Rosa JSC

Financial Statements

For the year ended December 31, 2005

CONTENTS

Page

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Rosa JSC

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

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

As discussed in Notes 3 and 4 to the financial statements, the Company's accounting policy is to carry its property, plant and equipment at revalued amounts. The Company's last independent revaluation was performed as at November 30, 2002. The Company's property, plant and equipment as at December 31, 2005 have not been adjusted to comply with requirement to perform periodic revaluations as required by IAS 16, *Property, Plant and Equipment*, when using the revaluation model. We were unable to determine the effect of this departure from IAS 16 on the financial statements.

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

August 17, 2006

BALANCE SHEET
As at December 31, 2005

In thousands of Tenge	Notes	2005	2004
ASSETS			
Non-current assets			
Intangible assets		**14,222**	–
Property, plant and equipment	4	**2,833,793**	2,517,812
Advances paid for property, plant and equipment		**6,166**	89,146
		2,854,181	2,606,958
Current assets			
Inventories	5	**162,283**	218,413
Trade receivables	6	**494,806**	351,827
Advances paid to suppliers	7	**455,521**	436,602
Prepaid income tax		**46,189**	–
Other current assets	8	**50,773**	49,052
Cash and cash equivalents	9	**29,719**	486
		1,239,291	1,056,380
TOTAL ASSETS		**4,093,472**	3,663,338
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	10	**500,000**	500,000
Revaluation reserve		**814,736**	946,554
Reserve capital		**85,820**	3,708
Retained earnings		**457,919**	328,928
		1,858,475	1,779,190
Non-current liabilities			
Interest-bearing loans and borrowings	11	**1,064,185**	1,155,982
Deferred income tax liabilities	20	**426,379**	411,971
Accrued liabilities		**1,224**	–
		1,491,788	1,567,953
Current liabilities			
Interest-bearing loans and borrowings	11	**416,949**	184,348
Trade payables	12	**237,876**	64,782
Income tax payable		–	11,110
Other current liabilities	13	**88,384**	55,955
		743,209	316,195
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,093,472**	3,663,338

The accompanying notes on pages 5 to 26 are an integral part of these financial statements.

Chairman of the Board

Abdullah A. Kurmantayev

Chief Accountant

Irina A. Timofeeva

August 17, 2006

STATEMENT OF INCOME
For the year ended December 31, 2005

In thousands of Tenge	Notes	2005	2004
Sales	14	**1,625,444**	1,542,405
Cost of sales	15	**(1,047,002)**	(936,201)
Gross profit		**578,442**	606,204
General and administrative expenses	16	**(224,667)**	(224,370)
Selling expenses	17	**(119,378)**	(134,419)
Other income	18	**3,245,699**	2,208,579
Other expenses	18	**(3,264,392)**	(2,188,382)
Gain / (loss) on disposal of property, plant and equipment, net		**10,659**	(6,465)
Operating profit		**226,363**	261,147
Finance costs	19	**(134,638)**	(210,343)
Finance income	19	**12,474**	8,193
Foreign exchange gain, net		**19,712**	98,810
Profit before income tax		**123,911**	157,807
Income tax	20	**(34,626)**	(71,706)
Net profit		**89,285**	86,101
Basic earnings per share (in Tenge)	22	**16.18**	26.24

The accompanying notes on pages 5 to 26 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2005

In thousands of Tenge	**2005**	2004
Cash flows from operating activities		
Profit before income tax	**123,911**	157,807
Adjustments for:		
Finance costs, net of finance income	**122,164**	202,150
Depreciation and amortization	**244,027**	255,338
Provision for bad debts	**16,432**	2,602
Provision for obsolete inventories	**1,357**	5,320
Gain / (loss) on disposal of property, plant and equipment, net	**(10,659)**	6,465
Unrealized foreign exchange gain, net	**(13,073)**	(12,432)
Write off of available-for-sale investments	–	1,054
Operating cash flows before working capital changes	**484,159**	618,304
(Increase) / decrease in operating assets:		
Inventories	**54,773**	24,890
Trade receivables	**(142,979)**	(3,846)
Advances to suppliers	**(27,703)**	(321,548)
Other current assets	**(9,369)**	(1,442)
Increase / (decrease) in operating liabilities:		
Trade payables	**(38,996)**	(39,812)
Other current liabilities	**31,772**	(53,308)
Cash generated by operations	**351,657**	223,238
Income tax paid	**(77,517)**	(104,278)
Net cash provided by operating activities	**274,140**	118,960
Cash flows from investment activities		
Purchase of property, plant and equipment	**(363,592)**	(216,722)
Purchase of intangible assets	**(10,000)**	–
Proceeds from disposal of property plant and equipment	**106,315**	16,542
Net cash used in investment activities	**(267,277)**	(200,180)
Cash flows from financing activities		
Proceeds from borrowings	**922,500**	1,036,748
Repayment of borrowings	**(750,780)**	(899,063)
Repayment of vendor financing obligations	**–**	(266,093)
Interest paid	**(140,007)**	(178,762)
Proceeds from the sale of ordinary shares	**–**	400,000
Dividends paid	**(9,343)**	(14,551)
Net cash provided by financing activities	**22,370**	78,279
Net increase / (decrease) in cash and cash equivalents	**29,233**	(2,941)
Cash and cash equivalents at beginning of year	**486**	3,427
Cash and cash equivalents at end of year	**29,719**	486

The accompanying notes on pages 5 to 26 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended December 31, 2005

