

Approved:
Director of audit firm
"ELTAL-UVEMAN consulting"
Kalinda E. V. 
March 31, 2004



Auditor's report

To Board of directors
of Join-Stock Company
«KazAgroFinance»

Kazakhstani-German enterprise «ELTAL-UVEMAN consulting», acting on the basis of Charter, State license of the Ministry of Finance of the Republic of Kazakhstan №0000018, series МФЮ dated December 27, 1999 on auditing activity, referred to as **“Audit firm”**, in compliance with Contract dated January 22, 2004 year have conducted an audit of enclosed financial statement of Join-Stock Company «KazAgroFinance», hereinafter referred to as **“Company”** for a year finished in December 31, 2003.

These financial statements are the responsibility of the Company's management. Audit firm's responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with International Standards on Auditing. These 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.

We didn't observe the counting of the physical inventories as of November 1, 2003 year since that date was prior to the time we were initially engaged as auditors of the Company.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical inventory quantities the financial statements give a true and fair view of the financial position of the Company as of December 31, 2003 year and of the results of its operations and its cash flows for the year then ended in accordance with International Standards on Accounting.

Auditor,
Gorbacheva Elena,
(license on right to carrying of audit control
of bank activity №45 of 12.05.2002)



Almaty, 250 Baizakova str.



Казахстанско-германское предприятие «ЕЛТАЛ-УВЕМАН консалтинг»
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Balance sheet
as of January 1, 2004 (for 2003)
of Joint-Stock Company "KazAgroFinance"
unit: thousand tenge

№ lines	Activities	At the beginning of the accounting period	At the end of the accounting period
Assets:			
1.	Current assets		
1.1.	Cash and cash equivalents	21 184	570 078
1.2.	Short-term financing investments	1 775 000	3 540 000
1.3.	Interest payable	2 168	41 857
1.4.	Accounts receivable	1 726 749	1 510 361
1.5.	Payments receivable	44 524	40 119
1.6.	Advances paid for shipment of inventory (works and services)	2 937	2 162
1.7.	Loans advanced		
1.8.	Current portion of long term borrowings (loans)	2 132	2 811
1.9.	Other accounts receivable	49760	34 489
1.10.	Inventory	766 670	202 371
1.11.	Deferred expenses	134 495	65 950
1.12.	Allowance for doubtful debt		-117 983
	Total current assets	4 525 619	5 892 215
2.	Fixed Assets		
	Total fixed assets, including: *	279 717	93 851
	<i>Buildings and constructions</i>	<i>58 840</i>	<i>50 750</i>
	<i>Machinery, equipment and transmitting equipment</i>	<i>188 335</i>	<i>18 666</i>
	<i>Vehicles</i>	<i>24 404</i>	<i>14 070</i>
	<i>other fixed assets</i>	<i>8 138</i>	<i>10 365</i>
	Accumulated depreciation*	40 759	24 310
2.1.	Total fixed assets' Book value, including:	238 958	69 541
	<i>Buildings and constructions</i>	<i>56757</i>	<i>46 044</i>
	<i>Machinery, equipment and transmitting equipment</i>	<i>158 419</i>	<i>9 155</i>
	<i>Vehicle</i>	<i>17 763</i>	<i>7 779</i>
	<i>other fixed assets</i>	<i>6 019</i>	<i>6 563</i>
	Intangible assets (original cost) *	766	766
	Accumulated depreciation*	133	316
2.2.	Book value of intangible assets	633	450
	Long-term financing investments		256
2.3.	Leasing payments receivable	4 466 046	4 946 664
2.4.	Loans advanced	500 000	3 000 000
2.5.	Loans	15 536	20 563
2.6.	Excess of VAT set-off over VAT accrual		354 020
	Deferred expenses		158 691
	Total long-term Assets	5 221 173	8 550 185
	Total assets	9 746 792	14 442 400

№ lines	Activities	At the beginning of the accounting period	OAt the end of the accounting period
Liabilities:			
3.	Current liabilities		
3.1.	Received advances	31 829	34 982
3.2.	Tax payable	3 126	4 899
3.3.	Interest payable	48 543	58 158
3.4.	Accounts payable for obtained goods (works and services)	1 616	1 554
3.5.	Other accounts payable	14 849	19 779
3.7.	Current portion of long-term loans	1 655 661	2 014 079
3.9.	Deferred income	69 338	159 590
	Total current liabilities	1 824 962	2 293 041
4.	Long-term liabilities		
4.1.	Long-term loans	7 716 407	10 448 515
4.2.	Deferred VAT		416 926
	Total long-term liabilities	7 716 407	10 865 441
	Total liabilities	9 541 369	13 158 482
5.	Owners' capital:		
5.1.	Ordinary shares	65 000	1 065 000
5.2.	Reserve Capital	10 473	10 473
5.3.	Other reserve capital	75 349	102 650
5.4.	Retained earning	54 601	105 795
	Total owners' equity	205 423	1 283 918
	Total liabilities and owners' equity	9 746 792	14 442 400

- don't not include into the balance currency



Income and expenses statement
JSC "KazAgroFinance"
for 2003
unit: thousand tenge

№ lines	Activities name	Sum
1.	Total income from sales of goods (works and services), including:	685 878
1.1.	payments received on leasing	255 741
1.2.	income from sales of goods	168 982
1.3.	income from rendering of service	3 951
1.4.	payments received on deposits, loans	256 894
1.5.	income from property services	310
2.	Total Cost of goods sold (works and services), including:	-150 522
2.1.	cost of goods sold	-143 395
2.2.	cost of services	-7 127
3.	Gross revenue (p.1-2)	535 356
4.	Total period expenses, including:	-651 399
4.1.	general and administrative expenses	-326 854
4.2.	interest expenses	-234 699
4.3.	expenses on sale	-89 846
5.	Income (loss) from operating activities	-116 043
6.	Total income (expenses) from non-operating activities, including:	221 838
6.1.	compensation of expenses for payments on loans issued by Ministry of Finance of RK	82 408
6.2.	penalties, fines for the break of contract	24 561
6.3.	foreign exchange gain (loss)	113 008
6.4.	income (loss) from sale of fixed assets	2 183
6.9.	other incomes from non-operating activities (expenses)	-322
7.	Income (loss) from ordinary activities before taxation	105 795
8.	Expenses on income tax	
9.	Income (loss) from ordinary activities after taxation	105 795
10.	Loss from extraordinary situation	
11.	Net profit (loss) for the accounting period	105 795



