

**JSC “National Company “Food Contract Corporation”**

Consolidated financial statements

*For the year ended 31 December 2009*

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## Independent Auditors' Report

To the Shareholder of JSC "National Company "Food Contract Corporation"

We have audited the accompanying financial statements of JSC "National Company "Food Contract Corporation" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Ernst & Young LLP*

  
Aisulu Narbayeva  
Auditor



Auditor Qualification Certificate  
No. 0000137 dated 21 October 1994

8 April 2010

  
Evgeny Zhemaletdinov  
General Director  
Ernst & Young LLP



State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2009

<i>In thousands of Tenge</i>	Note	31 December 2009	31 December 2008*
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	10,834,189	6,909,281
Investment property	9	–	250,252
Goodwill	10	41,300	285,312
Long term advances paid	11	452,226	2,184,590
Deferred income tax asset	30	67,526	52,389
Loans to farmers	12	100,000	500,000
Other financial assets	13	187,529	641,999
Other long-term assets	14	8,113,834	7,439,397
		19,796,604	18,263,220
<b>Current assets</b>			
Inventories	15	78,497,175	40,773,539
VAT and other taxes recoverable		6,491,604	5,850,620
Income tax prepaid		214,288	223,814
Accounts receivable	16	35,970,292	8,092,052
Short-term advances paid	11	6,875,488	10,631,164
Current portion of loans to farmers	12	41,491,051	9,508,683
Other financial assets	13	4,782,290	1,613,498
Cash and cash equivalents	17	17,042,410	6,247,754
		191,364,598	82,941,124
Assets classified as held for sale	18	1,013,916	126,656
		192,378,514	83,067,780
<b>TOTAL ASSETS</b>		<b>212,175,118</b>	<b>101,331,000</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## (continued)

<i>In thousands of Tenge</i>	Note	31 December 2009	31 December 2008*
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	34,267,483	32,790,683
Additional paid-in capital	19	39,745	39,745
Foreign currency translation reserve		460,752	1,145
Retained earnings		10,960,790	9,440,699
		45,728,770	42,272,272
<b>Non-controlling interest</b>		19,490	25,911
<b>Total equity</b>		45,748,260	42,298,183
<b>Non-current liabilities</b>			
Loans	20	–	13,330,593
Financial lease liabilities	21	299,285	29,268
Deferred tax liability	30	548,881	92,870
Debt securities issued	22	14,945,063	15,323,371
		15,793,229	28,776,102
<b>Current liabilities</b>			
Accounts payable	23	2,164,228	515,247
Advances received		773,809	226,433
Current portion of financial lease liabilities	21	50,746	4,780
Taxes payable		112,271	10,791
Income tax payable		67,599	–
Loans	20	146,061,165	28,523,433
Interest rate swap	20	264,197	–
Current portion of debt securities issued	22	960,000	976,031
		150,454,015	30,256,715
Liabilities directly associated with assets classified as held for sale	18	179,614	–
<b>Total liabilities</b>		166,426,858	59,032,817
<b>TOTAL EQUITY AND LIABILITIES</b>		212,175,118	101,331,000

\* Certain numbers shown here do not correspond to the 2008 financial statements and reflect reclassifications made as detailed in Note 5.

*The accompanying notes on pages 8 to 42 are an integral part of these consolidated financial statements.*

Chairman of the Board



Acting Chief Accountant

*Azimov R.D.*

Azimov R.D.

*Anisova R.A.*

Anisova R.A.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2009

<i>In thousands of Tenge</i>	Note	2009	2008*
Revenue	24	56,705,315	35,092,015
Cost of sales	25	(45,541,315)	(27,087,653)
<b>Gross profit</b>		<b>11,164,000</b>	<b>8,004,362</b>
General and administrative expenses	26	(3,528,039)	(1,837,895)
Selling expenses	27	(2,801,111)	(2,581,192)
Impairment loss	9,10	(452,946)	—
<b>Operating profit</b>		<b>4,381,904</b>	<b>3,585,275</b>
Foreign exchange loss, net		(6,479,906)	(479,743)
Finance income	28	9,622,412	2,030,596
Finance costs	28	(6,447,855)	(2,711,815)
Other income	29	1,370,563	350,742
Other expenses	29	(55,474)	(358,060)
<b>Profit before taxation</b>		<b>2,391,644</b>	<b>2,416,995</b>
Income tax expense	30	(671,819)	(887,094)
<b>Profit for the year</b>		<b>1,719,825</b>	<b>1,529,901</b>
Profit attributable to:			
Equity holder of the parent		1,721,814	1,523,186
Non-controlling interest		(1,989)	6,715
		<b>1,719,825</b>	<b>1,529,901</b>
<b>Other comprehensive income:</b>			
Exchange differences on translation of foreign operations		459,607	4,681
<b>Other comprehensive income for the year, net of tax</b>		<b>459,607</b>	<b>4,681</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>2,179,432</b>	<b>1,534,582</b>
Attributable to:			
Equity holder of the parent		2,181,421	1,527,867
Non-controlling interest		(1,989)	6,715
		<b>2,179,432</b>	<b>1,534,582</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

<i>In thousands of Tenge</i>	Note	2009	2008
<b>Earnings per share</b>			
Basic and diluted, profit for the year attributable to equity holders of the parent	19	51.38	64.44

\* Certain numbers shown here do not correspond to the 2008 financial statements and reflect reclassifications made as detailed in Note 5.

*The accompanying notes on pages 8 to 42 are an integral part of these consolidated financial statements.*

Chairman of the Board



*[Handwritten signature]*

Azimov R.D.

Acting Chief Accountant

*[Handwritten signature]*

Anisova R.A.



**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2009

<i>In thousands of Tenge</i>	Note	2009	2008
<b>Profit before income tax</b>		<b>2,391,644</b>	<b>2,416,995</b>
Adjustments for:			
Depreciation and amortisation		<b>387,100</b>	304,753
(Gain) / loss from disposal of property, plant and equipment	29	<b>(209)</b>	29,992
Impairment of goodwill and property, plant and equipment	9,10	<b>448,569</b>	–
Finance costs	28	<b>6,447,855</b>	2,711,815
Finance income	28	<b>(9,257,365)</b>	(2,030,596)
Provision for doubtful debts	12,16	<b>156,412</b>	98,743
Unrealised foreign exchange loss		<b>6,505,704</b>	334,673
Loss from disposal of non-current assets classified as held for sale		–	235,381
Share in net profit of associates		–	(308)
<b>Adjustment to current assets and current liabilities:</b>			
Increase in inventories		<b>(38,389,488)</b>	(20,237,346)
Increase in VAT and other taxes recoverable		<b>(595,709)</b>	(2,746,675)
Decrease / (increase) in advances paid		<b>4,438,920</b>	(6,471,109)
Increase in loans to farmers		<b>(48,986,422)</b>	(426,604)
Decrease in loans to employees		<b>27,635</b>	23,902
Increase in accounts receivable		<b>(27,858,912)</b>	(4,016,419)
Increase / (decrease) in taxes payable		<b>214,381</b>	(16,889)
Increase / (decrease) in accounts payable		<b>20,607,853</b>	(3,457,279)
Increase in advances received		–	224,513
<b>Cash used in operating activities</b>		<b>(83,462,032)</b>	<b>(33,022,458)</b>
Income tax paid		<b>(201,492)</b>	(1,010,863)
Interest paid and coupons paid on debt securities		<b>(3,217,401)</b>	(2,619,107)
Interest received		<b>2,650,770</b>	1,616,050
<b>Net cash used in operating activities</b>		<b>(84,230,155)</b>	<b>(35,036,378)</b>
<b>Investment activities:</b>			
Collection / (placement) of bank deposits		<b>922,794</b>	(326,877)
Purchase of property, plant and equipment		<b>(2,893,666)</b>	(5,355,910)
Purchase of intangible assets		–	(3,307)
Proceeds from disposal of property, plant and equipment		<b>63,216</b>	52,162
Purchase of securities		<b>(4,000,000)</b>	–
Proceeds from disposal of investments available-for-sale		<b>329,883</b>	22,931
<b>Net cash used in investment activities</b>		<b>(5,577,773)</b>	<b>(5,611,001)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

<i>In thousands of Tenge</i>	Note	2009	2008
<b>Financing activities:</b>			
Proceeds from issuance of shares	19	1,476,800	16,068,400
Proceeds from Government loans		11,178,000	12,182,441
Repayment of Government loans		(2,351,383)	(6,208,382)
Repayment of finance lease liabilities		(10,740)	–
Redemption of debt securities		(400,000)	(3,000)
Proceeds from commercial bank loans		32,247,833	34,583,741
Repayment of commercial bank loans		(33,193,505)	(26,835,867)
Proceeds from Shareholder loans		108,017,094	–
Repayment of Shareholder loans		(17,601,171)	–
Dividends paid	19	(206,155)	(308,517)
<b>Net cash from financing activities</b>		<b>99,156,773</b>	<b>29,478,816</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>9,348,845</b>	<b>(11,168,563)</b>
Net exchange rate difference		1,448,223	–
Cash and cash equivalents as at 1 January		6,247,754	17,416,317
<b>Cash and cash equivalents as at 31 December</b>	17	<b>17,044,822</b>	<b>6,247,754</b>

\* Certain numbers shown here do not correspond to the 2008 financial statements and reflect reclassifications made as detailed in Note 5.