In thousands of Tenge	Share capital	Revaluation reserve	Reserve fund	Retained earnings	Total shareholders' equity
At December 31, 2003	100,000	1,072,522	3,708	126,859	1,303,089
Contribution to share capital (Note 10)	400,000	–	–	–	400,000
Amortization of revaluation reserve, net of related deferred income tax	–	(124,998)	–	124,998	–
Disposal of revalued items of property, plant and equipment, net of related deferred income tax	–	(970)	–	970	–
Net profit for the year	–	–	–	86,101	86,101
Dividends – preferred shares (Note 10)	–	–	–	(10,000)	(10,000)
At December 31, 2004	**500,000**	**946,554**	**3,708**	**328,928**	**1,779,190**
Amortization of revaluation reserve, net of related deferred income tax	–	(80,038)	–	80,038	–
Disposal of revalued items of property, plant and equipment, net of related deferred income tax	–	(51,780)	–	51,780	–
Transfer to Reserve fund (Note 10)	–	–	82,112	(82,112)	–
Net profit for the year	–	–	–	89,285	89,285
Dividends – preferred shares (Note 10)	–	–	–	(10,000)	(10,000)
At December 31, 2005	**500,000**	**814,736**	**85,820**	**457,919**	**1,858,475**

The accompanying notes on pages 5 to 26 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2005

In thousands of Tenge

1. DESCRIPTION OF BUSINESS

The Joint Stock Company Rosa (the "Company" or "Rosa JSC") was formed on December 4, 1995 as an open joint stock company under the laws of the Republic of Kazakhstan. The Company was created based on the former state plant "Pavlodar brewery plant", constructed in 1975. On August 22, 2003 due to changes in Kazakhstan legislation, the Company was re-registered from an open joint stock company into a joint stock company.

The Company's principal activity is the production and sale of beer and beverages in the Republic of Kazakhstan.

The Company's registered legal address is: p/b 1180, Central Industrial Area, Pavlodar, 140005, Republic of Kazakhstan.

At December 31, 2005 and 2004, the Company had one branch in Kokshetau, the Republic of Kazakhstan, and a representative office in Almaty.

As of December 31, the following shareholders owned more than 10% of the issued and outstanding shares of the Company:

	2005		2004	
Ordinary shareholder	**%**	**number of shares**	%	number of shares
Fund of Small Business Development	**26**	**1,291,669**	–	–
Kinko JSC	**15**	**740,488**	43	2,107,888
Dana Bank JSC	**12**	**570,652**	–	–
Pension Fund BTA Kurmet – Kazakhstan JSC	**10**	**489,999**	10	482,661
Pension Fund Ular Umit JSC	**10**	**487,410**	10	489,020
Mr. Etekbai	**–**	**–**	12	597,672
Other	**27**	**1,319,782**	25	1,222,759
	100	**4,900,000**	100	4,900,000
Preferred shareholder				
Ms. Kokh	**50**	**50,000**	50	50,000
Ms. Etekbai	**33**	**33,328**	33	33,328
Other	**17**	**16,672**	17	16,672
	100	**100,000**	100	100,000

Company's shares are listed on Kazakhstan Stock Exchange ("KASE"). Company's bonds are traded on KASE (Note 11).

The financial statements of Rosa JSC for the year ended December 31, 2005, were authorized for issue by the Chairman of the Board and Chief Accountant on August 17, 2006.

2. DESCRIPTION OF ENVIRONMENT

The Kazakhstan economy, while deemed to be of market status beginning in 2002, continues to display certain characteristics consistent with that of an economy in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls, which cause the national currency to be illiquid outside of Kazakhstan. The continued success and stability of the Kazakhstan economy will be significantly impacted by the government's continued actions with regard to supervisory, legal, and economic reforms.

Meanwhile, the Company's operations and financial position will continue to be affected by Kazakhstan political developments including the application of existing and future legislation and tax regulations. The likelihood of such occurrences and their effect on the Company could have a significant impact on the Company's financial position and future results of operations. As at December 31, 2005, the Company does not believe that any material matters exist relating to the developing markets and evolving fiscal and regulatory environment in Kazakhstan, including current, pending or future governmental claims and demands, which would require adjustment to the financial statements in order for those statements not to be misleading.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The financial statements are presented in thousands of Kazakhstan Tenge ("Tenge" or "KZT"), unless otherwise indicated.

The financial statements have been prepared on an historical cost basis, except for the revaluation of property, plant and equipment that has been measured at fair value.

Changes in accounting policies

In 2005 the Company adopted new accounting standards that were mandatory for financial years beginning or after January 1, 2005. The revised and amended standards are as follows:

IAS 1 *"Presentation of Financial Statements",* IAS 2 *"Inventories"*, IAS 8 *"Accounting Policies, Changes in Accounting Estimate and Errors"*, IAS 10 *"Events After the Balance Sheet Date"*, IAS 16 *"Property, Plant and Equipment"*, IAS 17 *"Leases"*, IAS 19 *"Employee benefits"*, IAS 21 *"The Effect of Changes in Foreign Exchange Rates"*, IAS 24 *"Related Party Disclosures",* IAS 27 *"Consolidated and Separate Financial Statements"*, IAS 28 *"Investments in Associates"*, IAS 32 *"Financial Instruments: Disclosure and Presentation"*, IAS 33 *"Earnings per Share"*, IAS 36 *"Impairment of Assets"*, IAS 38 *"Intangible assets"* and IAS 39 *"Financial Instruments: Recognition and Measurement"*. The adoption of these revised and amended standards has not had a material effect on the Company's financial position, statements of income and cash flows.