Cash flow statement (direct method)
JSC "KazAgroFinance"
for 2003
unit: thousand tenge

Clause name	Sum
1. Cash flow from operating activities:	
1.1. Income:	8 810 907
sales of goods (goods, works, services) (VAT included)	3 400 715
advances receivable	1 007
proceeds	425 981
other incomes	4 983 204
1.2. Retirement:	10 391 764
settlements with suppliers and contractors	3 311 421
issued advances	9 064
salaries and wages payable	118 949
pension fund payable	14 579
payments for taxes, customs and other obligatory payments	54 854
payment of interest on loans	123 166
other payments	6 759 731
Increase (+), decrease (-) of net cash from operating activities	-1 580 857
2. Cash flow from investment activities:	
2.1. Income:	13 337
from fixed assets sale	
from sale of intangible assets	
loan repayments received	
other incomes	13 337
2.2. Retirement:	2 527 127
purchasing of fixed asset	7 781
purchasing of intangible asset	
loans given	2 500 000
investments	256
other payments	19 090
Increase (+), decrease (-) of net cash from investment activities	-2 513 790
3. Cash flow from financing activities	
3.1. Income:	6 276 811
issue of shares	1 000 000
other incomes	5 276 811
3.2. Retirement:	1 633 270
dividend payment	27 300
other payments	1 605 970
Increase (+), decrease (-) of net cash from financing activities	4 643 541
Total increase (+), decrease (-) of net cash	548 894
Cash at the beginning of accounting period	21 184
Cash at the end of accounting period	570 078

Statement of changes in owners' equity
JSC "KazAgroFinance"
for 2003
unit: thousand tenge

№ lines	Activities name	Share capital	Reserve capital	Retained profits (uncovered losses)	Total
1.	Balance at the beginning of period	65 000	85 822	54 601	205 423
2.	Issue and payment of shares	1 000 000			
3.	Dividend payment			-27 300	-27 300
4.	Forming of reserve capital		27 301	-27 301	0
5.	Net profit for the period			105 795	105 795
6.	2000 income adjustment				0
7.	2001 income adjustment				0
8.	Balance at the end of the period	1 065 000	113 123	105 795	1 283 918



Balance sheet
Joint-Stock Company "KazAgroFinance"
(full name of the organization realizing separate kinds of banking activities)
on January 1, 2004.

Activities name	Note	At the end of the accounting period	on December 31, 2002
1	2	3	4
Assets	1	14 442 400	9 746 792
Fixed assets (net)	2	69 541	238 958
Intangible assets (net)	3	450	633
Investments to the capital of other legal entities	4	256	0
Provided finance lease (less of reserves on doubtful debt)	5	6 208 209	6 175 185
Long-term loans made (less of reserves on doubtful debt)	6	3 020 563	515 536
Long-term accounts receivable (less of reserves on doubtful debt)	7	-	0
Securities withholding until paying off (less of reserves on doubtful debt)	8		
Securities for sale (less of reserves on doubtful debt)	9		
Deferred tax demand	10		
Other assets	11	81 975	46 692
Inventories	12	202 371	766 670
Demand to budget on tax and other obligatory payments	13	369 748	34 438
Deferrals	14	224 641	134 495
Short-term loans made (less of reserves on doubtful debt)	15	2 811	2 132
Short-term accounts receivable (less of reserves on doubtful debt)	16	151 756	35 869
Operation "obratnoe REPO"	17		
Securities meant for sale (less of reserves on doubtful debt)	18		
Invested deposits (less of reserves on doubtful debt)	19	3 540 000	1 775 000
Cash and cash equivalents	20	570 078	21 184
Owners' equity	21	1 283 918	205 423
Charter capital	22	1 065 000	65 000
Premiums (additional paid up capital)	23		
Withdrawn capital	24		
Reserve capital	25	113 123	85 822
Other reserves	26		

Retained profit (uncovered losses):	27	105 795	54 601
Retained profit (uncovered losses) of previous years	28		54 601
Retained profit (uncovered losses) of the accounting period	29	105 795	0
Minority interest	30		
Liabilities	31	13 158 482	9 541 369
Long-term loans and finance lease received	32	10 448 515	7 716 407
Long-term debt deposit	33		
Long-term accounts payable	34		
Issued debt securities	35		
Deferred tax liability	36		
Deferred income	37	159 590	69 338
Payments to shareholders for dividends	38		
Payables to budget on tax and other obligatory payments	39	4 899	3 126
Short-term accounts payable	40	531 399	96 837
Short-term loans received	41	2 014 079	1 655 661
“REPO” operation	42		
Short-term debt deposit	43		
Clients' correspondent and current accounts	44		
Other liabilities	45		
Total owners' equity and liabilities	46	14 442 400	9 746 792

Chairman of the Board



Tagashev I.E.

Chief accountant

Potlog V.K.

L.S.

March 31, 2004



Income and expenses statement

(expenses classification by character)

JSC "KazAgroFinance"

(full name of the organization realizing separate kinds of banking activities)

on the state of January 1, 2004.