**NON-CASH TRANSACTIONS – ADDITIONAL DISCLOSURE:**

Significant non-cash transactions, including the following, were excluded from the statement of cash flows:

In 2009 the Group offset loans to farmers against payables to farmers in the amount of KZT 18,857,312 thousand (in 2008: zero).

Purchases of property, plant and equipment in the amount of KZT 1,732,364 thousand made in 2009 were paid in prior year.

In 2009 property, plant and equipment in the amount of KZT 326,723 thousand were acquired under finance lease agreement.

In 2009 non-current assets in the amount of KZT 250,252 thousand previously classified as investment property were transferred to property, plant and equipment.

*The accompanying notes on pages 8 to 42 are an integral part of these consolidated financial statements.*

Chairman of the Board



Acting Chief Accountant

Azimov R.D.

Anisova R.A.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2009

<i>In thousands of Tenge</i>	Attributable to equity holders of the parent						Non-controlling interest	Total
	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained Earnings	Total			
At 1 January 2008	16,722,283	39,745	(3,536)	8,266,075	25,024,567	24,517	25,049,084	
Profit for the year	–	–	–	1,523,186	1,523,186	6,715	1,529,901	
Other comprehensive income	–	–	4,681	–	4,681	–	4,681	
Total comprehensive income	–	–	4,681	1,523,186	1,527,867	6,715	1,534,582	
Issue of share capital (Note 19)	16,068,400	–	–	–	16,068,400	–	16,068,400	
Dividends	–	–	–	(240,251)	(240,251)	(5,421)	(245,672)	
Other transactions with the shareholder (less income tax in the amount of KZT 8,739 thousand)	–	–	–	(108,211)	(108,211)	–	(108,211)	
Non-controlling interest	–	–	–	(100)	(100)	100	–	
At 31 December 2008	32,790,683	39,745	1,145	9,440,699	42,272,272	25,911	42,298,183	
Profit for the year	–	–	–	1,721,814	1,721,814	(1,989)	1,719,825	
Other comprehensive income	–	–	459,607	–	459,607	–	459,607	
Total comprehensive income	–	–	459,607	1,721,814	2,181,421	(1,989)	2,179,432	
Issue of share capital (Note 19)	1,476,800	–	–	–	1,476,800	–	1,476,800	
Dividends (Note 19)	–	–	–	(201,723)	(201,723)	(4,432)	(206,155)	
At 31 December 2009	<b>34,267,483</b>	<b>39,745</b>	<b>460,752</b>	<b>10,960,790</b>	<b>45,728,770</b>	<b>19,490</b>	<b>45,748,260</b>	

The accompanying notes on pages 8 to 42 are an integral part of these consolidated financial statements.

Chairman of the Board



Azimov R.D.

Acting Chief Accountant

Anisova R.A.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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### 1. GENERAL

Joint Stock Company "National Company "Food Contract Corporation" (the "Company") is incorporated and operates in the Republic of Kazakhstan. In accordance with Government resolutions the Company's and its subsidiaries and joint ventures (together the "Group") activity is to maintain state grain reserves at the levels required to supply the population of Kazakhstan with grain and grain products, to maintain grain reserves at the required level and to ensure timely grain replenishment. The Company is also responsible for keeping accounting records and monitoring the quality, quantity and security of state grain resources. Since 2002 the Company has been entitled to perform commercial operations related to grain sales.

In 2005 the Company began providing loans to farmers for crop sowing and harvesting purposes under permanent state license No. 46 dated 22 February 2005 of the Agency of the Republic of Kazakhstan for the Regulation and Supervision of the Financial Market and Financial Operations ("FMSA").

According to the decree of the Government of the Republic of Kazakhstan No. 858 dated 19 August 2005 "On some issues related to development of pilot "Textile industry cluster" the Company built a cotton processing factory in the South-Kazakhstan region with the capacity to process 60,000 tons of cotton per year. The plant started its operations in 2006.

According to the Decree of the President of the Republic of Kazakhstan No. 220 dated 11 December 2006 and the Government resolution No. 1247 dated 23 December 2006, JSC National Holding Company KazAgro was established. On 17 April 2007 the Company's 100% shares were transferred to the share capital of JSC National Holding Company KazAgro, thus, beginning from 17 April 2007 the only shareholder of the Company is JSC National Holding Company KazAgro ("Shareholder").

The consolidated financial statements include the Company's financial statements, those of its subsidiaries and joint ventures as referred to in Note 6.

These consolidated financial statements were authorised for issue by the Chairman of the Management Board and the Acting Chief Accountant on 8 April 2010.

#### Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The Kazakhstan economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in capital markets' instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Kazakhstan. While the Kazakhstan Government has introduced a range of stabilization measures aimed at providing liquidity to Kazakhstan banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Also, factors including increased unemployment in Kazakhstan, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Group's borrowers' ability to repay the amounts due to the Group. In addition, changes in economic conditions have resulted in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****2. BASIS OF PREPARATION**

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. These consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT") and all monetary amounts are rounded to the nearest thousand Tenge except when otherwise indicated.

**Statement of compliance**

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

**Basis of consolidation***Basis of consolidation since 1 January 2009*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2009.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

*Basis of consolidation prior to 1 January 2009*

Contrary to the above mentioned principles which were applied on a prospective basis, the following principles applied:

- Non-controlling interests represented the portion of profit or loss and net assets that were not held by the Group and were presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010 (early adopted)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39.
- IFRS 7 Financial Instruments: Disclosures: "Improvement in disclosure of financial information" effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009.
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009.
- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009, early adopted)

When the adoption of the standard or interpretation is deemed to have an impact on the consolidated financial statements or performance of the Group, its impact is described below:

#### *IFRS 7 – Financial Instruments: Disclosures.*

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures presented in Note 32. The liquidity risk disclosures are not impacted by the amendments and are presented in Note 32.

#### *IFRS 8 Operating Segments*

IFRS 8 replaced IAS 14 *Segment Reporting* upon its effective date. The Group is the public company, accordingly, disclosures in Note 8 contains information in accordance with IFRS 8, including the related comparative information.

#### *IAS 1 Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Changes in accounting policy and disclosure (continued)

##### *IAS 23 Borrowing Costs*

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was already in compliance with these requirements. In 2009 the Group did not capitalise borrowing costs due to lack of qualifying assets.

##### *Improvement to IFRSs*

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Group amended its disclosures in Note 8 Operating segment information.
- *IFRS 8 Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 8.
- *IAS 1 Presentation of Financial Statements*: Assets and liabilities classified as held for trading in accordance with *IAS 39 Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position. The Group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.
- *IAS 7 Statement of Cash Flows*: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment did not have any impact on the presentation in the consolidated statement of cash flows.
- *IAS 16 Property, Plant and Equipment*: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- *IAS 18 Revenue*: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  - Has primary responsibility for providing the goods or service;
  - Has inventory risk;
  - Has discretion in establishing prices;
  - Bears the credit risk.

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

- *IAS 20 Accounting for Government Grants and Disclosures of Government Assistance*: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. The Group accrued imputed interest on loans received from the Ministry of Agriculture in 2009.
- *IAS 23 Borrowing Costs*: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.
- *IAS 36 Impairment of Assets*: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the consolidated financial statements of the Group, because the recoverable amount is currently estimated using value in use.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the separate operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.
- *IAS 38 Intangible Assets*: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it is not involved in such type of activities.
- The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 Share-based Payment
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 40 Investment Properties
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

#### Standards issued but not yet effective

The following IFRS, IFRIC interpretations and improvements to IFRS are not yet in effect for the year ended 31 December 2009:

- IFRS 3R Business Combinations
- IAS 27 Consolidated and Separate Financial Statements - amendment
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments;
- IFRS 9 Financial Instruments
- IAS 24 Related Party Disclosures – amendment;
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters;
- IAS 39 Eligible hedged items
- IFRIC 18 Transfer of Assets from Customers
- IAS 32 Classifications of rights issues

Management does not expect the above standards and interpretations to have a material impact on the Group's financial position or results of operations.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Interest in a joint venture

The Group has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

#### Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale.

The resulting profit or loss (after taxes) is reported separately in the income statement. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

#### Foreign currency translation

The Group's consolidated financial statements are presented in Tenge, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

##### *i) Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Foreign currency translation (continued)***ii) Group companies*

The assets and liabilities of foreign operations are translated into Tenge at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan. For foreign currencies, which are not quoted by the KASE, the exchange rates are calculated by the National Bank of Kazakhstan using the cross-rates to the US dollar ("USD" or "US Dollar") in accordance with the quotations received from relevant sites of national banks.

The following table summarizes the foreign currency exchange rates to Tenge:

	<b>At 31 December 2009</b>	At 31 December 2008
USD	<b>148,36</b>	120,77
Euro	<b>212,84</b>	170,89
Azerbaijani Manat	<b>184,73</b>	150,77
Georgian Lari	<b>88,01</b>	72,45
Iranian Rial	<b>0,015</b>	0,012

Weighted average Tenge exchange rates for the years ended 31 December 2009 and 2008 were:

	<b>2009</b>	2008
USD	<b>147,51</b>	120,3
Euro	<b>205,87</b>	176,94
Azerbaijani Manat	<b>183,5</b>	146,51
Georgian Lari	<b>88,31</b>	80,73
Iranian Rial	<b>0,015</b>	0,013

**Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

*Rendering of services*

Revenue from rendering of services is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

*Commission income*

In accordance with the Rules established by Kazakh Government the Group is entitled to deduct a certain percent from revenue from the sale of the Government grain reserves as a commission. In 2009 and 2008 the commission did not exceed 3% of the total proceeds from these sales. The commission is used for maintenance of office premises, employees' salary and to cover other expenses associated with purchase of goods and services to support the Group activities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue recognition***Interest income*

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

**Taxes***Current income tax*

Current income 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 reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as reduction of related costs over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

**Financial assets***Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and deposits, trade and other receivables, loans issued and available-for-sale investments.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in the income statement.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

*Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

*Financial investments available for sale*

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial assets (continued)***Financial investments available for sale (continued)*

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in finance costs and removed from the available-for-sale reserve.