Other new standards and interpretations are as follows: IFRS 2 *"Share Based Payments"*, IFRS 3 *"Business Combinations"*, IFRS 4 *"Insurance Contracts"*, IFRS 5 *"Non-Current Assets Held for Sale and Discontinued Operations",* IFRIC 1 *"Changes in Existing Decommissioning, Restoration and Similar Liabilities"*, IFRIC 2 *"Members' Share in Co-Operative Entities and Similar Instruments"*, IFRIC 6 *"Liabilities Arising from Participating in a Specific Market: Waste Electrical and Electronic Equipment"* and IFRIC Amendment to SIC-12 *"Consolidation – Special Purpose Entities"*. The Company adopted all of the relevant new, revised and amended standards, and the new IFRIC interpretations from their respective effective dates. The adoption of these standards did not have a material effect on the Company's financial position, statements of income and cash flows.

The following guidance becomes effective in 2006 and 2007: IAS 1 amendment (capital disclosures); IAS 19 amendment (actuarial gains and losses, company plans and disclosures); IAS 39 amendment (cash flow hedge accounting, the fair value option); IAS 39 and IFRS 4 amendment (financial guarantee contracts); IFRS 6 "Exploration for and Evaluation of Mineral Resources"; IFRS 7 "Financial Instruments: Disclosures"; IFRIC 5 "Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds". The Company will adopt all of the relevant new, revised and amended standards and the new IFRIC interpretations from their respective effective dates. Management does not expect the adoption of these standards and interpretations to have a material effect on the Company's financial position, statements of income or cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of Property, Plant and Equipment

The Company assesses at each reporting date whether the carrying amount of property, plant and equipment does not differ materially from that, which would be determined using estimated fair value at the balance sheet date. For the Company's business environment, a period of "sufficient regularity" is usually assumed to be three years.

Impairment of Property, Plant and Equipment

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the assets' recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 assessment of the time value of money and the risks specific to the assets. In 2005 and 2004, the Company recognized an impairment loss of 648 thousand Tenge and 5,871 thousand Tenge, respectively.

The determination of fair values and impairment of property, plant and equipment involves the use of estimates and based on a large number of factors, such as changes in the expectations of the market, changes in the future availability of financing, technological obsolescence, and other changes in circumstances. The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions. The identification of impairment indicators, the estimation of future cash flows and the determination of fair values for assets (or group of assets) requires management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values. These estimates, including the methodologies used, can have a material impact on the carrying value and ultimately the amount of any property, plant and equipment impairment.

Useful Lives of Items of Property, Plant and Equipment

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

Allowances

The Company makes allowances for doubtful accounts receivable. Significant judgment is used to estimate doubtful accounts. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the financial statements. As of December 31, 2005 and 2004, allowances for doubtful accounts have been created in the amount of 24,805 thousand Tenge and 24,805 thousand Tenge, respectively.

Functional currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the functional currency of the Company has been determined as the Tenge. Transactions in other currencies are treated as transactions in foreign currencies.

Foreign currency

The Company maintains its accounting records in Tenge and prepares its financial statements in Tenge. Tenge is not fully convertible currency outside of the Republic of Kazakhstan. Transactions in foreign currencies are recorded at the market rate ruling at the date of the transaction using market rates, fixed by the Kazakhstan Stock Exchange (“KASE”). Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences arising from a change in exchange rates subsequent to the date of a transaction are taken to the statement of income.

The following table summarizes the foreign currency exchange rates of the major currencies, which the Company uses in its operations, to the Tenge at August 25, 2006, December 31, 2005 and December 31, 2004:

	At August 17, 2006	At December 31, 2005	At December 31, 2004
US dollar	123.37	133.77	130.00
Euro	157.80	158.54	177.10

Recognition of financial instruments

The Company recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. The accounting policies for subsequent re-measurement of these items are disclosed in the respective notes set out in the accounting policy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement and has transferred substantially all the risks and rewards of the asset; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended use.

The cost of assets constructed by the Company includes the cost of all materials used in construction, direct labor on the project, financing costs that are directly attributable to the project, and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalized as soon as an asset is ready for its intended use.

Subsequent to initial recognition, property, plant and equipment is carried at revalued amounts, which are its estimated fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations are made with sufficient regularity such that the carrying amount of property, plant and equipment does not differ materially from that, which would be determined using estimated fair values at the balance sheet date.

Any revaluation increase on property, plant and equipment arising on the revaluation of such property, plant and equipment is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the statement of income to the extent of the decrease previously charged. A decrease in the carrying amount arising on a revaluation of such property, plant and equipment is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued item of property, plant and equipment the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

The difference between depreciation on a revalued asset and depreciation based on the cost of that asset is transferred each period from a revaluation reserve to retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Subsequent expenditures

Subsequent expenditures on an item of property, plant and equipment that improves the condition of the asset beyond its originally assessed standard of performance are capitalized. All other subsequent expenditures, such as repair and maintenance expenditures, are charged to expenses.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	35 – 59 years
Machinery and equipment	8 – 12 years
Vehicles	8 – 10 years
Other	5 – 12 years

Land is not depreciated.

Impairment of property, plant and equipment

The carrying values of property, plant and equipment are reviewed at each balance sheet date for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic lives of 3 to 9 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income.

Intangible assets consist of trade mark.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is assigned by using the weighted-average cost formula.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Trade receivables

Trade receivables are recognized and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable. These estimates are based on the historical experience of cash collections and future expectations of conditions that might impact the collectability of accounts. Bad debts are written-off when identified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks, cash in hand and short-term deposits with an original maturity of three months or less.