(thousand tenge)

Activities name	Note	For the accounting Period (2003)	From beginning of the current year (with progressive total)	For analogous accounting period of previous year (2002)	For analogous period from the beginning of previous year (with progressive total)
1	2	3	4	5	6
Income, connected with proceeds receiving: including:	1	1 161 406	1 161 406	674 061	674 061
on correspondent and current account	2				
on invested deposit	3	157 184	157 184	90 182	90 182
on loans made	4	99 710	99 710	44 322	44 322
on finance lease	5	299 106	299 106	419 433	419 433
on securities	6				
on operation "obratnoe REPO"	7				
other income, connected with proceeds receiving	8	605 406	605 406	120 124	120 124
Income, not connected with proceeds receiving: including:	9	211 373	211 373	77 871	77 871
Income from transfer operations	10				
Income from clearing operations	11				
Income from cash operations	12				
Income from safe keeping operations	13				
Income from collecting operations	14				
Other income, not connected with proceeds receiving	15				
Other income (losses) on securities (net)	16	0	0	0	0
including:					
Income (losses) from purchase/sale of securities	17				
Income (losses) from securities cost change	18				
Income (losses) from foreign currency overvalue	19				
Income from participant in other legal entities' capital	20				
Income from assets sale	21	182 008	182 008	13 070	13 070
Other income	22	29 365	29 365	64 801	64 801

Total income	23	1 372 779	1 372 779	751 932	751 932
Expenses, connected with proceeds payment:	24	688 051	688 051	461 785	461 785
Including:					
On debt deposit	25				
On received loans	26	329 317	329 317	448 054	448 054
On received finance lease	27				
On securities	28				
On operation "REPO"	29				
Other income connected with proceeds' payment	30	358 734	358 734	13 731	13 731
Expense, not connected with proceeds payment:	31	460 950	460 950	234 649	234 649
Including:					
Expenses from transfer operations	32				
Expenses from clearing operations	33				
Expenses from cash operations	34				
Expenses from safe keeping operations	35				
Expenses from collecting operations	36				
Operative expenses	37	253 834	253 834	125 698	125 698
Including:					
Expenses on salaries and business trip	38	165 629	165 629	91 797	91 797
Amortised deduction	39	12 914	12 914	8 365	8 365
Material expenses	40	4 886	4 886	4 998	4 998
Expenses on tax and other obligatory payments	41	70 405	70 405	20 538	20 538
Expenses from sale or gratuitous transference of property	42	154 238	154 238	13 301	13 301
Other expenses	43	52 878	52 878	95 650	95 650
Total expenses	44	1 149 001	1 149 001	696 434	696 434
Net profit (loss) before allocation to provisions (rations)	45	223 778	223 778	55 498	55 498
Expenses on provisions (rations) (reserve's recovery)	46	117 983	117 983		
Net profit (loss) after allocation to provisions (rations)	47	105 795	105 795	55 498	55 498
Accidental income (expenses)	48				
Total net profit before payment of corporate income tax	49	105 795	105 795	55 498	55 498
Corporate income tax	50			897	897
Net profit (loss) after payment of taxes	51	105 795	105 795	54 601	54 601
Minority interest	52				
Net profit (loss) for the period	53	105 795	105 795	54 601	54 601

Chairman of the Board

Tagashev I.E.

Chief accountant

Potlog V.K.

L.S.

March 31, 2004



Cash flow statement (indirect method)
JSC "KazAgroFinance"
(full name of the organization realizing separate kinds of banking activities)
on January 1, 2004.

(thousand tenge)			
Clause name	Note	From beginning of the current year (with progressive total)	For analogous period from the beginning of previous year (with progressive total)
1	2	3	4
Receipts and outgoings connected with operating activities	1		
Income (loss) before taxation	2	105 795	54 601
Adjustment non-monetary operation accounts: including:	3	498 336	6 022
Amortization and depreciation	4	-16 265	27 955
Provisions expenses (reserves) on possible losses	5	117 983	
Unrealized gain and expenses on foreign currency exchange operations	6	-	
Income accrual as proceeds to receipt	7	-35 283	-12 562
Expenses on payment of proceeds	8	431 901	-9 371
Other adjustments in non-monetary operation accounts	9	-	-
		-	-
Operative income (loss) until changes in operative assets an liabilities	10	604 131	60 623
		-	-
Increase (decrease) in operative assets	11	-4 380 856	-535 150
Increase (decrease) of long-term loans made	12	-1 274 587	1 747 681
Increase (decrease) of long-term accounts receivable	13	-	0
Increase (decrease) of deferrals	14	-90 146	-69 321
Increase (decrease) of short-term accounts receivable	15	-440 172	-79 957
Increase (decrease) of short-term loans granted	16	-3 140 249	-2 132 944
Increase (decrease) of "obratnoe REPO" operation	17	-	-
Increase (decrease) of securities for sale	18	-	-
Increase (decrease) of deposits, floated with time to run over three months	19	-	-
Increase (decrease) of other assets	20	564 298	-609
		-	-
Increase (decrease) in operative liabilities	21	3 185 212	-762 339
Increase (decrease) of long-term accounts payable	22	1 076 447	213 334

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Increase (decrease) of deposits, debt with time to run over three months	23	-	
Increase (decrease) of short-term account payable	24	2 016 740	-1 051 951
Increase (decrease) of "REPO" operation	25	-	
Increase (decrease) of deferrals income	26	90 252	69 338
Increase (decrease) of other liabilities	27	1 773	6 940
		-	
Increase (decrease) of money from operating activities	28	-1 195 644	-1 297 489
Paid up corporate income tax	29	17 902	-39 136
Total increase (decrease) of money from operating activities after taxation	30	-1 213 546	-1 258 353
Receipts and outgoings connected with investment activities	31	-	-
Purchase (sale) of securities detained until paying off	32	-	-
Purchase of fixed assets, intangible assets	33	185 865	-157 825
Sale of fixed assets, intangible assets	34	-	-
Investment to other legal entities' capital	35	-256	-
Other income and payments	36	-	-
		-	-
Total increase (decrease) of money from investment activities	37	185 609	-157 825
		-	-
Receipts and outgoings connected with financing activities	38	-	-
Issue of shares	39	1 000 000	
Withdrawal of shares and market share	40	-	-
Loans received	41	-	-
Payment of dividends	42	-27 300	-33 479
Other receipts and outgoings	43	-	-
Total Increase (decrease) of money from financing activities	44	972 700	-33 479
Total net Increase (decrease) of money for accounting period	45	548 894	-1 389 034
Cash at the beginning of the period	46	21 184	1 410 218
Cash at the end of the period	47	570 078	21 184

Chairman of the Board

Chief accountant

L.S.