The Group evaluated its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intent to hold until the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the income statement.

**Derecognition**

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment of financial assets (continued)

##### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

##### *Financial investments available-for-sale*

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

#### Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial liabilities (continued)***Initial recognition and measurement (continued)*

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

*Loans from the Ministry of Agriculture*

Interest free loans from the Ministry of Agriculture received by the Group after 1 January 2009 and falling within the scope of a definition of Government grants are accounted for at the fair value as of the date of recognition. The difference between the loan cost and the fair value is recognized as the finance income. Interest free loans from the Ministry of Agriculture received by the Group prior to 1 January 2009 are accounted for at the initial cost of consideration received.

*Loans from the Shareholder*

Loans from the Shareholder are accounted for the fair value as at the recognition date. The difference between the loan cost and the fair value is recognized as the finance income.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

*Loans and borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

*Loans from the Ministry of Agriculture*

Interest free loans from the Ministry of Agriculture received by the Group after 1 January 2009 are accounted for at amortised cost using EIR method. Interest free loans from the Ministry of Agriculture received by the Group prior to 1 January 2009, and which conform the criteria of Government grants are accounted at cost.

*Loans from the Shareholder*

After initial recognition loans from the Shareholder are measured at amortised cost using EIR method.

*Derecognition*

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

When 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 recognised in the income statement.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 32.

#### Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Buildings and constructions	14-50 years
Machinery and equipment (except technological complex on cotton production and grain terminals)	4-25 years
Vehicles	4-50 years
Other assets	4-13 years

Unit of production method is used to calculate the depreciation of technological complex on cotton production and grain terminals.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

#### Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### *Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Lease (continued)***Group as a lessee (continued)*

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Operating lease agreements of the Group are short term and contain termination terms.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Gains or losses arising from changes in the fair values of investment properties are disclosed in notes to the financial statements.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**Inventories**

Inventories are valued at the lower of cost or net realisable value. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

The cost of all inventories, including grain and cotton is accounted for under FIFO method.

Minimum level of grain reserves determined by the Resolution of the Government of the Republic of Kazakhstan No. 394 dated 28 March 2001 could not be used without special permission of the Government of the Republic of Kazakhstan and, accordingly, included within other non-current assets.

**Impairment of non financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) 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 groups of assets. Where the carrying amount of an asset or CGU 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 assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of non financial assets (continued)**

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

*Goodwill*

Goodwill is tested for impairment annually (as at 31 December), and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**Cash and short term deposits**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short term deposits as defined above.

**Provisions***General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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 Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS****Judgments**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### Assets classified as held for sale

In April 2009 the Board of Directors announced its decision to dispose of the subsidiary Agrofirma Zhana-Zher LLP ("Zhana-Zher"), and therefore its assets and liabilities were classified as held for sale. The Board considered the subsidiary met the criteria to be classified as held for sale at that date for the following reasons:

- Zhana-Zher can be immediately sold to a potential buyer in its current condition.
- The Board of Directors had a plan to sell Zhana-Zher and had entered into negotiations with a potential buyer.
- Negotiations are expected to be finalised and the sale to be completed in 2010.

For more details on assets classified as held for sale refer to Note 18.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

#### Impairment of non financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

#### Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has tax losses carry forward amounting to KZT 15,572 thousand (in 2008: KZT 28,454 thousand). These losses relate to subsidiaries, occurred in 2009, have term of limitation and could be used to offset taxable income of subsidiaries within next ten years. Further details on taxes are disclosed in Note 30.

#### Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. RECLASSIFICATIONS**

Certain reclassifications have been made to the previous year consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows in order to conform to the current year presentation

<i>In thousands of Tenge</i>	Amount
<b>Consolidated statement of financial position as at 31 December 2008</b>	
<i>Reclassification of minimum level of grain from inventories to other non-current assets</i>	7,434,489
<i>Reclassification of advances paid for supply of equipment from current to non-current portion of advances paid</i>	1,087,444
<i>Reclassification of available-for-sale investments to other non-current financial assets</i>	337,877
<i>Reclassification of loans from accounts receivable to loans issued to farmers</i>	233,644
<i>Reclassification of interest-free loan from current advances paid to other non-current financial assets</i>	209,132
<i>Reclassification of non-current loans issued to employees to other non-current financial assets</i>	90,140
<i>Reclassification of current loans issued to employees to other current financial assets</i>	25,421
<i>Reclassification of intangible assets to other non-current assets</i>	4,908
<i>Reclassification of investments in associates to other non-current financial assets</i>	4,850
<b>Consolidated statement of comprehensive income for the year ended 31 December 2008</b>	
<i>Reclassification of Government grants to decrease of selling expenses</i>	844,390
<i>Reclassification of income from other expenses to other income</i>	350,434
<i>Reclassification of exchange difference losses from other expenses to losses on foreign exchange difference</i>	145,070
<i>Reclassification of income from associates to other income</i>	308
<b>Consolidated statement of cash flow for the year ended 31 December 2008</b>	
<i>Reclassification of advances paid for non-current assets from operating activities to investment activities</i>	1,087,444
<i>Reclassification of additions from disposal of property and equipment from operating activities to investment activities</i>	52,162

The above reclassifications had no impact on net profit, total comprehensive income or equity.

**6. CONSOLIDATION**

The following subsidiaries and joint ventures have been included in these consolidated financial statements:

**6.1 Subsidiaries**

	Activity	Country of residence	Percentage ownership	
			2009	2008
Ak-Biday Terminal JSC	Grain station	Kazakhstan	100%	100%
Expert Agrarian Company LLP	Business review, provision of guarantees	Kazakhstan	100%	100%
Biday Onimderly LLP	Purchase and sale of grain, grain processing	Kazakhstan	100%	100%
Astyk Koimalary LLP	Grain storage and processing	Kazakhstan	100%	100%
Cotton Contract Corporation JSC	Raw cotton processing and storage	Kazakhstan	100%	100%
Agrofirm Zhana-Zher LLP	Production of agricultural products	Kazakhstan	100%	100%
	Cotton and textile cluster company, export and domestic supply of cotton and textile raw materials	Kazakhstan		
Kazakhstan Maktasy JSC	Grain purchase, receiving, storage and processing		100%	100%
Batumi Grain Terminal LLP		Georgia	100%	100%
Agrofirm Zhana-Ak Dala LLP	Storage and sale of tomatoes	Kazakhstan	99,9%	50%
Kazastyktrans LLP	Transportation services	Kazakhstan	50%	50%

As at 31 December 2009 and 2008 the Group exercises control over Kazastyktrans LLP and accordingly consolidates this company as a subsidiary.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****6. CONSOLIDATION (continued)**

In 2008 the Group established Agrofirma Zhana-Ak Dala LLP together with Agro Invest LLP with 50% share for each. However, at the time of approving consolidated financial statements for 2008 share capital of this company was only formed for 50% through contributions made by the Company; therefore, for the purpose of consolidated financial statement this entity's financial statements were fully included into the 2008 consolidated financial statements and non-controlling interest was not calculated.

In 2009 the Company became the sole owner of Agrofirma Zhana-Ak Dala LLP due to non-execution of investment commitments by another investor.

**6.2 Joint ventures**

	Activity	Country of residence	Percentage of ownership	
			2009	2008
Baku Grain Terminal LLP	Grain terminal	Azerbaijan	50%	50%
Amirabad Green Terminal Kish Ltd.	Grain terminal	Iran	50%	50%

**7. INTEREST IN JOINT VENTURES**

The Group's share of the assets and liabilities as at 31 December 2009 and 2008 and income and expenses of the jointly controlled entities for the years then ended, which is proportionally consolidated in the consolidated financial statements, is as follows:

<i>In thousands of Tenge</i>	2009	2008	As at 1 January 2008
Share in the statement of financial position of joint ventures:			
Current assets	411,792	1,664,352	698,228
Non-current assets	2,055,427	866,851	329,628
Current liabilities	(16,600)	(124,020)	(104,565)
Non-current liabilities	-	-	-
Equity	2,450,619	2,407,183	923,291
Share of the joint venture's revenue and profit:			
Income	108,322	22,372	4,328
Cost of sales	(172,120)	(16,275)	(11,262)
General and administrative expenses	(43,230)	(18,157)	(14,944)
Finance costs	(53)	(606)	-
Finance income	526	6,064	5,430
Other income	42,220	(21,411)	(1,930)
Loss before taxes	(64,335)	(28,013)	(18,378)
Income tax expense	-	-	-
Loss for the year from continuing operations	(64,335)	(28,013)	(18,378)

The Group has no share of any contingent liabilities or capital commitments as at 31 December 2009 and 2008.

**8. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their activities and has three reportable operating segments as follows:

- Grain cluster segment comprises purchase, sale, storage, processing and transfer of grain and all operations related to farmer's funding;
- Cotton cluster segment comprises purchase, sale, processing and storage of primary cotton;
- Horticultural cluster segment comprises growing and processing of horticultural crops.