Share capital

Share capital contributions made in the form of assets other than cash are stated at the fair value of the assets at the date of contribution. Preferred shares that are non-redeemable or redeemable only upon the occurrence of an event that is not likely to occur are classified as equity.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events After the Balance Sheet Date" and disclosed accordingly.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses, other than borrowing costs eligible for capitalization, are recognized in net profit or loss when the liabilities are derecognized as well as through the amortization process.

Trade payables

Liabilities for trade payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Revenue and expense recognition

Revenue

Revenue is recognized when it is probable that economic benefits associated with a transaction will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue is recognized when the significant risks and rewards of the ownership of goods have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services

Revenue from transportation services is recognized when transportation services are provided.

Operating expenses

Expenses are accounted for at the time the actual flow of the related goods or services occurs, regardless of when cash or its equivalent is paid, and are reported in the financial statements in the period to which they relate.

Financial costs

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Employee benefits

The Company pays social tax according to current statutory requirements of the Republic of Kazakhstan. Following certain changes in Kazakhstan tax legislation, the effective rate of the Company's social tax in 2005 was 14% of the gross income of employees (2004: 17% of gross income). Social tax and related staff costs are expensed as incurred.

The Company withholds and contributes 10% from the salaries of its employees as the employee's contribution to their pension funds. Under legislation of the Republic of Kazakhstan, employees are responsible for their retirement benefits and the Company has no present nor future obligation to pay its employees upon their retirement.

Related parties

Related parties include the Company's shareholders, key management personnel and enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Company's Shareholders or key management personnel.

Provisions

Provisions are recognized when the Company has a current obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, an increase in a provision due to the passage of time is recognized as an interest expense.

Contingencies

Contingent liabilities are not recognized in financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in financial statements. Where an inflow of economic benefits is probable, they are disclosed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Reclassifications

Certain 2004 amounts were reclassified to conform to the presentation of the 2005 financial statements. These reclassifications are summarized below:

	Amount
Statement of Income:	
Processing of finished goods with expired maturity was reclassified from general and administrative expenses to cost of sales	3,461
Damaged goods during transportation was reclassified from general and administrative expenses to selling expense	7,348

None of the above reclassifications impacted net income or shareholders' equity.

4. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended December 31, 2005 was as follows:

	Land	Buildings	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
At December 31, 2003, net of accumulated depreciation	40,913	827,948	1,501,331	27,231	14,899	256,259	2,668,581
Additions	136	–	49,577	30,006	15,881	31,976	127,576
Disposals	(558)	(3,935)	(21,208)	(6,697)	(1,722)	–	(34,120)
Transfers	–	–	83,561	–	41	(83,602)	–
Depreciation charge for the year		(15,857)	(224,925)	(11,941)	(2,615)	–	(255,338)
Depreciation on disposals	–	410	6,086	3,872	745	–	11,113
At December 31, 2004, net of accumulated depreciation	40,491	808,566	1,394,422	42,471	27,229	204,633	2,517,812
Additions	204	78,448	8,857	1,243	4,097	561,037	653,886
Disposals	(1,833)	(53,383)	(202,909)	(91,025)	(8,977)	(959)	(359,086)
Transfers	–	61,381	610,734	–	–	(672,115)	–
Depreciation charge for the year	–	(14,447)	(218,678)	(4,466)	(4,658)	–	(242,249)
Depreciation on disposals	–	10,169	178,466	72,571	2,224		263,430
At December 31, 2005, net of accumulated depreciation	**38,862**	**890,734**	**1,770,892**	**20,794**	**19,915**	**92,596**	**2,833,793**
At December 31, 2003							
Fair value	40,913	952,285	2,425,559	105,538	23,770	256,259	3,804,324
Accumulated depreciation	–	(124,337)	(924,228)	(78,307)	(8,871)	–	(1,135,743)
Net carrying amount	40,913	827,948	1,501,331	27,231	14,899	256,259	2,668,581
At December 31, 2004							
Carrying value	40,491	948,350	2,537,489	128,847	37,970	204,633	3,897,780
Accumulated depreciation	–	(139,784)	(1,143,067)	(86,376)	(10,741)	–	(1,379,968)
Net carrying amount	40,491	808,566	1,394,422	42,471	27,229	204,633	2,517,812
At December 31, 2005							
Carrying value	38,862	1,034,796	2,954,171	39,065	33,090	92,596	4,192,580
Accumulated depreciation	–	(144,062)	(1,183,279)	(18,271)	(13,175)	–	(1,358,787)
Net carrying amount	**38,862**	**890,734**	**1,770,892**	**20,794**	**19,915**	**92,596**	**2,833,793**

At December 31, 2005 and 2004, certain items of property, plant and equipment with a total net carrying amount of KZT 2,516,085 thousand and KZT 1,818,684 thousand, respectively, were pledged as collateral for certain of the Company's borrowings (Note 11).

The last revaluation of the Company's property, plant and equipment was performed by an independent appraiser as at November 30, 2002. The fair value of property, plant and equipment (excluding land) was determined using a depreciated replacement cost approach; the fair value of land was determined by reference to market-based evidence.