Tagashev I.E.

Potlog V.K. 0150

March 31, 2004

Statement of change in owner's equity
JSC "KazAgroFinance"
 (full name of the organization realizing separate kinds of banking activities)
on January 1, 2004.

Clause name	Sign	Charter Capital	Premiums (additional paid up capital)	Exempt capital	Reserve capital	Other reserves	Retained profits (uncovered losses)	(in thousands of tenge)	
								Total	
1		2	3	4	5	6	7	8	
Amount of balance on the beginning of the accounting period	1	65 000			85 822		54 601	205 423	
Changes in accounting policy and adjustment of fundamental mistakes of past period	2							0	
Forwarded amount of balance on the beginning of the accounting period	3	65 000	0	0	85 822	0	54 601	205 423	
Extra released (bought out) owned shares in the accounting period	4	1 000 000						1 000 000	
Dividends	5							-27 300	
Revaluation of fixed assets	6							0	
Change in the cost of securities (for sale)	7							0	
Retained profit (of diseconomies) of the accounting period	8				27 301		105 795	133 096	
Domestic transfers	9	0	0	0	0	0	-27 301	-27 301	
forming of capital reserves	10						-27 301	-27 301	
depreciation of accumulated reevaluated of fixed assets	11							0	
Other operations	12							0	
Amount of balance at the end of the accounting period	13	1 065 000	0	0	113 123	0	105 795	1 283 918	

Chairman of the Board  Fagashev I.E.

Chief accountant  Potlog V.K.

March 31, 2004



**Notes to financial statements
of Joint-Stock Company "KazAgroFinance"
for 2003**

1. Brief information of JSC "KazAgroFinance"

1.1. History, registration documents

By Republic of Kazakhstan Government Decree of November 24, 1999 №1777 "Some problems about agriculture" Close Joint Stock Company "Financial support of agriculture fund" was reorganized by appropriation from its structure of Close Joint Stock Company "KazAgroFinance" with 100 percentage State participant (referred to as – "Company").

On December 28, 1999 Company was registered in Registration Service Committee of Department of Justice of the Republic of Kazakhstan under registration number 4472-1900-AO. This is confirmed by the certificate of state registration of legal entity A series № 194168.

The only shareholder of JSC "KazAgroFinance" is a Government of the Republic of Kazakhstan in the person of authorized organization, at that State Property and Privatization Committee of Ministry of Finance of the Republic of Kazakhstan keeps the subject's rights to state ownership.

On date of audit according to the requirements of Law of the Republic of Kazakhstan "Concerning Joint-Stock Companies" of May 13, 2003, JSC "KazAgroFinance" was re-registered to Joint-Stock Company "KazAgroFinance" under registration number 4472-1900-AO, the certificate of state registration of legal entity A series № 194168 issued on February 3, 2004 by Registration Service Committee of Department of Justice of the Republic of Kazakhstan.

The Statistical Card on assigning the code OKPO №39112465 issued by Administration of Statistics of Astana on December 29, 1999.

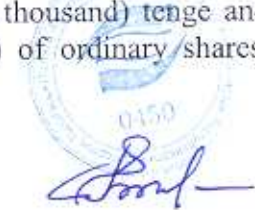
Company's address: 473000, Republic of Kazakhstan, Astana city, str., 9 May, 71app.

Company was registered as tax-payer on its' business address from 28.12.1999 on registration number of tax-payer (RNT) 620300007107 (certificate of tax-payer of the Republic of Kazakhstan 62 series №0032676 issued by Tax Committee of Saryairkinsky district of Astana city on 26 April, 2001).

In pursuance of requirement of Codex of the Republic of Kazakhstan "Concerning tax and other obligatory payments to budget ("Tax code")" Company is registered as VAT-taxpayer since January 1, 2002 (the VAT-taxpayer Certificate series 62305 №0002002 issued by tax committee of Saryarkinski district of Astana city on January 14, 2002).

1.2. Charter capital

According to changes and additions to Charter of Company made on basis of order of Ministry of agriculture of the Republic of Kazakhstan №428 of August 12, 2003 Company's charter capital came to 1,070,027,000 (one billion seventy million twenty seven thousand) tenge and was divided on 1,070,027 (one million seventy thousand twenty seven) of ordinary shares. Nominal value of each of them was 1,000 tenge.

The image shows an official circular seal of the company with the number 0159 inside. Below the seal is a handwritten signature in blue ink.

Since Company had been founded it made 2 share issues (see Table № 1).

Table №1

Issue number	NIN	Share amount. p.	Nominal value, tenge	Amount of issue, tenge	Day of entry of issue
1	KZ1C41591412	65,000	1,000	65,000,000	10.05.2000
2	KZ1C41590015	1,000,000	1,000	1,000,000,000	20.05.2003
Total		1,065,000		1,065,000,000	

Company's second share issue is registered in National Bank of the Republic of Kazakhstan on May 20, 2003 and entered in National Securities Register under №A4159-1 (Securities Issue State Registration Certificate issue of May 20, 2003 C Series №0000203). Share issue type is non - documentary. The report of share issue and floatation was approved by National Bank of the Republic of Kazakhstan on August 19, 2003, about what there was special notification №A4159-1. As of May 21, 2003 second issue assets were fully distributed. So as of 31.12.03 year the amount of paid up capital came to 1,065,000,000 (one billion sixty and five million) tenge.

LLC "Register-Tsenter" registers Company shareholders (state license of NBRK on registration of securities' holders №0406200212 of December 29, 2001) on basis of the Contract №2/1 on registration of shareholders of August 12, 2003. Board of directors of Company chose this independent registrar (Record №15 of 11.08.2003).

1.3. Company's activity scope

Main Company's activity scope is:

- Participation in development and realization of government credit program and financial support of agricultural producers.
- Provision of technique and technology equipment on leasing basis to agricultural organizations that are busy in the field of production and processing of agricultural products.
- Issue guarantees to banks of second level on the security of property for crediting of agricultural producers.
- Help by crediting to agricultural sectors at the expense of own funds also attracted investments.