Grain cluster segment is the Group's reporting segment; the others are insignificant and have been aggregated to form the other segments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****8. OPERATING SEGMENT INFORMATION (continued)**

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a separate basis and are also allocated to operating segments.

Prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

*For the year ended 31 December 2009*

<i>In thousands of Tenge</i>	Grain cluster	Other	Eliminations and adjustments	Consolidated
<b>Revenue</b>				
External customers	53,940,189	2,765,126	–	56,705,315
Inter-segment	5,133	187,568	(192,701) <sup>1</sup>	–
<b>Total</b>	<b>53,945,322</b>	<b>2,952,694</b>	<b>(192,701)</b>	<b>56,705,315</b>
<b>Results</b>				
Depreciation and amortisation	(204,874)	(182,226)	–	(387,100)
Impairment	(452,946)	–	–	(452,946)
Finance costs	(6,435,337)	(183,839)	171,321 <sup>2</sup>	(6,447,855)
Finance income	9,753,730	40,003	(171,321) <sup>2</sup>	9,622,412
Income tax	(653,458)	(18,361)	–	(671,819)
<b>Segment profit</b>	<b>2,560,309</b>	<b>(168,665)</b>	<b>–</b>	<b>2,391,644</b>
<b>Operating assets</b>	<b>205,966,731</b>	<b>8,057,912</b>	<b>(2,863,441)<sup>2</sup></b>	<b>211,161,202</b>
<b>Operating liabilities</b>	<b>165,616,056</b>	<b>3,494,629</b>	<b>(2,863,441)<sup>2</sup></b>	<b>166,247,244</b>
<b>Other disclosures</b>				
Capital expenditures <sup>3</sup>	1,839,391	3,084,547	–	4,923,938

*For the year ended 31 December 2008*

<i>In thousands of Tenge</i>	Grain cluster	Other	Eliminations and adjustments	Consolidated
<b>Revenue</b>				
External customers	34,333,355	758,660	–	35,092,015
Inter-segment	–	–	–	–
<b>Total</b>	<b>34,333,355</b>	<b>758,660</b>	<b>–</b>	<b>35,092,015</b>
<b>Results</b>				
Depreciation and amortisation	(213,400)	(89,606)	–	(303,006)
Finance costs	2,707,710	67,238	(63,133) <sup>2</sup>	2,711,815
Finance income	(2,067,954)	(25,775)	63,133 <sup>2</sup>	2,030,596
Income tax	(880,944)	(6,150)	–	(887,094)
<b>Segment profit</b>	<b>2,557,469</b>	<b>(140,474)</b>	<b>–</b>	<b>2,416,995</b>
<b>Operating assets</b>	<b>96,550,612</b>	<b>6,960,581</b>	<b>(2,306,849)<sup>2</sup></b>	<b>101,204,344</b>
<b>Operating liabilities</b>	<b>59,103,385</b>	<b>2,236,281</b>	<b>(2,306,849)<sup>2</sup></b>	<b>59,032,817</b>
<b>Other disclosures</b>				
Capital expenditures <sup>3</sup>	2,430,095	775,272	–	3,205,367

1) Inter-segment revenues are eliminated on consolidation.

2) Inter-segment loans and related finance income and costs are eliminated on consolidation.

3) Capital expenditures consist of additions of property, plant and equipment and intangible assets.

In 2009 revenue from sale of grain to a big grain company made up 58% of the Group's consolidated revenue. (2008: 13%).

In 2009 the Group's revenue from sales to abroad made up 13% of the Group's consolidated revenue (2008: 29%).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****9. PROPERTY, PLANT AND EQUIPMENT**

The movement in property, plant and equipment for the year ended 31 December 2009 was as follows:

<i>In thousands of Tenge</i>	Land	Buildings and premises	Equipment	Vehicles	Other	Construction in progress	Total
<b>Cost:</b>							
At January 1, 2008	299,874	1,632,946	1,691,015	690,178	313,911	453,459	5,081,383
Additions	91,848	28,624	541,250	159,428	37,129	2,347,088	3,205,367
Disposals	(11,833)	(42,526)	(6,521)	(21,691)	(3,728)	(2,700)	(88,999)
Transfers	18,432	312,481	39,667	–	14,491	(385,071)	–
Assets classified as held for sale (Note 18)	–	(126,656)	–	–	–	–	(126,656)
<b>At 31 December 2008</b>	<b>398,321</b>	<b>1,804,869</b>	<b>2,265,411</b>	<b>827,915</b>	<b>361,803</b>	<b>2,412,776</b>	<b>8,071,095</b>
Additions	19,736	36,553	1,271,790	94,240	55,823	3,445,796	4,923,938
Disposals	–	–	(24,052)	(38,864)	(20,455)	(25,838)	(109,209)
Transfers	85	1,892,354	827,808	2,886	8,452	(2,731,585)	–
Transfers from investment property	16,936	235,064	–	–	–	–	252,000
Assets classified as held for sale (Note 18)	(268,628)	(44,243)	(563,581)	(22,683)	(1,963)	–	(901,098)
Exchange differences	–	65,433	7,127	3,145	6,291	115,436	197,432
<b>At 31 December 2009</b>	<b>166,450</b>	<b>3,990,030</b>	<b>3,784,503</b>	<b>866,639</b>	<b>409,951</b>	<b>3,216,585</b>	<b>12,434,158</b>
<b>Accumulated depreciation and impairment:</b>							
At January 1, 2008	–	(222,452)	(386,676)	(203,039)	(53,487)	–	(865,654)
Depreciation charge	–	(79,015)	(130,938)	(72,479)	(20,573)	–	(303,005)
Disposals	–	–	4,623	1,847	375	–	6,845
Transfers	–	–	(2,932)	–	2,932	–	–
<b>At 31 December 2008</b>	<b>–</b>	<b>(301,467)</b>	<b>(515,923)</b>	<b>(273,671)</b>	<b>(70,753)</b>	<b>–</b>	<b>(1,161,814)</b>
Depreciation charge	–	(73,507)	(208,668)	(82,251)	(22,431)	–	(386,857)
Impairment	–	–	(173,276)	–	–	(35,658)	(208,934)
Disposals	–	–	22,974	15,421	12,184	–	50,579
Transfers from investment property	–	(1,748)	–	–	–	–	(1,748)
Assets classified as held for sale (Note 18)	–	5,652	92,201	8,752	1,000	–	107,605
Exchange differences	–	491	205	400	104	–	1,200
<b>At 31 December 2009</b>	<b>–</b>	<b>(370,579)</b>	<b>(782,487)</b>	<b>(331,349)</b>	<b>(79,896)</b>	<b>(35,658)</b>	<b>(1,599,969)</b>
<b>Net book value</b>							
At 31 December 2008	398,321	1,503,402	1,749,488	554,244	291,050	2,412,776	6,909,281
<b>At 31 December 2009</b>	<b>166,450</b>	<b>3,619,451</b>	<b>3,002,016</b>	<b>535,290</b>	<b>330,055</b>	<b>3,180,927</b>	<b>10,834,189</b>

As at 31 December 2009 construction in progress comprises the following significant projects:

- Design and estimate documentation (“DED”) and feasibility report (“FR”) for construction of bioethanol and biodiesel processing plants totaling KZT 1,283,840 thousand;
- DED and FR for construction of wholesale markets in Astana and Shymkent totaling KZT 622,368 thousand: the Group scheduled to commence construction of wholesale markets in Astana and Shymkent in 2013 and 2010 and to finish the construction of these projects in 2015.
- Mill complex in Baku totaling KZT 505,612 thousand. The Group is planning to finish and place this complex into operation in 2010.
- Administrative building under construction of KZT 295,298 thousand and building of tomato processing plant of KZT 259,853 thousand. The Group plans to finish and place these buildings into operation in 2010. The Group plans to place these buildings into operation in 2010 and use them for own purposes.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****9. PROPERTY, PLANT AND EQUIPMENT (continued)**

- Drip irrigation system to grow horticultural crops totaling KZT 134,674 thousand. The Group plans to finish and place this project into operation in 2010.
- Project of grain terminal totaling KZT 35,658 thousand in Batumi.

In 2009 the Group recognized impairment of grain terminal in Baku of KZT 173,276 thousand as the carrying amount of terminal exceeded its recoverable amount. The grain terminal's recoverable amount was determined through calculation of value in use applying cash flow forecast based on five year financial plan approved by the Group's management. After tax rate used to discount cash flows was 14.6%. Cash flows for the period exceeding 5 years were extrapolated using 3% fixed growth rate, expected long-term inflation rate. The impairment relates to grain cluster segment.

In 2009 the Group recognized full impairment of grain terminal project in Batumi of KZT 35,658 thousand due to unviability of further financing of construction. The impairment relates to grain cluster segment.

In 2009 the Group started using a building, previously leased out, as an office. Accordingly, the asset classified as investment property as at 31 December 2008 at the amount of KZT 250,252 thousand was reclassified from investment property to property, plant and equipment.

Carrying amount of machinery and equipment used by the Group under finance lease agreements and agreements of installment purchase as at 31 December 2009 amounted to KZT 466,818 thousand (2008: KZT 37.864 thousand).

As at 31 December 2009 and 2008 the Group did not have any assets pledged as security for the Group's borrowings.

In 2009 and 2008 the Group did not capitalize any borrowing costs.

