plant and equipment, securities as well as rendering various services.

	Sales		**Purchases**	
	Year ended 31/12/2005	**Year ended 31/12/2004**	**Year ended 31/12/2005**	**Year ended 31/12/2004**
Entities under common control	1,184,045	1,557,325	1,943,243	1,001,554

	Accounts receivable from related parties		**Accounts payable to related parties**	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Entities under common control	2,863,822	3,759,010	11,360	67,271

Transactions with related parties are carried out on an arm-length basis.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received, except for guarantee disclosed in Note 31 below. No expense has been recognized in the period for bad debts in respect of the amounts owed by related parties.

Compensation of key management personnel **–** Compensation of key management fee is set by the shareholders' meeting and top management of companies based on human resources policy, staff schedule, individual labor agreements, shareholders' resolutions, bonus accrual orders and etc.

All of the compensations paid to key management personnel of the Group during the years ended December 31, 2005 and 2004 were short-term benefits in the amount of 29,060 thousand tenge and 14,187 thousand tenge, respectively.

31. COMMITMENTS AND CONTINGENCIES

Contractual commitments – The Group operates its carbonated soft drinks production and distribution activities under the exclusive bottling appointment agreements, concluded with PepsiCo Inc. dated July 22, 2000. Under these agreements, the Group is entitled to bottle, sell and distribute the following beverages: "Pepsi", "Pepsi Light", "7UP", "Mirinda", "Aquafina", "Aqua Minerale" and "Evervess" in the territory of the Republic of Kazakhstan.

In accordance with the above agreements till December 31, 2004 PRG Bottlers should have purchased from suppliers recommended by PepsiCo Inc. a certain number of refrigerators and shelves at the prices agreed in the agreements.

Below is the purchasing schedule for refrigerators and shelves according to the signed agreement:

Year	Number of refrigerators	Refrigerators, Estimated amount in thousands of USD	Number of shelves	Shelves, Estimated amount in thousands of USD
2000	600	500	500	50
2001	900	700	800	80
2002	1,100	1,000	1,000	100
2003	1,500	1,300	1,200	120
2004	2,000	1,800	1,500	150
Total	6,100	5,300	5,000	500

As at December 31, 2004 PRG Bottlers purchased 6,678 refrigerators and 810 shelves amounting to 488,266 KZT'000 (approximately 4,065 USD'000) and 7,657 KZT'000 (approximately 53 USD'000), respectively, including transportation, customs and other expenses incurred by PRG Bottlers to bring these assets to their working condition and intended use. The non-compliance with implementation of the shelve purchasing program due to conditions existing in the retail market did not lead to any sanctions by PepsiCo Inc.

Starting 2005, the Group purchases refrigerators and shelves directly from producers in the amount necessary for its needs.

Other contractual commitments – Other contractual commitments to purchase property, plant and equipment and inventories as at December 31, 2005 amounted to 220,427 USD'000 (December 31, 2004: 98,859 USD'000).

Operating environment – The Group's principal business activities are within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

Tax and regulatory environment – The government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result laws and regulations affecting businesses continue to change rapidly. These changes are characterized by poor drafting, different interpretations and arbitrary application by the authorities.

In particular taxes are subject to review and investigation by a number of authorities enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Group.

Legal issues – The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all such matters will not have a material impact on the Group's consolidated financial position or consolidated operating results.

Guarantee **–** On January 5, 2005 the shareholders of the Company authorized the Company to issue 27,000 USD'000 guarantee to secure bank loans of Resmi Commerce LLP, subsidiaries of the Company and the major shareholder of the Company. The guarantee expires on November 12, 2008.

32. RISK MANAGEMENT POLICIES

Management of risk is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit risk exposures, market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Credit risk - The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk is limited due to the large client base of the Group.

Currency risk - Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The financial instruments which are potentially exposed to the currency risk are mostly represented by loans and obligations under finance lease. Currencies of loans and finance lease are disclosed in Notes 22 and 24.

Interest rate risk - Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. Currently, the Group management approach to the interest risk limitation is borrowing at fixed rates.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value for each class of financial instrument:

Listed investments in securities are carried at their market values.

Other financial assets, trade accounts and other receivables, other current assets, cash and cash equivalents, trade accounts and other payables are recorded at their carrying values which approximate the fair values of these instruments as a result of their short-term duration.

Interest rates on long and short-term borrowings and capitalised finance leases are market related, the carrying values of these financial instruments approximate their fair values.

The fair values of financial instruments are estimates and do not necessarily reflect the amount of cash that would have been realised had these instruments been liquidated at the date of valuation.