Number of employees of Company, according to the list of staff members as of December 9, 2003 was 184 person.

1.4. Organization department

At the time of audit the Company had 7 registered Branches and 4 Representative offices along the regions of the Republic of Kazakhstan, including:



Table №2

№ s/p	Branch name	№ s/p	Representation Name
1	JSC "KazAgroFinance" Branch along Akmola region	1	JSC "KazAgroFinance" Representative office along Karaganda region
2	JSC "KazAgroFinance" Branch along North-Kazakhstan region	2	JSC "KazAgroFinance" Representative office along Zhambyl region
3	JSC "KazAgroFinance" Branch along Kostanay region	3	JSC "KazAgroFinance" Representative office along West-Kazakhstan region
4	JSC "KazAgroFinance" Branch along Almaty region	4	JSC "KazAgroFinance" Representative office along Pavlodar region
5	JSC "KazAgroFinance" Branch along Aktubinsk region		
6	JSC "KazAgroFinance" Branch along East-Kazakhstan region		
7	JSC "KazAgroFinance" Branch along South-Kazakhstan region		

1.5. Licenses

Company has license №16, issued by National Bank of the Republic of Kazakhstan of 03.06.2002. This license grants the right to execute the following operations provided by bank legislation in tenge:

- 1) banking operation in tenge: loan operations: credit provision in money on payment, urgency and repayment terms.
- 2) other operations, provided by banking legislation, leasing activity.

2. Accounting, financial statements

Accounting of Company is realized in accordance with the Law of RK "Concerning accounting and financial statement", accounting standards, Standard Chart of accounts, Accounting policy and other current statutory acts of the Republic of Kazakhstan accounting and financial statement. The financial statement attached, prepared on basis of entry was rightly adjusted in order to make it in accordance with International Accounting Standards (IAS).

Accounting of transactions in foreign currency and recognize of foreign exchange gain/loss is kept in accordance with IAS 21 "Effect of foreign currency exchange rate changes".

Annual financial statements of Company for 2002 were approved at the Board of directors meeting (Report №7 of 12.05.2003).

By Order of the Ministry of Agriculture of the Republic of Kazakhstan № 326 of June 11, 2003 "About confirmation of 2002 financial results and allocation order of net profit of JSC "KazAgroFinance" were approved:

- Annual financial statements of Company for 2002 and conclusion of Audit committee on checks' results of financial statements for 2002 of JSC "KazAgroFinance";
- Net profit amount of Company for 2002;
- Distribution order of net profit of Company for 2002.



3. Credit-leasing activity

Company realizes a credit-leasing activity in accordance with legislation of the Republic of Kazakhstan and on the basis of Provision of credit-leasing activity approved by the decision of Committee of directors of JSC "KazAgroFinance" of May 16, 2000 №6/1 with changes and additions approved by the decision of Board of directors of JSC "KazAgroFinance" of November 28, 2003 №17.

The Company has over 430 leasing holders in all agricultural regions of the Republic of Kazakhstan. Only during 2000 till 2003 the Company concluded over 700 leasing contracts. Only during 2003 agricultural technique in number of 1,387 units allocated to 143 leasing holders at total amount of 3,926,317 thousand tenge. (including VAT).

During 2003 the Company issued credits to legal entity and individuals at total amount of 3,022,372 thousand tenge.

For realizing of its credit-leasing activity the Company used credit resources on credit agreements. You can find the list of credit resources in article 5.5 of these Notes.

The Company sets the credit file on leasing holders and borrowers. Leasing holders and borrower's liability are provided according to the contract terms. Leasing subjects are to be insured by leasing holders for all period of the contract validity.

4. Assets

4.1. Cash and cash equivalents

Company has following Cash and cash equivalents on its accounts:

Table №3

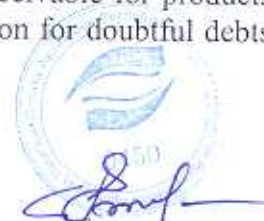
№ s/p	Activity name	Amount, thous.tenge	
		at the beginning of the accounting period	at the end of the accounting period
1.	Cash at current bank account	20,153	569,580
2.	Cash at foreign currency bank account	27	99
3.	Cash at current accounts of Branches	721	292
4.	Cash at hand	283	107
	Total	21,184	570,078

4.2. Short-term financial investments

Funds disposed in deposits records in the accounts of financial investments. At the end of reporting period this funds came to 3,540,000 thousand tenge.

4.3. Accounts receivable

Among current assets "Accounts receivable" leasing payments receivable during 2003 in amount of 1,372,438 thousand tenge are recorded, as well as: other customers' receivable for products sold (services rendered) in amount of 137,923 thousand tenge. The provision for doubtful debts formed according to bank legislation came to 117,983 thousand tenge.



Long-term portion of leasing payments shown in long-term assets came to 4,946,664 thousand tenge.

4.4. Interest payable

The sum for payment as interest on deposits came to 9,551 thousand tenge and on loans issued to legal entities and individuals - 32,306 thousand tenge.

4.5. Payments receivable

On the balance line "Payments receivable" amounts to be received during 2003 for goods given to financial leasing at the rate of 40,119 thousand tenge is recorded at the end of the accounting period.