**10. GOODWILL**

The cost of goodwill was allocated between two cash-generating units for the purpose of impairment as follows:

<i>In thousands of Tenge</i>	2009	2008
Ak-Bidai Terminal JSC	41,170	285,182
Kazastyktrans LLP	130	130
	<b>41,300</b>	<b>285,312</b>

Recoverable amount of cash generating unit Ak-Bidai Terminal JSC was determined through calculation of value in use applying cash flow forecast based on five year financial plan approved by the Group's management. After tax rate used to discount cash flows was 14.6% (2008: 12.9%). Cash flows for the period exceeding 5 years were extrapolated using 3% fixed growth rate (2008: 5%), expected long-term inflation rate. According to the results of this analysis Management has recognized impairment totaling KZT 244,012 thousand in 2009. The impairment relates to grain cluster segment

**11. ADVANCES PAID**

As at 31 December 2009 advances paid comprised:

<i>In thousands of Tenge</i>	2009	2008
<b>Non-current advances paid:</b>		
Equipment supply and construction and assembly works	452,226	2,184,590
	<b>452,226</b>	<b>2,184,590</b>
<b>Current advances paid:</b>		
Supply of grain	6,666,677	10,469,100
Other	208,811	162,064
	<b>6,875,488</b>	<b>10,631,164</b>

As at 31 December 2009 advances paid for supply of equipment and construction and assembly works comprise advances paid for equipment for grain terminal totaling KZT 194,730 thousand.

As at 31 December 2009 advances paid for supply of equipment and construction and assembly works comprise advances paid for DED under horticulture products wholesale market construction project at the amount of KZT 153,283 thousand.

As at 31 December 2009 and 2008 advances paid for supply of grain were secured by land plots and grain.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****12. LOANS TO FARMERS**

As at 31 December 2009 and 2008 loans provided to farmers for sowing season were as follows:

<i>In thousands of Tenge</i>	2009	2008
Current loans with maturity less than 1 year	41,727,640	9,594,435
Non-current loans with maturity over 1 year	100,000	500,000
	41,827,640	10,094,435
Less: allowance for doubtful debt	(236,589)	(85,753)
	41,591,051	10,008,682
Less: loans maturing within 1 year	(41,491,051)	(9,508,683)
<b>Long-term portion of loans</b>	<b>100,000</b>	<b>500,000</b>

As at 31 December 2009 loans guaranteed by Kazakh commercial banks amounted to KZT 35,276,246 thousand (2008: KZT 56,085 thousand). Effective interest rate on loans guaranteed by Kazakh commercial banks was 8% per annum. Residual amount of loans was secured by collateral of future grain harvest, commercial property, land plots and agricultural equipment. Effective interest rate on such loans was 11% per annum.

All loans to farmers as at 31 December 2009 and 2008 are denominated in Tenge.

The movement in the allowance for doubtful debts was as follows:

<i>In thousands of Tenge</i>	2009	2008
Allowance for doubtful debts at the beginning of the year	85,753	–
Charge for the year	150,836	85,753
Write-offs	–	–
Allowance for doubtful debts at the end of the year	236,589	85,753

**13. OTHER FINANCIAL ASSETS**

<i>In thousands of Tenge</i>	2009	2008
<b>Other non-current financial assets:</b>		
Interest-free loan for access to additional electrical power supply	99,950	209,132
Loans to employees	71,729	90,140
Investments available for sale	11,000	337,877
Investments to associates	4,850	4,850
	187,529	641,999
<b>Other current financial assets:</b>		
Financial assets at fair value through profit or loss	4,066,508	–
KZT denominated deposits	692,243	1,542,627
EUR denominated deposits	–	45,450
Loans to employees	23,539	25,421
	4,782,290	1,613,498

Financial assets at fair value through profit or loss comprise bonds of corporate issuers Corporation APK-Invest LLP and Atameken-Agro JSC designed for trade transactions. The Company paid KZT 4,000,000 thousand to purchase these bonds, accrued interest of KZT 38,100 thousand, and recognized unrealized income from change in fair value totaling KZT 28,408 thousand (Note 28).

As at 31 December bank deposits were placed with Kazakh commercial banks with maturities from 3 to 12 months. Interest rates on Tenge and Euro denominated deposits are 4-8% and 10%, respectively.

**14. OTHER NON-CURRENT ASSETS**

Other non-current assets comprised minimum level of grain of KZT 7,956,098 thousand as at 31 December 2009 (2008: KZT 7,434,489 thousand) according to the resolution of the Government of the Republic of Kazakhstan No. 394 dated 28 March 2001.

As at 31 December 2009 other non-current assets comprised residential apartments to be sold to employees of the Group. As at 31 December 2009 it is uncertain whether these assets will be sold, therefore these assets have been transferred from assets classified as held for sale as at 31 December 2008 to other non-current assets as at 31 December 2009. As at 31 December 2009 the Group's management considers that fair value less costs to sell of these apartments exceeds their carrying amount in the consolidated statement of financial position.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****15. INVENTORIES**

Inventories comprised the following at 31 December:

<i>In thousands of Tenge</i>	2009	2008
Grain stock	76,502,613	38,599,264
Cotton stock	1,340,752	1,512,107
Other inventories	653,810	662,168
	<b>78,497,175</b>	<b>40,773,539</b>

As at 31 December 2009 and 2008 the Group's management considers that inventories will be realized or utilized within one year at the price not lower than their carrying amount.

**16. ACCOUNTS RECEIVABLE**

<i>In thousands of Tenge</i>	2009	2008
Trade accounts receivable	35,632,382	7,542,672
Other accounts receivable	347,510	553,877
	<b>35,979,892</b>	<b>8,096,549</b>
Less: allowance for doubtful debt	(9,600)	(4,497)
	<b>35,970,292</b>	<b>8,092,052</b>

The movement in the allowance for doubtful debts was as follows:

<i>In thousands of Tenge</i>	2009	2008
Allowance for doubtful debts at the beginning of the year	4,497	–
Charge for the year	5,576	13,170
Write-offs	(473)	(8,673)
Allowance for doubtful debts at the end of the year	<b>9,600</b>	<b>4,497</b>

At 31 December 2009 and 2008 the accounts receivable were denominated in various currencies as follows:

<i>In thousands of Tenge</i>	2009	2008
Tenge	35,743,383	7,318,724
US dollars	226,909	128,602
Russian roubles	–	232,337
Euro	–	412,389
	<b>35,970,292</b>	<b>8,092,052</b>

As at 31 December 2009 other accounts receivable comprised amounts due from grain producers for prolongation of terms of supply under grain purchase agreements.

As at 31 December, the ageing analysis of trade receivables is as follows:

<i>In thousands of Tenge</i>	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-90 days	90-120 days	120-360 days	>360 days
2009	35,970,292	35,921,280	48,725	8	–	279	–
2008	8,092,052	8,089,321	1,783	90	853	5	–

**17. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprised the following at 31 December:

<i>In thousands of Tenge</i>	2009	2008
Cash in current bank accounts, Tenge	15,531,954	4,317,565
Cash in current bank accounts, US dollars	1,328,059	162,620
Deposits with initial maturity less than 3 months, Tenge	–	1,697,141
Deposits with initial maturity less than 3 months, US dollars	140,942	–
Cash on current bank accounts, other currencies	20,375	59,479
Cash on hand, Tenge	21,080	10,949
	<b>17,042,410</b>	<b>6,247,754</b>

Deposits with initial maturity less than 3 months earn interest at the rate of 1.2-10% (2008: 9.5 - 10%).

As at 31 December 2009 and 31 December 2008 current bank accounts were pledged as collateral for loans from the Shareholder and for liabilities under finance lease with the right of claim when the terms of loan agreement and finance lease agreements are defaulted.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****18. ASSETS CLASSIFIED AS HELD FOR SALE**

On 9 March 2009 the Board of Directors announced its decision to realize its subsidiary Agrofirma Zhana-Zher LLP. The sale of Agrofirma Zhana-Zher LLP is planned to be finalized in 2010.

The major classes of assets and liabilities of Agrofirma Zhana-Zher LLP classified as held for sale as at 31 December 2009 are as follows:

<i>In thousands of Tenge</i>	<b>2009</b>
<b>Assets</b>	
Property, plant and equipment (Note 9)	793,493
Deferred tax asset	18,082
Other non-current assets	69
Inventories	183,891
Accounts receivable	15,117
Cash held in banks relating to assets classified as held for sale	2,411
Other current assets	853
	<b>1,013,916</b>
<b>Liabilities</b>	
Accounts payable	179,614
	<b>179,614</b>
<b>Net assets</b>	<b>834,302</b>

As at 31 December 2008 non-current assets classified as held for sale comprised of residential apartments to be sold to employees of the Group. As at 31 December 2009 it is uncertain whether these assets will be sold, therefore these assets have been transferred to other non-current assets (Note 14).

**19. EQUITY**

*Authorised share capital (number of shares)*

<i>In thousands of Tenge</i>	<b>2009</b>	<b>2008</b>
Ordinary shares	<b>34,267,483</b>	32,790,683
	<b>34,267,483</b>	32,790,683

During the reporting period authorized share capital was increased by KZT 1,476,800 thousand through issue of 1,476,800 ordinary shares with nominal value KZT 1,000 each.

*Issued and fully paid ordinary shares*

	Number of shares	In thousands of Tenge
As at 1 January 2008	16,722,283	16,722,283
Issued in 2008 and paid by cash	16,068,400	16,068,400
As at 31 December 2008	32,790,683	32,790,683
Issued in 2009 and paid by cash	1,476,800	1,476,800
<b>As at 31 December 2009</b>	<b>34,267,483</b>	<b>34,267,483</b>

**Additional paid-in capital**

Additional paid-in capital at the amount of KZT 39,745 thousand represents excess of property and equipment value contributed to share capital over nominal value of share capital.