Subsequent to the year end the Company engaged an independent appraiser to revalue its property, plant and equipment as at December 31, 2005. As at the date of approval of these financial statements for issue the revaluation has not been completed. Thus, the effect of the revaluation on carrying value of property, plant and equipment as at December 31, 2005 is not known. However, market-based evidence suggests that the carrying value of property, plant and equipment may be materially understated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amount of each class of property, plant and equipment that would have been included in the financial statements had the assets been carried at cost less any accumulated depreciation and impairment losses was as follows:

	Land	Buildings	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net carrying amount:							
At December 31, 2004	5,625	184,595	857,637	38,975	19,993	204,633	1,311,458
At December 31, 2005	**4,227**	**274,027**	**1,264,733**	**20,185**	**14,116**	**92,596**	**1,669,884**

5. INVENTORIES

Inventories consisted of the following at December 31:

	2005	2004
Raw materials	**81,330**	52,789
Packaging materials	**41,881**	91,445
Work in process	**22,982**	19,734
Spare parts	**9,048**	11,807
Fuel	**4,655**	4,825
Finished goods	**3,388**	33,826
Advertising materials	**2,871**	8,872
Construction materials	**576**	642
Other	**6,319**	5,240
	173,050	229,180
Less: Allowance for obsolete inventories	**(10,767)**	(10,767)
	162,283	218,413

The movements in the allowance for obsolete and slow-moving inventories were as follows for the years ended December 31:

	2005	2004
Allowance for obsolete and slow-moving inventories at the beginning of the year	**(10,767)**	(10,767)
Charge for the year	**(1,357)**	(5,320)
Write-offs	**1,357**	5,320
Allowance for obsolete and slow-moving inventories at the end of the year	**(10,767)**	(10,767)

6. TRADE RECEIVABLES

Trade receivables consisted of the following at December 31:

	2005	2004
Accounts receivable from related parties (Note 21)	**492,934**	321,466
Accounts receivable from third parties	**10,245**	55,166
	503,179	376,632
Less: Allowance for bad debts	**(8,373)**	(24,805)
	494,806	351,827

At December 31, 2005 and 2004, trade receivables were denominated in Tenge.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TRADE RECEIVABLES (continued)

The movements in the allowance for bad debts were as follows for the years ended December 31:

	2005	2004
Allowance for bad debts at the beginning of the year	**(24,805)**	(24,805)
Charge for the year	–	(2,602)
Write-offs	**16,432**	2,602
Allowance for bad debts at the end of the year	**(8,373)**	(24,805)

7. ADVANCES PAID TO SUPPLIERS

Advances paid to suppliers consisted of the following at December 31:

	2005	2004
Advances paid to related parties (Note 21)	**458,681**	416,591
Advances paid to third parties	**5,624**	20,011
	464,305	436,602
Less: Allowance for bad debts	**(8,784)**	–
	455,521	436,602

Advances paid to suppliers at December 31, represented prepayments made for the following:

	2005	2004
Advances for raw materials	**449,551**	348,525
Advances for services	**5,970**	88,077
	455,521	436,602

At December 31, the Company's advances paid to suppliers were denominated in various currencies as follows:

	2005	2004
Tenge	**448,834**	425,533
Russian rubles	**121**	6,063
Euro	**6,165**	5,006
USD	**401**	–
	455,521	436,602

The movements in the allowance for bad debts were as follows for the years ended December 31:

	2005	2004
Allowance for bad debts at the beginning of the year	**–**	–
Charge for the year	**(8,784)**	–
Write-offs	**–**	–
Allowance for bad debts at the end of the year	**(8,784)**	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. OTHER CURRENT ASSETS

Other current assets consisted of the following at December 31:

	2005	2004
Due from related parties (Note 21)	**42,824**	16,354
Due from employees	**5,342**	7,453
Prepaid taxes	**2,900**	2,321
Restricted cash	**1,997**	–
Prepaid expenses	**1,138**	666
Receivable for rent	**–**	5,028
Other	**4,220**	17,230
	58,421	49,052
Less: Allowance for bad debts	**(7,648)**	–
	50,773	49,052

At December 31, 2005 and 2004, other current assets were denominated in Tenge.

Due from related parties represent short-term interest free financial aid provided to Accer LLP and Irmad LLP, and receivables for sale of materials, and other (Note 21).

The movements in the allowance for bad debts were as follows for the years ended December 31:

	2005	2004
Allowance for bad debts at the beginning of the year	**–**	–
Charge for the year	**(7,648)**	–
Write-offs	**–**	–
Allowance for bad debts at the end of the year	**(7,648)**	–

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31:

	2005	2004
Cash in hand	**686**	391
Current accounts with banks – KZT	**29,033**	95
	29,719	486

At December 31, 2005 and 2004, current accounts with banks were interest free.

10. SHARE CAPITAL

The share capital of the Company consisted of the following at December 31, 2004 and 2005:

	Number of shares			
	Authorized	Issued and paid	Par value, KZT	Amount, KKZT
Ordinary shares	4,900,000	4,900,000	100	490,000
Preferred shares	100,000	100,000	100	10,000
	5,000,000	**5,000,000**	**100**	**500,000**

The share capital of the Company was contributed by the shareholders in cash and in kind (property, plant and equipment). The shareholders are entitled to dividends and any capital distribution in cash.

Each ordinary share entitles the holder to one vote and an equal share in dividends declared. Preferred shares are non-voting, non-redeemable and guarantee annual cumulative dividends of no less than 100% of their nominal value.

The Board of Directors Meeting on June 28, 2004 decided to increase share capital by KZT 400,000 thousand by means of issuing 4,000,000 ordinary shares at a par value of KZT 100 each. All issued shares were purchased at the par value by the existing shareholders of the Company based on preemptive purchase rights.

10. SHARE CAPITAL (continued)

In accordance with shareholders' meeting decision, the non-distributable reserve fund comprises transfers from retained earnings. During the year ended 31 December 2005, the reserve fund was increased by KZT 82,112 thousand.

11. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings, including accrued interest, consisted of the following at December 31:

	Original currency	Maturity date	Effective interest rate per annum	2005	2004
Current portion of long term borrowings:					
ATF bank loan	Euro	December 1, 2007	Euribor+5%	**57,827**	68,348
Kazakhstan bonds	KZT	April 14, 2007	9.5%	**36,622**	35,805
Short term borrowings:					
Notes payable	KZT	February 3, 2006	0%	**300,000**	–
Halyk Bank borrowing	KZT	January 27, 2006	16%	**22,500**	–
ATF bank loan	USD	August 24, 2004	14%	**–**	80,195
				416,949	184,348
Long-term borrowings:					
ATF bank loan	Euro	December 1, 2007	Euribor+5%	**61,790**	139,901
Kazakhstan bonds	KZT	April 14, 2007	9.5%	**1,002,395**	1,016,081
				1,064,185	1,155,982
				1,481,134	1,340,330

Kazakhstan bonds

In April 2004, the Company issued 1,000,000 long-term KZT denominated coupon bonds. 998,200 of these bonds were placed on the Kazakhstan Stock Exchange with a premium of KZT 38,548 thousand and interest of 11% per annum. Net cash received from this issue amounted to KZT 1,036,748 thousand. The unamortized amount of the premium as at December 31, 2005 and 2004 equaled KZT 17,881 and 30,355 thousand, respectively. The effective interest rate of the bonds equals 9.5% per annum. The majority of the bonds were purchased by various pension funds and commercial banks of the Republic of Kazakhstan. The bonds mature in April 2007. The principal and coupon interest on the bonds is payable upon maturity and semiannually, respectively. At December 31, 2005 and 2004, the accrued coupon was equal to KZT 22,936 and 23,331 thousand, respectively.

Notes payable

In 2005, the Company issued interest free notes of KZT 300,000 thousand. As at December 31, 2005 the notes payable was held by Caspian bank.

ATF bank loans

The Euro denominated loan was originated in 2002 for the purpose to finance purchasing of equipment. Interest and principal are repayable in equal monthly installments.

At December 31, 2005 and 2004, certain items of property, plant and equipment with a total net carrying value of KZT 2,516,085 thousand and KZT 1,818,684 thousand, respectively, were pledged as security for this loan (Note 4).

The USD denominated loan was repaid in 2005.

Halyk Bank

Halyk Bank borrowing was received on December 29, 2005. It matures within 30 days and bears 16% interest rate. The Company repaid the borrowing on January 2006.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. TRADE PAYABLES

Trade accounts payable consisted of the following at December 31:

	2005	2004
Payables for property, plant, and equipment	**206,090**	–
Payables for intangible assets	**6,000**	–
Other payables	**25,786**	64,782
	237,876	64,782
Payables to third parties	**237,875**	61,911
Payables to related parties (Note 21)	**1**	2,871
	237,876	64,782

At December 31, trade accounts payable were denominated in various currencies as follows:

	2005	2004
Euro	**206,090**	–
Tenge	**25,664**	43,945
Russian rubles	**4,793**	20,236
US dollar	**1,329**	601
	237,876	64,782

13. OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following at December 31:

	2005	2004
Taxes other than income tax	**38,937**	16,551
Due to employees	**16,807**	17,859
Professional services payable	**14,113**	1,974
Dividends payable	**13,534**	12,877
Pension fund obligations	**2,436**	1,531
Advances received	**1,880**	4,639
Other	**677**	524
	88,384	55,955

At December 31, 2005 and 2004, other current liabilities were denominated in Tenge.

14. SALES

Sales consisted of the following for the years ended December 31:

	2005	2004
Sales of beer	**1,089,165**	1,045,127
Sales of non-alcoholic beverages	**536,279**	497,278
	1,625,444	1,542,405

Starting from January 2005 sales are mainly made to the Company's distributor KDK JSC, a related party (Notes 21).

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. COST OF SALES

Cost of sales consisted of the following for the years ended December 31:

	2005	2004
Raw materials	**650,182**	541,035
Depreciation	**223,833**	226,769
Payroll and related staff costs	**93,899**	95,838
Maintenance and repairs of property, plant and equipment	**50,783**	27,580
Utilities	**21,990**	28,767
Other	**6,315**	16,212
	1,047,002	936,201

16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consisted of the following for the years ended December 31:

	2005	2004
Payroll and related staff costs	**61,966**	67,149
Taxes other than income tax	**33,919**	25,147
Professional services	**17,380**	21,755
Provision for bad debts	**16,432**	2,602
Maintenance and repairs	**14,100**	14,623
Business trips	**12,156**	16,107
Depreciation and amortization	**11,459**	11,628
Communication	**8,089**	8,781
Bank commissions	**6,893**	4,812
Transportation	**6,993**	3,635
Security services	**5,351**	4,420
Office expenses	**5,170**	533
Utilities	**4,569**	1,024
Insurance	**3,939**	527
Advertising and publications	**2,548**	2,521
Fines and penalties	**2,317**	17,509
Membership payments	**2,050**	1,413
Provision for obsolete inventories	**1,357**	5,320
Representation expenses	**1,210**	1,791
Write off of available-for-sale investments	–	1,054
Commissions and other fees	**240**	441
Other	**6,529**	11,578
	224,667	224,370

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. SELLING EXPENSES

Selling expenses consisted of the following for the years ended December 31:

	2005	2004
Transportation	**61,254**	48,391
Advertising	**26,465**	18,007
Payroll and related staff costs	**15,525**	17,224
Depreciation	**9,991**	16,513
Damaged goods	**1,710**	7,348
Maintenance and repairs	**570**	14,698
Business trips	**527**	4,347
Other	**3,336**	7,891
	119,378	134,419

18. OTHER INCOME AND EXPENSES

The composition of other income for the years ended December 31 was as follows:

	2005	2004
Revenue from the sale of bottles and returnable containers (tare)	**3,169,221**	2,140,724
Revenue from sales of raw materials	**48,690**	26,652
Revenue from transportation services	**1,298**	11,627
Other	**26,490**	29,576
	3,245,699	2,208,579

The composition of other expenses for the years ended December 31 was as follows:

	2005	2004
Cost of bottles and returnable containers sold (tare)	**(3,181,070)**	(2,138,003)
Cost of raw materials sold	**(52,491)**	(22,341)
Cost of transportation services rendered	**(1,196)**	(10,363)
Other	**(29,635)**	(17,675)
	(3,264,392)	(2,188,382)

For the years ended December 31, 2005 and 2004, revenue from sales of raw materials, and revenue from transportation services were mainly derived from transactions with related parties of the Company (Note 21).

19. FINANCE (COSTS) / INCOME

Finance costs consisted of the following for the years ended December 31:

	2005	2004
Interest on bank loans	**(24,748)**	(113,503)
Interest on bonds	**(109,710)**	(77,590)
Unwinding on accrued non-current liability	**(180)**	–
Amortization of discounts on vendor financing obligations	**–**	(19,250)
	(134,638)	(210,343)

Discounts on vendor financing obligations arose from the deferred terms of payment for machinery and equipment purchased by the Company from foreign suppliers. The obligation was repaid in 2004.

Finance income consisted of the following for the years ended December 31:

	2005	2004
Amortization of bond premiums	**12,474**	**8,193**

Bond premium arose due to net cash received in excess of the bonds' nominal amount (Note 11).

20. INCOME TAX

The Company is subject to income tax of 30% on taxable profit as determined under the laws of the Republic of Kazakhstan. Income tax expense consisted of the following for the years ended December 31:

	2005	2004
Current income tax	**20,218**	83,700
Adjustments in respect of current income tax for previous years	**–**	12,353
Deferred income tax expense / (benefit)	**14,408**	(24,347)
	34,626	71,706

A reconciliation of the income tax expense applicable to profit before income tax at the statutory income tax rate against current income tax expense was as follows for the years ended December 31:

	2005	2004
Accounting profit before income tax	**123,911**	157,807
Statutory tax rate	**30%**	30%
Theoretical tax expense at the statutory rate	**37,173**	47,342
Tax effect of (gains) / expenses that are not taxable / deductible for tax purposes:		
Fines and penalties	**254**	4,513
Adjustments in respect of current income tax for previous years	**–**	12,353
Provision for obsolete inventories	**–**	769
Others	**(2,801)**	6,729
Income tax expense reported in the financial statements	**34,626**	71,706

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. INCOME TAX (continued)

Deferred tax balances calculated by applying the statutory tax rates in effect at the respective balance sheet dates against temporary differences between the tax basis of assets and liabilities and the amounts reported in the financial statements, consisted of the following at December 31:

	2005	2004
Deferred tax assets:		
Accrued expenses	**6,198**	10,571
Allowance for bad debts	**7,441**	7,442
Bond premiums	**5,364**	9,106
Intangible assets	**539**	–
	19,542	27,119
Deferred tax liabilities:		
Property, plant and equipment	**(445,921)**	(439,090)
Net deferred tax liabilities	**(426,379)**	(411,971)

21. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Company entered into significant transactions for the year ended December 31, 2005 or had significant balances outstanding at December 31, 2005 are detailed below. Transactions were entered into with related parties during the ordinary course of business on normal commercial terms.

Balances and transactions with related parties of the Company as at and for the years ended December 31, 2005 and 2004 consisted of the following:

	Sales		**Purchases**		**Advances to suppliers for raw materials and services**		**Trade receivables / (payables)**		**Other current assets**		**Advances paid for property, plant and equipment**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Kinko JSC	**4,058**	329	**5**	–	–	–	–	(2,871)	–	–	–	–
Irmad LLP	**9,325**	20,964	**79,366**	4,688	**78,034**	156,442	**28,558**	27,037	**17,251**	11,201	–	–
Accer LLP	**4,874**	2,344,010	**79,839**	1,346,681	–	–	–	111,846	**6,791**	4,974	–	43,322
El Invest LLP	**56**	10		6,791	–	260,149	–	–	–	–	–	–
KDK JSC	**4,818,712**	660,675	**3,092,778**	339,367	–	–	**435,229**	179,467	**18,481**	179	–	–
E-Com Invest LLP	**38,955**	–	**180,013**	13,116	**378,854**	–	**28,480**	3,116	–	–	–	–
Starteks LLP	–	–	**66**	–	**122**	–	–	–	**225**	–	–	–
Borovoe LLP	**221,128**	–	**172,347**	–	–	–	**(1)**	–	–	–	–	–
Vizit JSC	**23**	–	–	–	–	–	–	–	–	–	–	–
Master LLP	**24,858**	–	**130,047**	–	**1,671**	–	**667**	–	**76**	–	–	–
	5,121,989	3,025,988	**3,734,461**	1,710,643	**458,681**	416,591	**492,933**	318,595	**42,824**	16,354	–	43,322

Irmad LLP, Accer LLP, El Invest LLP, E-Com Invest LLP, KDK JSC, Starteks LLP, Borovoe LLP, Master LLP and Visit JSC are companies registered in the Republic of Kazakhstan in which a substantial interest in the voting power is owned by major shareholders of the Company. Kinko JSC is a joint stock company incorporated in the Republic of Kazakhstan, and is one of the major shareholders of the Company (Note 1).

21. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Sales to KDK for 2005 and 2004 comprised beer – 1,079,647and 204,112 thousand Tenge, beverages – 534,039 and 95,419 thousand Tenge, tare and other income – 3,205,026 and 361,144 thousand Tenge, respectively.

Compensation to Key Management Personnel

Key management personnel comprises members of the Management Board and Board of Directors of the Company, and totals 8 persons both as at December 31, 2005 and 2004. Total compensation to key management personnel included in general and administrative expenses in the statement of income amounted to KZT 19,791 thousand and KZT 16,433 thousand for the years ended December 31, 2005 and 2004, respectively.

Compensation to key management personnel consists of contractual salaries and performance bonuses depended on operating results.

22. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The Company does not have any options or convertible debt or equity instruments.

The following reflects the income and share data used in the basic earnings per share computations:

	2005	2004
Net profit for the year	**89,285**	86,101
Less: dividends on preferred shares	**(10,000)**	(10,000)
Net profit attributable to ordinary shareholders	**79,285**	76,101
Weighted average number of ordinary shares for basic earnings per share	**4,900,000**	2,900,000
Basic earnings per share (in Tenge)	**16.18**	26.24

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and also none before these financial statements were completed.

23. COMMITMENTS AND CONTINGENCIES

Tax contingencies

Kazakhstan legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid. Interest is assessable at 20% per annum. As a result, penalties and interest can result in amounts that are multiples of any incorrectly reported taxes resulting in an understatement.

The Company believes that it has paid or accrued all taxes that are applicable. Where practice concerning the provision of taxes is unclear, the Company has accrued tax liabilities based on management's best estimate. The Company's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2005. It is not practicable to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavorable outcome.

23. COMMITMENTS AND CONTINGENCIES (continued)

Financial commitments and contingencies

At December 31, the Company's financial commitments and contingencies consisted of the following:

	2005	2004
Guarantees	**267,540**	260,000

In accordance with the decision of the Board of Directors of the Company dated July 30, 2004, the Company provided a full joint guarantee to Kazkommertsbank JSC as security for a credit line of USD 2,000 thousand, which was opened by Kazkommertsbank JSC for Kinko JSC, a related party to the Company.

The Company applies similar principles as those applied when assessing the required allowance for losses under other credit facilities and assessing the likelihood of loss under a guarantee.

Insurance matters

At December 31, 2005 the Company had full insurance coverage of its property, plant and equipment.

Legal actions and claims

In the ordinary course of business, the Company is subject to legal actions and claims.

Management believes that the ultimate liability, if any, arising from these actions will not have a material adverse effect on the financial position or the results of future operations of the Company.

24. FINANCIAL INSTRUMENTS

The Company, in connection with its activities, is exposed to various financial risks associated with its financial instruments. Financial instruments are comprised primarily of cash, receivables, payables and borrowings.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company manages market risk through the periodic estimation of potential losses that could arise from adverse changes in market conditions.

Credit risk

Financial instruments, which potentially subject the Company to credit risk, consist primarily of accounts receivable. While the Company may be subject to losses in the event of non-performance by its counterparties, Company management does not expect such losses to occur.

Concentration of credit risk with respect to accounts receivable have increased in 2005 due to the fact that sales are mainly made to the Company's distributor, KDK JSC (Note 21). However, the Company's management believes that the risk is limited due to large number of customers of distributor. The Company places its cash with high quality credit financial institutions.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's operations are carried out in the Republic of Kazakhstan and, as such, a significant portion of the Company's business is transacted in Kazakhstan Tenge. Company management believes that any possible fluctuations of foreign exchange rates will not have a material impact on the financial position of the Company and the results of its operations.

Interest rate risk

The interest rate risk to the Company is the risk of changes in market interest rates that could reduce the overall return on its investments and increase cash outflow on its borrowings. The Company limits its interest rate risk by monitoring changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

24. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Cash flow risk

The cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

Cash flow requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. Company management believes that any possible fluctuations in future cash flows associated with a monetary financial instrument will not have material impact on the Company's operations.

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

The subsequent disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation". Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties under arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Company's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following methods and assumptions are used by the Company to estimate the fair value of these financial instruments:

Trade and other receivables and payables

For assets and liabilities maturing within twelve months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments.

For assets and liabilities maturing in over twelve months, the fair value represents the present value of estimated future cash flows discounted at the average year-end market rates.

Interest-bearing loans and borrowings

An estimate was made by discounting scheduled future cash flows of individual loans by applying the estimated maturity using prevailing market rates as of the respective year-end.
Debt securities are issued at interest rates approximate to market rates and consequently the carrying amount of debt securities issued is a reasonable estimate of their fair value.

26. SEGMENT INFORMATION

The Company's operations are highly integrated and constitute a single industry segment for the purposes of IAS No. 14 "Segment Reporting". The Company's assets are concentrated primarily in the Republic of Kazakhstan, and the majority of the Company's revenues and net income is derived from operations in, and connected with, the Republic of Kazakhstan.

27. SUBSEQUENT EVENTS

In 2006, the Company fully repaid notes payable and Halyk Bank Borrowing (Note 11).

In May 2006, the Company made a second bonds emission with a nominal amount of KZT 1,800,000 thousands and 10% coupon rate. Coupon is paid semiannually, the bonds matures in May, 2011.