4.6. Credits issued

As of 31.12.2003 debt on issued credit came to 3,000,000 thousand tenge, including:

Table №4

Debtor Name	Basis	Amount of indebtedness, thous. tenge	Security	Crediting resources
CJSC "Malonimderi korporatsyasy"	Loan Contract dated 18.05.2002	500,000	Pledge of Goods in Circulation Contract b/c dated 20.05.2002 subject to the pledge- goods according to the list of the amount of 2,600,000 thous.tenge	are given by the Ministry of Finance of RK on the basis of Credit agreement №6KAF007 of 17.05.2002
	Loan Contract dated 02.06.2003	1,500,000		are given by the Ministry of Finance of RK on the basis of Credit agreement №6KAF015A of 30.05.2003
LLC "AgroService Karkaraly"	Loan Contract dated 30.06.2003	166,700	Bank guarantee of 02.07.2003	fee to chartered capital of the Company
LLC "AgroService Mart"	Loan Contract dated 23.06.2003	209,100	Bank guarantee of 08.07.2003	
LLC "AgroService Massaget"	Loan Contract dated 07.07.2003	124,100	Mortgage of movable and immovable property (Contract of 13.12.2003) Bank guarantee of 16.07.2003	
LLC "KazAgroService Donskoye"	Loan Contract dated 04.07.2003	166,700	Bank guarantee of 10.07.2003	



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LLC "KazAgroService Zhaik"	Loan Contract dated 27.05.2003	166,700	Opportunity of non- accepted cash withdrawals from the bank account of the debtor
LLC "KazAgroService SKO"	Loan Contract dated 14.05.2003	166,700	Bank guarantee of 29.05.2003
Total		3,000,000	

All amounts of credits are indicated in long-term assets.

4.7. Other accounts receivables

The following assets recorded among other accounts receivable:

Table №5

№ s/p	Activity name	Amount, thous.tenge	
		at the beginning of the accounting period	at the end of the accounting period
1.	Receivables from employees for money to be accounted	10	52
2.	Other receivables	15,312	18,709
3.	Advance payment on taxes	34,438	15,728
	Total	49,760	34,489

4.8. Inventories

The following assets are recording among inventories:

Table №6

№ s/p	Activity name	Account of manufactured accounting	Amount, thous.tenge	
			at the beginning of the accounting period	at the end of the accounting period
1	Purchased materials and sets*	202	0	520
2	Fuel and combustive-lubricating materials	203	330	655
3	Spare parts	205	616	3,126
4	Other materials	206	1,545	1,532
5	Goods for leasing	222	764,179	196,538
	Total		766,670	202,371

* At account "Purchased materials and sets" non-working tractors accumulators are counted, these accumulators were took off the T-95 tractors instead of new ones.

Inventories were evaluated by least estimate of cost prime and net worth of sale. Net value of sale is using in case of return of goods that was given before to leasing.

At cost prime determination of inventories to be entered one considers expenses on purchase, commodity-storage expenses, connected with their delivery and putting to properly condition.

Cost prime evaluation of inventory was made by specific identification method. It supposes estimation of inventory units that are usually not interchangeable.



On the basis of Order №66 of November 10, 2003 there was carried out stock-taking of inventory as of November 1, 2003. According to inventory results there weren't found out any lacks and surpluses.

There were pledge goods among inventories of the Company balance. At the end of accounting period cost of inventory given to pledge came to 154,460 thousand tenge.

Inventory of the Company balance had goods delivered for responsible storing in 2003 (see Table №7):

Table №7

Depository	Basis	Description of goods	Quantity	Amount, thous.tenge
RSC "Kuigenzhar"	Contract of keeping of 21.04.2003	Accumulator batteries	10	102
LLC "Avtocenter Kyzylzhar"	Contract of keeping of №97 of 19.09.2003	Spare parts to combines "NAN" and "ZHVP-9"	248	2,347
Total			261	2,449

List of property, received for storing and accounted for in off-balance accounts (see Table №8):

Table №8

Depositor	Basis	Description of goods	Quantity
LLC "Kiyaly Agro – 10"	Keeping contract №109 of 10.09.2003	Combine "NAN"	3
LLC "KazAgroService Donskoye"	Keeping contract of 1.10.2003	Combine harvester "NAN-1300"	1
JSC "Kyzylordarismash"	Contract of keeping of 08.10.2003	Cutter "ZHVP-10" (Defective)	10
Total			14

4.9. Deferred expenses

At the end of the reporting period expenses paid up in the accounting year, that liable on deduction of expenses in following accounting periods in amount of 224,641 thousand tenge are counted among deferred expenses.

Also these expenses include periodical costs and expenses connected with payments on credit received.

4.10. Fixed assets

The Depreciation Fixed Assets kept in the accounts is calculated with the assistance of accounting computer program by means of direct method. Amortization is calculated monthly.

Company has two ground areas – in Astana city and in Kokshetau city. In balance sheet they are shown in 0 cost.

Ground area by address: Astana city, "Saryarka" district, 9 May str., 71a apt., BIL-№1, at 0,4004 square hectare, including – 0, 1664 hectare is given to the Company on temporary share use by Land resource department committee of Astana city on the basis of the Contract of ground area

lease №5873 of 21.01.2003. till June 5, 2012. Part of the ground area was given on rent to individual entrepreneur till November 1, 2004.

Ground area in Kokshetau was given on constant land tenure to the Company on the basis of decision of Akim of 19.04.2000 №230. Ground area square is - 2, 2736 hectare.

As shares' payment on the basis of Order of Akmola territorial committee of state property and privatization №22 of 4.07.2003 to Company was given a station of truck servicing (buildings, constructions, equipment with energy management, heating main, water pipe and sewerage system) in Kokshetau (North industrial zone) at the common rate 5, 027 thousand tenge.

Fixed assets' inventory of Company was carried out on state of November 1, 2003 on basis of Order №66 of November 10, 2003. There weren't discovered any lacks and surplus in fixed assets.

4.11. Intangible assets

In intangible assets software "1C: Enterprise" (version 7.7. network) and its setting is recorded. Its depreciated cost came to 450 thousand tenge as of 31.12.2003.

4.12. Loans

As of December 31, 2003 the debt on issued loans came to 23,374 thousand tenge. Indicated loans were issued during 2001-2003. Current portion of this loans maturing on 2004, came to 2,811 thousand tenge.

4.13. Long-term financial investments.

Board of directors №4 of March 27, 2003, №6 of April 18, 2003, №10 of June 27, 2003 determined participation of JSC "KazAgroFinance" as a co-founder in creation of limited liability companies (machine-technology station) together with co-founder – partners in West-Kazakhstan, North – Kazakhstan, East- Kazakhstan, Almaty, Akmola and Karaganda region.