**Dividends**

According to the decision of the Board of Directors dated 1 June 2009 dividends in the amount of KZT 206,155 thousand were declared and paid in 2009 (2008: KZT 245,672 thousand).

**Currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of functional currencies of the foreign subsidiaries to Tenge, whose financial statements are included in these consolidated financial statements in accordance with the accounting policy disclosed in Note 3.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****19. EQUITY (continued)****Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are equal to basic earnings per share, as the Group does not have any dilutive potential ordinary shares.

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

<i>In thousands of Tenge</i>	2009	2008
Net profit for the year	1,721,814	1,523,186
Net profit attributable to ordinary equity holders of the parent for basic earnings per share computation	1,721,814	1,523,186
Number of ordinary shares for basic earnings per share computation	33,508,256	23,636,731
Basic and diluted earnings per share, Tenge	51.38	64.44

**20. LOANS**

Loans comprised the following at 31 December 2009:

<i>In thousands of Tenge</i>	Currency	Maturity	Effective interest rate	2009	2008
Ministry of Agriculture	Tenge	December 2010	7%	20,307,898	12,149,381
National Managing Holding KazAgro JSC	Tenge	February – August 2010	7%	88,603,041	–
Halyk Savings Bank of Kazakhstan JSC	Tenge	June 2010	12.5%	18,193,760	–
ABN AMRO BANK N.V.	US dollars	September 2010, 2011	6.58*%	7,424,712	6,062,459
SOCIETE GENERALE	US dollars	April 2010	6.8%	4,505,446	3,667,584
SOCIETE GENERALE	US dollars	June 2009	5.8%	–	3,829,298
BNP PARIBAS (SUISSE) S.A.	US dollars	March 2010	6.11%	7,026,308	–
BNP PARIBAS (SUISSE) S.A.	US dollars	January 2009	3 months Libor + 1.5%	–	1,800,015
BNP PARIBAS (SUISSE) S.A.	US dollars	February 2009	3 months Libor + 1.5%	–	3,565,543
Rabobank International	US dollars	December 2009	1 months Libor + 1.5%	–	5,286,262
Rabobank International	US dollars	August 2010	3 months Libor + 1.6%	–	3,681,934
Citibank Kazakhstan	US dollars	December 2009	5.1%	–	1,811,550
				146,061,165	41,854,026
Less current portion of loans				146,061,165	13,330,593
Non-current portion of loans				–	28,523,433

\*Includes the effect of the interest swap

Loan from the Ministry of Agriculture of the Republic of Kazakhstan is interest free and its purpose is to finance state grain purchase program. The loan is unsecured. The loan obtained in 2009 was recognized at fair value at the date when it was received and recorded subsequently at amortised cost. The difference between loans obtained and fair value of loans as at the date of receipt totaling KZT 1.054.734 thousand was recognized as finance income in the statement of comprehensive income (Note 28). As at 31 December 2009 the loan comprised unamortized discount of KZT 668,102 thousand.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****20. LOANS (continued)**

In 2009 the Group obtained loan from Parent totaling KZT 108,017,094 thousand with the purpose to finance the entities of agricultural complex, including spring sowing campaign. The interest rate on the loan is 1.02%. The loan was recognized at fair value at the date when it was received and recorded subsequently at amortised cost. The difference between loans obtained and fair value of loans at the date of receipt totaling KZT 3,778,836 thousand was recognized as finance income in the statement of comprehensive income (Note 28). As at 31 December 2009 the loan comprised unamortized discount of KZT 1,865,189 thousand. The loan is secured by the Group's current bank accounts.

In December 2009 the Company obtained loan from Halyk Savings Bank of Kazakhstan JSC. Halyk Savings Bank of Kazakhstan JSC has the right of claim for 1,250,000 tons of grain in case of default.

In September and December 2009 the Company repaid in full the loan of USD 30,380,000 under loan facility with Rabobank International dated 24.08.2007 in advance of repayment schedule.

In September 2009, the Company repaid in full the loan of USD 15,000,000 to Citibank Kazakhstan JSC obtained under the loans Agreement dated 19.12.2008 in advance of repayment schedule.

As at 31 December 2009 the loan from ABN AMRO BANK N.V. is payable in two equal tranches in September 2010 and in September 2011. The loan was classified as current in accordance with contractual terms.

In 2009 the Group continued financing its working capital through loans from Rabobank International and BNP PARIBAS (SUISSE) S.A. on the basis of current loan facilities.

The Group uses its swap contracts to manage its operating risks. Thus, on 6 October 2008 the Company entered into interest swap contract with London branch of ABN AMRO BANK N.V. ("Bank"). In accordance with interest swap contract the Company shall pay fixed rate interest of 5.99% per annum to the Bank, and the Bank shall pay floating interest rate of 3 months Libor plus 2.25% to the Company. Nominal value under interest swap agreement is equal to the principal balance on the Bank's loan. Such derivative is not classified as hedging instrument.

**21. FINANCE LEASE LIABILITIES**

In November 2009 the Group obtained equipment totaling KZT 439,757 thousand under finance lease agreement with Kazagrofinance JSC, related party. Finance lease agreement was signed for 8 years with interest of 4.3%.

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments comprised the following:

<i>In thousands of Tenge</i>	2009		2008	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	63,225	50,746	6,287	4,780
After one year but not more than five years	285,387	253,425	27,654	24,535
After five years	46,319	45,860	4,780	4,733
Total minimum lease payments	394,931	350,031	38,721	34,048
Less unamortized discount	(44,900)		(4,673)	—
Present value of minimum lease payments	350,031	350,031	34,048	34,048

Finance lease liabilities were secured by cash balances in bank accounts.

**22. DEBT SECURITIES ISSUED**

Debt securities issued at KASE comprised the following at 31 December 2009:

<i>In thousands of Tenge</i>	Maturity	Interest rate	2009	2008
Bonds issued – 1 issue	May 2009	8%	—	400,000
Bonds issued – 2 issue	March 2013	8%	15,000,000	15,000,000
Unamortized discount on debt liabilities issued			(54,937)	(76,629)
Interest accrued on debt securities issued			960,000	976,031
			15,905,063	16,299,402
Less current portion of debt securities issued			(960,000)	(976,031)
Non-current portion of debt securities issued			14,945,063	15,323,371

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****23. ACCOUNTS PAYABLE**

Accounts payable comprised the following at 31 December:

<i>In thousands of Tenge</i>	2009	2008
Accounts payable for grain supply	2,045,307	446,865
Other accounts payable	118,921	68,382
	<b>2,164,228</b>	<b>515,247</b>

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

	2009	2008
Tenge	2,143,898	402,667
Azerbaijani Manat	5,991	–
US Dollars	5,952	112,222
Irani rials	4,625	–
Euro	3,662	3
Russian Roubles	100	313
Chinese yuans	–	42
	<b>2,164,228</b>	<b>515,247</b>

**24. REVENUE**

Revenue for the years ended 31 December comprised the following:

<i>In thousands of Tenge</i>	2009	2008
Sales of grain	51,779,683	30,815,872
Sales of cotton	2,660,295	2,467,447
Income from services rendered	1,613,911	1,547,018
Sales of tomato paste	144,819	–
Sales of tomato	13,074	86,949
Other	493,533	174,729
	<b>56,705,315</b>	<b>35,092,015</b>

**25. COST OF SALES**

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

<i>In thousands of Tenge</i>	2009	2008
Cost of grain sold	42,141,732	24,004,492
Cost of cotton sold	2,453,384	2,156,794
Salaries and related taxes	478,203	451,797
Depreciation and amortization	290,928	189,725
Cost of tomato sold	5,179	26,896
Cost of tomato paste sold	1,234	–
Other	170,655	257,949
	<b>45,541,315</b>	<b>27,087,653</b>

**26. GENERAL AND ADMINISTRATIVE EXPENSES**

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

<i>In thousands of Tenge</i>	2009	2008
Taxes other than income tax	1,970,610	362,254
Salaries and related taxes	936,365	891,082
Allowance for doubtful debts	156,412	98,743
Depreciation and amortization	78,599	96,236
Rent	60,988	71,528
Materials	43,398	54,245
Communication	43,235	53,013
Repair and maintenance	9,048	21,052
Office supplies	6,485	9,276
Utilities	9,654	9,270
Social events	5,476	7,216
Other	207,769	163,980
	<b>3,528,039</b>	<b>1,837,895</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****27. SELLING EXPENSES**

Selling expenses for the years ended 31 December comprised the following:

<i>In thousands of Tenge</i>	2009	2008
Dispatching services	1,222,697	1,314,488
Grain storage	959,944	569,462
Salaries and taxes	263,813	272,122
Loading operations and railway	79,123	115,568
Materials	45,970	42,058
Marketing	10,637	23,135
Depreciation and amortization	18,577	18,792
Other	200,350	225,567
	<b>2,801,111</b>	<b>2,581,192</b>

During the year ended 31 December 2009 the Group obtained Government grants totaling KZT 1,150,292 thousand (2008: KZT 844,390 thousand) in compensation of grain storage and transporting expenses; accordingly, the Group's grain storage expenses were decreased by the amount of reimbursement received.

