

**JOINT STOCK COMPANY
NATIONAL COMPANY
FOOD CONTRACT
CORPORATION
AND ITS SUBSIDIARIES**

Consolidated Financial Statements
For the year ended December 31, 2008

**JOINT STOCK COMPANY NATIONAL COMPANY FOOD CONTRACT CORPORATION
AND ITS SUBSIDIARIES**

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2 and 3, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of JSC National Company Food Contract Corporation and its subsidiaries (jointly referred to as the "Group").

Management is responsible for preparation of the consolidated financial statements that present fairly in all material respects the Group's consolidated financial position as at December 31, 2008, the consolidated results of its operations, cash flows and changes in shareholder's equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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


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

Management is also responsible for:

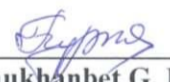
- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated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

The consolidated financial statements for the year ended December 31, 2008 were authorised for issue on May 5, 2009 by the management of the Group.

On behalf of the management of the Group:


Azimov R.D.
Chairman of the Board

May 5, 2009
Astana, Republic of Kazakhstan


Nurmukhanbet G. E.
Chief Accountant

May 5, 2009
Astana, Republic of Kazakhstan



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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 (the "Company") and its subsidiaries (jointly the "Group"), which comprise the consolidated balance sheet as at December 31, 2008, the consolidated income statement and the consolidated statements of changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to these financial statements (the "consolidated financial statements").

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining the system of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and also plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures to the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group'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 consolidated financial statements.

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

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Member of Deloitte Touche Tohmatsu

Opinion


In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our audit opinion, we draw your attention to:

- Note 2 to the accompanying consolidated financial statements, which describes that in recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have either been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in Kazakhstan, notwithstanding any potential economic stabilisation measures that may be put into place by the Kazakhstani Government, there exists as at the date these financial statements are authorised for issue economic uncertainties surrounding the continual availability, and cost, of credit both for the entity and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may be not be recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the entity's profitability. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.
- Note 4 to the financial statements, which describes that the accompanying consolidated financial statements for the year ended December 31, 2007 have been restated to correct a misstatement.




Tatyana Gutova
Engagement Partner
Qualified auditor
Qualification certificate №0000314,
Republic of Kazakhstan

Deloitte, LLP
Audit license for Republic of Kazakhstan
№0000015, type MFU - 2, issued by the Ministry of
Finance of the Republic of Kazakhstan dated
September 13, 2006.



Nurlan Bekenov
General Director
Deloitte, LLP

May 5, 2009
Almaty, Republic of Kazakhstan

**JOINT STOCK COMPANY NATIONAL COMPANY FOOD CONTRACT CORPORATION
AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2008**
(in thousands of Kazakhstani tenge)

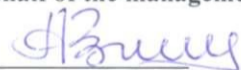
	Notes	2008	2007 (restated)
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	5	6,909,281	4,215,729
Goodwill	6	285,312	285,312
Other intangible assets		4,908	1,601
Investment property	7	250,252	-
Long-term advances paid	8	1,097,146	-
Investments in associates	9	4,850	4,542
Deferred tax asset	20	52,389	-
Loans to customers	16	500,000	5,030,000
Loans to employees	10	90,140	98,094
Available-for-sale investments	11	337,877	11,000
		<u>9,532,155</u>	<u>9,646,278</u>
CURRENT ASSETS:			
Non-current assets classified as held for sale	12	126,656	235,381
Inventories	13	48,208,028	27,970,682
Accounts receivable	14	8,325,696	4,660,020
Income tax prepaid		223,814	160,193
Value added tax and other taxes recoverable	15	5,850,620	3,144,003
Current portion of advances paid	8	11,927,740	4,369,187
Current portion of loans to employees	10	25,421	35,940
Current portion of loans to customers	16	9,275,039	4,361,169
Short-term investments	17	1,588,077	1,164,246
Cash and cash equivalents	18	6,247,754	17,416,317
		<u>91,798,845</u>	<u>63,517,138</u>
TOTAL ASSETS		<u><u>101,331,000</u></u>	<u><u>73,163,416</u></u>

**JOINT STOCK COMPANY NATIONAL COMPANY FOOD CONTRACT CORPORATION
AND ITS SUBSIDIARIES**

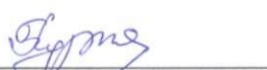
**CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT DECEMBER 31, 2008**
(in thousands of Kazakhstani tenge)