Table №9

Name	Amount on deposit	Custody share in assessed capital, %
LLC "AgroService Karkaraly" (Karagandy region)	42.73	49
LLC "AgroService Mart" (East-Kazakhstan region)	42.73	49
LLC "AgroService Massaget" (Almaty region)	42.73	49
LLC "KazAgroService Donskoye" (Akmola region)	42.73	49
LLC "KazAgroService Zhaik" (West-Kazakhstan region)	42.73	49
LLC "KazAgroService SKO" (North- Kazakhstan region)	42.73	49
Total	256.37	X

4.14. Assets classification and creation of provisions (working balances)

In compliance with Regulations of Assets classification, contingent liabilities and making of provisions (reserves) against them, by rating them on doubtful and bad categories, approved by Regulation of Direction of National Bank of the Republic of Kazakhstan of 16 November, 2002 №465 Company made the classification of assets and created provisions (reserves) every month. On 31.12.2003 these reserves came to 117,983 thousand tenge, including:



Table №10

Credits group according to classification	Amount, tenge	Rations volume %	Volume of formed rations, thous.tenge
by leasing holders			
Standard	9,186,083	0	
Doubtful	67,586		28,857
<i>Doubtful 1 category - at prompt and full payment</i>		5	
<i>Doubtful 2 category - at delay or not full payment</i>		10	
<i>Doubtful 3 category - at prompt and full payment</i>		20	
<i>Doubtful 4 category - at delay or not full payment</i>	19,745	25	4,936
<i>Continuation of №10 Table</i>			
<i>Doubtful 5 category</i>	47,841	50	23,920
Bad	82,036	100	82,036
Total	9,335,705		110,893

Other accounts receivable			
Standard	513,226	0	
Doubtful	12,232		
<i>Doubtful 1 category - at prompt and full payment</i>		5	
<i>Doubtful 2 category - at delay or not full payment</i>		10	
<i>Doubtful 3 category - at prompt and full payment</i>		20	
<i>Doubtful 4 category - at delay or not full payment</i>		25	
<i>Doubtful 5 category</i>	12,232	50	6,116
Bad	974	100	974
Total	526,432		7,090
Total			117,983

5. Liabilities

5.1. Received advances

In amount of received advances assets received from leasing holders on payment under the treaty, also on delivery of CMR, are recording including:

Table №11

Activity name	At the beginning of the accounting period, thous.tenge	At the end of the accounting period, thous.tenge
Advances against payment of principal debt	7,057	5,761
Advances against payment of proceeds on leasing	24,772	27,823
Advances against payment of proceeds on loan		1,398
Total	31,829	34,982



5.2. Tax and other obligatory payments to budget payables:

On 31.12.2003 payables to budget came to 4,899 thousand tenge, including:

Table №12

№ s/p	Name	Amount, thous.tenge
1.	Individual income tax	1,812
2.	Social tax	3,084
3.	Environmental protection fund	3
	Total	4,899

According to current tax legislation of the Republic of Kazakhstan as for order of accruing of value added tax in case of giving property to financial leasing, the sum of deferred value added tax that was shown in long-term liabilities, at the end of the accounting year came to 416,926 thousand tenge.

Tax and other obligatory payments to budget calculated according with tax legislation of the Republic of Kazakhstan. Declaration on corporate income tax of Company for 2003 was formed in accordance with Declaration Regulations on corporate income tax. Taxable income sum after updating for 2003 came to (-24,736) thousand tenge.

5.3. Interest payable

Past due interest payable on credit contracts came to:

Table №13

№ s/p	Name	At the beginning of the accounting period, thous.tenge	At the end of the accounting period, thous.tenge
1.	JSC "Kazakhstantractor"	207	7
2.	Ministry of Finance of RK ("John-Deere" project)	37,977	28,249
3.	Ministry of Finance of RK (credit agreement №6KAF007)	10,296	7,511
4.	Ministry of Finance of RK (credit agreement №6KAF015A)		22,350
5.	JSC "Reabilitatsionyi fond"	63	41
	Total	48,543	58,158

5.4. Other accounts payable

As of 31.12.2003 the following liabilities are counting in amount of other accounts payable:

Table №14

№ s/p	Name	Amount, thous.tenge
1.	Payment in property as advance on payment of Company's shares	5,027
2.	Other accounts payable	12,777
3.	Pension fee payable	1,745
4.	Salaries and wages payable	230
	Total	19,779

5.5. Credits received

Company has following payable for loans:

Table №15

№ s/p	Creditor name	Amount on 01.01.2004 thous.tenge		
		On payment during 2004 (current)	Long-term indebtedness	Sum total
1.	Ministry of Finance of RK –credit agreement №KAF001 of 28.05.2001	152,571	530,828	683,399
2.	JSC “Reabititsionyi fond” – General agreement №1 of 20.10.2000.	8,377	8,110	16,487
3.	Ministry of Finance of RK –credit agreement №1 of 04.05.2001	15,882	63,530	79,412
4.	Ministry of Finance of RK – combines “Maksimaizer-9500”.	940,933	2,849,066	3,789,999
5.	Supply agreement №120 of 08.12.2000 (PC “Kazakhstan tractor”)	100,281	698,566	798,847
6.	Ministry of Finance of RK – additional agreement №1 of 26.09.2000	99,780	299,341	399,121
7.	Ministry of Finance of RK –credit agreement №6KAF007 of 17.05.2002		500,00	500,000
8.	Ministry of Finance of RK –credit agreement №6KAF008 of 04.07.2002	156,710	761,808	918,518
9.	Ministry of Finance of RK –credit agreement №6KAF015 of 30.05.2003		1,500,000	1,500,000
10.	Ministry of Finance of RK –credit agreement №6KAF016 of 17.06.2003	468,116	2,808,695	3,276,811
11.	Ministry of Finance of RK –credit agreement №KAF019 of 22.12.2003	71,429	428,571	500,000
	Total	2,014,079	10,448,515	12,462,594
	Total %	16	84	100

5.6. Deferred income

At the end of accounting year in amount of future periods incomes accounts an uncompleted part of grants received from Ministry of Finance of the Republic of Kazakhstan in pursuance of Governmental regulation of RK of 25.12.2002 №1375 “Concerning confirmation of compensation rules of fee rate (interest) on leasing of agricultural technique realizing in account of funds provided in republican budget on 2002”.