**28. FINANCE INCOME / COSTS**

Finance income for the years ended 31 December comprised the following:

<i>In thousands of Tenge</i>	2009	2008
Interest income on loans to farmers	3,727,613	1,118,992
Discounting of loans from the Ministry of Agriculture and from the Shareholder (Note 20)	4,833,570	–
Interest income on bank deposits and current accounts	611,470	906,514
Income from prolongation of loans to farmers	365,047	–
Interest income accrued on financial assets at fair value through profit or loss (Note 13)	38,100	–
Income from changes in fair value of financial assets (Note 13)	28,408	–
Interest income on loans to employees (Note 13)	7,342	5,090
Other	10,862	–
	<b>9,622,412</b>	<b>2,030,596</b>

Finance costs for the years ended 31 December comprised the following:

<i>In thousands of Tenge</i>	2009	2008
Interest expense on loans received	2,488,146	1,387,047
Unwinding of discount on loans from the Ministry of Agriculture and from the Shareholder (Note 20)	2,300,279	–
Interest expense on debt securities issued	1,233,359	1,278,528
Fair value of interest swap	264,197	–
Other	161,874	46,240
	<b>6,447,855</b>	<b>2,711,815</b>

**29. OTHER INCOME / LOSS**

Other income for the years ended 31 December comprised the following:

<i>In thousands of Tenge</i>	2009	2008
Fines and penalties under supply agreements	1,164,252	206,875
Income from sale of property, plant and equipment, net	209	–
Other income	206,102	143,867
	<b>1,370,563</b>	<b>350,742</b>

Other loss for the years ended 31 December comprised the following:

<i>In thousands of Tenge</i>	2009	2008
Write-off of non-current assets classified as held-for-sale	–	235,381
Loss from sale of property, plant and equipment	–	29,992
Other loss	55,474	92,687
	<b>55,474</b>	<b>358,060</b>

In 2009 the Company provided humanitarian aid in the form of grain totaling KZT 354,501 thousand (2008: KZT 62,930 thousand) and obtained compensation from the Government totaling KZT 493,004 thousand (2008: KZT 85,385 thousand) as reimbursement of expenses. Net income from humanitarian aid was recorded in other income.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. INCOME TAX**

The Group is subject to corporate income tax at the prevailing statutory rate of 20%. The major components of income tax expense in the consolidated financial statements are:

<i>In thousands of Tenge</i>	2009	2008
Current income tax charge	399,712	857,052
Benefit on adjustments in respect of current income tax of previous years	(150,685)	–
Deferred income tax charge	422,792	30,042
	<b>671,819</b>	<b>887,094</b>

A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate of 20% (2008: 30%) to current income tax expense was as follows for the year ended 31 December 2009:

<i>In thousands of Tenge</i>	2009	2008
Profit before tax	2,391,644	2,416,995
Income tax at statutory income tax rate of 20% (2008: 30%)	478,329	725,099
Change in opening deferred tax resulting from change in tax rate	(27,471)	(65,438)
Non-deductible expenses	220,961	227,433
<b>Total income tax expense</b>	<b>671,819</b>	<b>887,094</b>

Deferred tax balances, calculated by applying the statutory tax rates in effect at the reporting date to the temporary differences between the basis of assets and liabilities and the amounts reported in the consolidated financial statements, comprised the following at 31 December 2009:

<i>In thousands of Tenge</i>	Consolidated income statement for 2009				At 31 December 2009, as stated in non-current assets and liabilities
	At 1 January 2009 as stated in non-current assets and liabilities	Origination and reversal of temporary difference	Effect of the change in tax rate	Assets held for sale at 31 December 2009	
<b>Deferred tax assets:</b>					
Interest swap	–	52,839	–	–	52,839
Bad debt allowance	14,303	33,770	–	–	48,073
Tax losses carry-forward	28,454	5,200	–	18,082	15,572
Unused vacation liabilities	3,439	10,470	–	–	13,909
Other	6,193	59,712	–	–	65,905
Less: deferred tax assets less deferred tax liabilities	–	(128,772)	–	–	(128,772)
<b>Deferred tax assets</b>	<b>52,389</b>	<b>33,219</b>	<b>–</b>	<b>18,082</b>	<b>67,526</b>
<b>Deferred tax liabilities</b>					
Property, plant and equipment	92,870	96,753	(27,471)	–	162,152
Interest free loan discounting	–	506,658	–	–	506,658
Other	–	8,843	–	–	8,843
Less: deferred tax assets less deferred tax liabilities	–	(128,772)	–	–	(128,772)
<b>Deferred tax liabilities</b>	<b>92,870</b>	<b>483,482</b>	<b>(27,471)</b>	<b>–</b>	<b>548,881</b>
Deferred tax charge / (benefit)	–	450,263	(27,471)	–	–
<b>Net deferred tax liabilities / (assets)</b>	<b>40,481</b>	<b>–</b>	<b>–</b>	<b>(18,082)</b>	<b>481,355</b>
Including:					
Net deferred tax assets	52,389	–	–	–	67,526
Net deferred tax liabilities	(92,870)	–	–	–	(548,881)
Net deferred tax assets on assets available for sale	–	–	–	18,082	–



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. INCOME TAX (continued)**

<i>In thousands of Tenge</i>	Consolidated income statement for 2008			At 31 December 2008, as stated in non-current assets and liabilities
	At 1 January 2008 as stated in non-current assets and liabilities	Origination and reversal of temporary difference	Effect of the change in tax rate	
<b>Deferred tax assets:</b>				
Bad debt allowance	–	21,455	(7,152)	14,303
Tax losses carry-forward	61,854	(19,173)	(14,227)	28,454
Unused vacation liabilities	6,878	(1,719)	(1,720)	3,439
Other	10,103	(813)	(3,097)	6,193
Less: deferred tax assets less deferred tax liabilities	–	–	–	–
<b>Deferred tax assets</b>	<b>(78,835)</b>	<b>(250)</b>	<b>(26,196)</b>	<b>(52,389)</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	98,013	78,637	(83,780)	92,870
Less: deferred tax assets less deferred tax liabilities	–	–	–	–
<b>Deferred tax liabilities</b>	<b>98,013</b>	<b>78,637</b>	<b>(83,780)</b>	<b>92,870</b>
Deferred tax charge / (benefit)		78,887	(57,584)	–
<b>Net deferred tax liabilities</b>	<b>19,178</b>			<b>40,481</b>
Including:				
Net deferred tax assets	78,835	–	–	52,389
Net deferred tax liabilities	(98,013)	–	–	(92,870)

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. There were no unrecognized deferred tax assets on tax losses carry forward at 31 December 2009 and 2008.

In November 2009 the Government of the Republic of Kazakhstan approved amendments to the tax code effective 1 January 2009, in accordance to which the statutory income tax rates are changed to 20% during the years from 1 January 2010 to 1 January 2013, 17.5% – from 1 January 2013 to 1 January 2014, and 15% – from 1 January 2014 onwards. The Group’s calculation of deferred tax and income tax expense reflects these changes in the tax law.

The movements in the net deferred tax liability were as follows for the year ended December 31:

<i>In thousands of Tenge</i>	2009	2008
Opening balance as of January 1	40,481	19,178
Origination and reversal of temporary differences	450,263	78,887
Change in opening deferred tax resulting from change in tax rate	(27,471)	(57,584)
Deferred tax on assets classified as held for sale (Note 18)	18,082	–
<b>Closing balance as of December 31</b>	<b>481,355</b>	<b>40,481</b>

**31. RELATED PARTY TRANSACTIONS**

The category ‘parent-controlled entities’ comprises entities controlled by the Parent.

**Terms and conditions of transactions with related parties**

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates. Outstanding balances at the year-end are unsecured, short-term and settlement occurs in cash, except as discussed below.

As at 31 December 2009 and 2008, the Group has not recorded any impairment of accounts receivables relating to amounts owed by related parties.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****31. RELATED PARTY TRANSACTIONS (continued)****Terms and conditions of transactions with related parties (continued)**

The balances with the Parent and entities under common control at 31 December 2009 and 2008 were as follows:

<i>In thousands of Tenge</i>	<b>Accounts receivable</b>		<b>Accounts payable</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
KazAgroGarant JSC	–	–	<b>298</b>	–
Kazagrofinance JSC	<b>477</b>	116,460	–	–
Other	–	1,171	–	63
	<b>477</b>	<b>117,631</b>	<b>298</b>	<b>63</b>

Sales and purchases with the Parent and entities under common control during the years ended 31 December 2009 and 2008 were as follows:

<i>In thousands of Tenge</i>	<b>Sales</b>		<b>Purchases</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Fitosanitariya RGP	–	–	–	11,593
KazAgroGarant JSC	–	–	2,539	–
Kazagromarketing JSC	<b>55</b>	–	1,179	–
NHC KazAgro JSC	<b>7,732</b>	–	432,762	–
KazAgroGarant JSC	–	–	–	2,690
	<b>7,787</b>	<b>–</b>	<b>436,480</b>	<b>14,283</b>

<i>In thousands of Tenge</i>	<b>Liability on loans</b>		<b>Liability on finance lease</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
KazAgroFinance JSC	–	–	<b>350,031</b>	34,048
NHC KazAgro JSC	<b>88,603,041</b>	–	–	–
	<b>88,603,041</b>	<b>–</b>	<b>350,031</b>	<b>34,048</b>

**Compensation to key management personnel of the Group**

Key management personnel comprise members of the Group's Board and Board of Directors (6 persons as at 31 December 2009 and 2008 (2008: 5 persons)).

Compensation to key management personnel of the Group for the years ended 31 December 2009 and 2008 was KZT 56,336 thousand and KZT 52,170 thousand, respectively, and included salary. The remuneration of key management personnel of the Group is determined by the Board of Directors.

**32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES**

The Group's principal financial instruments consist of loans received, finance lease liabilities, equity liabilities, cash and short-term deposits as well as loans issued, accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term borrowings with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Also, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2009, after taking into account the effect of interest rate swaps, approximately 100% of the Group's borrowings are at a fixed rate of interest (2008: 66%).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings including interest swap effect). There is no impact on the Group's equity.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)****Interest rate risk (continued)**

<i>In thousands of Tenge</i>	2009		2008	
	Increase / (decrease) in basis points	Effect on profit before tax	Increase / (decrease) in basis points	Effect on profit before tax
US Dollars	+100	–	+55	78,479
	-25	–	-55	(78,479)

\* 1 basis point = 0,01%

**Currency risk**

As a result of significant loans received, accounts receivable, cash and cash equivalents denominated in the US Dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US Dollar / Tenge exchange rates.

The following table demonstrates the sensitivity to a reasonably possible changes in the US Dollar exchange rates, with all the variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity.

<i>In thousands of Tenge</i>	2009		2008	
	Increase / (decrease) in exchange rate	Effect on profit before tax	Increase / (decrease) in exchange rate	Effect on profit before tax
US Dollars	+10%	1,726,651	+25%	(7,422,066)
	-15%	(2,589,976)	+40%	(11,875,305)

**Market risk**

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements.

**Credit risk**

The Group trades only with recognised, creditworthy parties. It is the Group's policy that all customers and farmers who wish to trade on credit terms and receive loans, respectively, are subject to credit verification procedures and provide guarantees from the 2-tier banks, collateral in the form of grain or other property. In addition, receivable balances are monitored on an ongoing basis, and management assess the Group's exposure to bad debts as not significant. The maximum exposure is the carrying amount as disclosed in *Note 12* and *16*.

*Concentration of credit risk*

In 2009 accounts receivable from sales of grain to three large groups of grain companies amounted to 89% of the Group's consolidated accounts receivable.

In 2008 accounts receivable from two large groups of grain companies amounted to 86% of the Group's consolidated accounts receivable.

With respect to credit risk arising from other financial assets of the Group, comprising cash and cash equivalents and other financial assets, the Group's exposure to credit risk arises from default of counterparty, with a maximum exposure equal to the carrying amount of these financial instruments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)****Credit risk (continued)***Concentration of credit risk (continued)*

The table below provides the list of cash in bank deposits and in current bank accounts as at 31 December with specification of credit rating according to Moody's:

Banks	Location	Rating		2009	2008
		2009	2008		
Halyk Bank	Kazakhstan	Ba2 (negative)	Ba1 (negative)	7,484,709	10,201
Kazkommertsbank	Kazakhstan	Ba3 (negative)	Ba1 (negative)	2,950,944	3,194,303
Delta Bank JSC	Kazakhstan	B3 (negative)	B3 (stable)	1,562,423	785
Bank CenterCredit JSC	Kazakhstan	Ba3 (negative)	Ba1 (negative)	2,188,212	1,867,013
Eximbank Kazakhstan	Kazakhstan	B3 (negative)	B3 (negative)	1,109,995	-
SB Sberbank JSC	Kazakhstan	Ba2 (negative)	Ba2 (negative)	752,952	-
BTA Bank	Kazakhstan	Caa3 (developing)	Ba1	440,989	51,891
RBS Kazakhstan	Kazakhstan	Aa3 (stable)	Aa1	448,650	407
Citybank Kazakhstan	Kazakhstan	A1 (stable)	Aa3	647,943	498
Yapı Kredi Bank	Azerbaijan	Ba3 (stable)	B1 (positive)	37,231	60,423
HSBC Bank Kazakhstan	Kazakhstan	Aa2 (negative)	Aa1 (negative)	30,779	35,751
Bank Saderat	Iran	Without rating	Without rating	19,528	2,407
Eurasian Bank	Kazakhstan	B1 (negative)	B1 (negative)	11,650	1,141,296
KazInvestBank	Kazakhstan	recalled	downgrade)	-	1,365,076
Tedzharat Bank	Iran	Without rating	Without rating	-	35,751
Other				48,648	70,029
				<b>17,734,653</b>	<b>7,835,831</b>

**Fair value of financial instruments**

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale.

<i>In thousands of Tenge</i>	Carrying amount		Fair value	
	2009	2008	2009	2008
<b>Financial assets</b>				
Cash and cash equivalents	17,042,410	6,247,754	17,042,410	6,247,754
Bank deposits	692,243	1,588,077	692,243	1,588,077
Loans to customers	41,591,051	10,008,682	41,591,051	10,008,682
Loans to employees	23,539	25,421	23,539	25,421
Accounts receivable	35,970,292	8,092,052	35,970,292	8,092,052
Securities	4,066,508	-	4,066,508	-
Other financial assets	211,068	667,420	211,068	667,420
<b>Financial liabilities</b>				
Finance lease liabilities	350,031	34,048	330,031	30,856
Floating interest rate loans	-	14,333,754	-	14,333,754
Fixed interest rate loans	146,061,165	27,520,272	146,805,302	26,669,031

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, debt securities and finance leases.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)****Liquidity risk (continued)**

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2009 based on contractual undiscounted payments:

<i>In thousands of Tenge</i>	On demand	Due later than one month but not later than three months	Due later than three months but not later than one year	Due later than one year but not later than five years	Due after five years	Total
<b>At 31 December 2009</b>						
Loans	8,111,491	35,459,467	109,605,307	-	-	153,176,265
Finance lease liabilities	-	54,971	8,255	285,387	46,318	394,931
Accounts payable	141,464	2,022,764	-	-	-	2,164,228
Debt securities	-	-	960,000	14,945,063	-	15,905,063
	<b>8,252,955</b>	<b>37,537,202</b>	<b>110,573,562</b>	<b>15,230,450</b>	<b>46,318</b>	<b>171,640,487</b>
<b>At 31 December 2008</b>						
Loans	-	163,918	24,953,039	19,382,976	-	44,499,933
Finance lease liabilities	-	5,228	852	27,861	4,780	38,721
Accounts payable	22,453	492,794	-	-	-	515,247
Debt securities	-	976,031	400,000	15,000,000	-	16,376,031
	<b>22,453</b>	<b>1,637,971</b>	<b>25,353,891</b>	<b>34,410,837</b>	<b>4,780</b>	<b>61,429,932</b>

**Cash flow risk**

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. The management of the Group believes that any possible fluctuations of future cash flows associated with a monetary financial instrument will not have material impact on the Group's operations.

**Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the holders of ordinary shares or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 2008.

The Group monitors capital using a debt-to-equity ratio, which is net debt divided by total capital. The Group's policy is to keep the ratio not greater than 1.0. The Group includes within net debt loans, debt securities, finance lease liabilities and trade accounts payable less cash and current deposits. Capital includes equity attributable to the equity holders of the Group.

The debt-to-equity ratio at the year end was as follows:

<i>In thousands of Tenge</i>	2009	2008
Loans (Note 20)	146,061,165	41,854,026
Debt securities (Note 22)	15,905,063	16,299,402
Finance lease liabilities (Note 21)	350,031	34,048
Accounts payable (Note 23)	2,164,228	515,247
Less cash (Note 17)	(17,042,410)	(6,374,410)
<b>Net debt</b>	<b>147,438,077</b>	<b>52,328,313</b>
Equity attributable to the Group's shareholder	45,748,260	42,298,183
<b>Equity and net debt</b>	<b>193,186,337</b>	<b>94,626,496</b>
<b>Debt-to-equity ratio</b>	<b>0.76</b>	<b>0.55</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****33. COMMITMENTS AND CONTINGENCIES****Taxation**

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. In addition, management believes that international agreements, under which the Group works with non-residents, and which provide for certain tax exemptions, have a priority over national tax legislation. 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's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's 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 31 December 2009. Management believes that as at 31 December 2009 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained.

**34. SUBSEQUENT EVENTS**

In accordance with resolution of the Government of the Republic of Kazakhstan dated 23 February 2010 No. 120 the budget amount determined for purchasing of grain for Government resources from 2010 harvest included the following:

- Spring-summer financing totaling KZT 5,625,000 thousand;
- Autumn financing totaling KZT 5,625,000 thousand.

On 23 February 2010 the Group entered into agreement No. 16 with the Shareholder to obtain loan totaling KZT 40,000,000 thousand for the purpose of financing the entities of agricultural complex. The loan is repayable in December 2010.

According to loan agreements with the Shareholder the Company repaid its liabilities totaling KZT 35,351,088 thousand.

On 16 March 2010 in accordance with the Shareholder's decision the Group issued additional shares totaling KZT 910,000 thousand. According to the resolution of the Government of the Republic of Kazakhstan dated 31 December 2009 No. 2339 "On strategic plan of the Ministry of Agriculture of the Republic of Kazakhstan for 2010-2014" the amount was directed to implementation of the project "Construction of wholesale market of agricultural products (with regional terminals)".

In February 2010 bonds at KZT 15,000,000 thousand were issued within first bonds program. Nominal value is KZT 1,000, and coupon rate is 10.5%. Coupon is payable twice a year, on 1 February and on 1 August. The maturity is 1 February 2013.

According to the agreement dated 6 February 2009 with BNP Paribas S.A. the loan of USD 45,000 thousand was repaid on 24 February 2010.

In February and March 2010 the Company repaid in full the loan from Halyk Bank of Kazakhstan JSC totaling KZT 18,000,000 thousand.