Completed grant part was shown among other incomes from non-operating activity in Statement of income and expenses in amount of 82,408 thousand tenge.

6. Owners' capital

6.1. Charter capital

At the beginning of the accounting year charter capital came to 65,000 thousand tenge. Payment of charter capital by Company shareholder was made by funds, transferred from current account of CJSC “Fund of financial support of agriculture”.



Company additionally issued shares on 1,000,000 thousand tenge during 2003. Shares were paid up by Ministry of agriculture of the Republic of Kazakhstan on basis of payment order №300110426 of April 30, 2003.

At the end of the accounting period charter capital amount according to Company Charter came to 1,070,027 thousand tenge, including placed shares 1,065,000 pieces in sum 1,065,000 thousand tenge and 5 027 shares (in sum 5,027 thousand tenge), in 2004. The last ones they paid to Company in fixed assets (material complex – trucks servicing station) at the common rate 5,027 thousand tenge. For more detail data see point 4.10 of this notice, also Table №14 point 5.4. As of 31.12.03 in the balance sheet the chartered capital amount was shown in amount of paid up capital (1,070,027 thousand tenge), reduced in unpaid capital amount (5,027 thousand tenge).

6.2. Reserve capital

The amount of reserve capital formed last years due to net profit came to 10,473 thousand tenge.

6.3. Retained income of the accounting year

According to the Order of Ministry of agriculture of the Republic of Kazakhstan №326 of June 11, 2003 Company's net profit amount for 2002 in sum 54,600,652 was allocated, as follows:

- 50% in sum 27,300,326 tenge was directed on dividends payment, on the basis of 420 tenge on one ordinary share.
- 50% in sum 27,300,326 tenge remained at the disposal of Company.

In 2003 retained net profit amount was 105,795 thousand tenge.

According to recommendations of authorized state body on regulation and supervision of financial market and financial organizations in income and expenses Statement for 2003 the cost of given to leasing technique and its cost price were shown in clause 1 of Statement "Income of sales of products (works, services)". In order to compare financial statements for previous accounting periods in Enclosure №1 you can find income and expenses Statement for 2003. Also income and expenses from claims/liabilities revaluation that fixed in foreign currency, not receivable/payable in national currency are shown in income/expense of non-operating activity in article "Foreign exchange gain (loss)"

7. Analysis of liquidity and paying capacity

On basis of financial statements there was carried out analysis of liquidity and paying capacity of Company as of January 1, 2004.

In the table №16 there is liquidity's accounting rate. Also you'll find best value for index data.

Table №16

№ s/p	Coefficient	At 01.01.2003.	At 01.01.2004	Best value
1.	Current ratio (K ₁)	2.7	2.7	≥=2
2.	Absolute current ratio (K ₂)	1.0	1.9	≥=0.2...0.5
3.	Quick ratio (K ₃)	2.0	2.0	≥=1

Notice: on index accounting following real balance sheet accounts weren't considered:

- *Assets: pledged "Deferred expenses", inventories*
- *Liabilities: "Deferred income"*

Liquidity coefficients are in legitimate value. This certifies to paying capacity of Company.

Coefficient calculation was made for evaluation of financial strength of Company. (see Table №17).

Table №17

№ s/p	Coefficient	At 01.01.2003.	At 01.01.2004	Best value
1.	Equity to total assets coefficient (autonomy)	0.02	0.08	0.5...0.6
2.	Debt to total assets	0.98	0.91	0.4...0.5
3.	Debt ratio	0.02	0.1	> 1
4.	Debt & Equity ratio	46.38	10.25	< 1

Above counted coefficients indicate dependence of the Company on creditors.



Income and expenses statement
JSC "KazAgroFinance"
for 2000-2003
unit: thousand tenge

№ lines	Activities name	2000	2001	2002	2003
1.	Income from sales of products (works, services) in all, including:	212 005	363 182	392 012	685 878
1.1.	payments from leasing	146 043	183 860	189 478	255 741
1.2.	payments from deposits, loan	20 808	95 169	162 190	256 894
1.3.	income from sales of goods	45 154	64 325	13 070	168 982
1.4.	income from rendering of service		19 828	27 274	3 951
1.5.	income from property services				310
2.	Cost of sales (works and services) in all, including:	-43 021	-68 839	-46 359	-150 522
2.1.	cost of goods sold	-43 021	-59 706	-12 158	-143 395
2.2.	Cost of services		-9 133	-34 201	-7 127
3.	Gross revenue (p.1-2)	168 984	294 343	345 653	535 356
4.	Period expenses in all, including:	-71 373	-177 798	-361 677	-651 399
4.1.	General and administrative expenses	-25 595	-80 930	-111 082	-326 854
4.2.	expenses on payment of interest	-37 618	-73 727	-200 358	-234 699
4.3.	expenses on sale	-8 160	-23 141	-50 237	-89 846
5.	Income (loss) from operating activity	97 611	116 545	-16 024	-116 043
6.	Income (expenses) from non-operating activity in all, including:	7 397	-23 346	71 522	221 838
6.1.	compensation of expenses for payments on loans issued by Ministry of Finance of RK		70 000	77 662	82 408
6.2.	penalties, fines for contract break	869	19 767	15 160	24 561
6.3.	foreign exchange gain (loss)	5 801	-100 541	-23 756	113 008
6.4.	income (loss) from sale (others outgoing) of fixed assets	213	-221	-1 154	2 183
6.5.	other non-operating activities (expenses)	514	-2 351	3 610	-322
7.	Income (expenses) from ordinary activity before taxation	105 008	93 199	55 498	105 795
8.	Expenses on income tax	-283	-26 241	-897	
9.	Income (expenses) from ordinary activity after taxation	104 725	66 958	54 601	105 795
10.	Losses from extraordinary situation				
11.	Net profit (loss)	104 725	66 958	54 601	105 795