	Notes	2008	2007 (restated)
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	19	32,790,683	16,722,283
Additional paid-in-capital	19	39,745	39,745
Foreign currency translation reserve		1,145	(3,536)
Retained earnings		9,440,699	8,266,075
Total equity attributable to the shareholder of the Parent		42,272,272	25,024,567
Minority interest		25,911	24,517
Total equity		42,298,183	25,049,084
NON-CURRENT LIABILITIES:			
Long-term loans	21	13,330,593	12,401,900
Long-term financial lease obligations	22	29,268	-
Deferred tax liability	20	92,870	19,178
Debt securities issued	23	15,323,371	15,313,776
		28,776,102	27,734,854
CURRENT LIABILITIES:			
Accounts payable	24	515,247	3,972,526
Advances received and unearned revenue	25	226,433	197,014
Short-term financial lease obligation	22	4,780	-
Taxes payable		10,791	18,143
Current portion of long-term loans	21	3,902,945	121,690
Short-term loans	26	24,620,488	15,097,768
Current portion of debt securities issued	23	976,031	972,337
		30,256,715	20,379,478
TOTAL EQUITY AND LIABILITIES		101,331,000	73,163,416

On behalf of the management of the Group:


Azimov R.D.
Chairman of the Board

May 5, 2009
Astana, Republic of Kazakhstan


Nurmukhanbet G. E.
Chief Accountant

May 5, 2009


The notes on pages 10 to 50 form an integral part of these consolidated financial statements. The independent auditors' report on the consolidated financial statements is on pages 2 and 3.

**JOINT STOCK COMPANY NATIONAL COMPANY FOOD CONTRACT CORPORATION
AND ITS SUBSIDIARIES**

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2008**
(in thousands of Kazakhstani tenge)

	Notes	2008	2007 (restated)
REVENUE	27	35,092,015	24,096,044
COST OF SALES	28	<u>(27,087,653)</u>	<u>(19,411,248)</u>
GROSS PROFIT		8,004,362	4,684,796
General and administrative expenses	29	(1,837,895)	(1,510,348)
Selling expenses	30	(3,425,582)	(2,710,659)
Government subsidies	31	844,390	825,246
Allowance for impairment losses for non-current assets	32	<u>-</u>	<u>(16,844)</u>
OPERATING PROFIT		3,585,275	1,272,191
Interest income	33	2,030,596	1,385,603
Finance costs	34	(2,711,815)	(2,153,266)
Share of profit/(loss) of the associates	9	308	(2,701)
Other (loss)/income, net	35	(152,696)	1,404,244
Foreign exchange loss, net		<u>(334,673)</u>	<u>(1,130,384)</u>
INCOME BEFORE INCOME TAX		2,416,995	775,687
INCOME TAX EXPENSE	20	<u>(887,094)</u>	<u>(271,074)</u>
NET INCOME FOR THE YEAR		<u>1,529,901</u>	<u>504,613</u>
NET INCOME FOR THE YEAR, attributable to minority interest		6,715	7,867
NET INCOME FOR THE YEAR, attributable to the shareholder of the Parent		<u>1,523,186</u>	<u>496,746</u>

On behalf of the management of the Group:


Azimov R.D.
Chairman of the Board

May 5, 2009
Astana, Republic of Kazakhstan


Nurmukhanbet G. E.
Chief Accountant

May 5, 2009

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**JOINT STOCK COMPANY NATIONAL COMPANY FOOD CONTRACT CORPORATION
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008**
(in thousands of Kazakhstani tenge)

	Notes	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total equity attributable to the shareholder of the Parent	Minority interest	Total shareholder's equity
Balance as at January 1, 2007 (restated)		12,991,583	39,745	(494)	9,811,980	22,842,814	16,650	22,859,464
Share issuance	19	3,730,700	-	-	-	3,730,700	-	3,730,700
Net income for the year		-	-	-	496,746	496,746	7,867	504,613
Foreign currency translation reserve		-	-	(3,042)	-	(3,042)	-	(3,042)
Return of grain reserve		-	-	-	(1,908,982)	(1,908,982)	-	(1,908,982)
Dividends and other payments to the Parent	19	-	-	-	(133,669)	(133,669)	-	(133,669)
Balance as at January 1, 2008 (restated)		<u>16,722,283</u>	<u>39,745</u>	<u>(3,536)</u>	<u>8,266,075</u>	<u>25,024,567</u>	<u>24,517</u>	<u>25,049,084</u>
Share issuance	19	16,068,400	-	-	-	16,068,400	-	16,068,400
Minority interest		-	-	-	(100)	(100)	100	-
Net income for the year		-	-	-	1,523,186	1,523,186	6,715	1,529,901
Foreign currency translation reserve		-	-	4,681	-	4,681	-	4,681
Other payments to the Parent (net of income tax of 8,739 thousand tenge)	19	-	-	-	(108,211)	(108,211)	-	(108,211)
Dividends	19	-	-	-	(240,251)	(240,251)	(5,421)	(245,672)
Balance as at December 31, 2008		<u>32,790,683</u>	<u>39,745</u>	<u>1,145</u>	<u>9,440,699</u>	<u>42,272,272</u>	<u>25,911</u>	<u>42,298,183</u>

On behalf of the management of the Group:

Azimov R.D.
Chairman of the Board

May 5, 2009
Astana, Republic of Kazakhstan

Nurmukhanbet G. E.
Chief Accountant

May 5, 2009

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**JOINT STOCK COMPANY NATIONAL COMPANY FOOD CONTRACT CORPORATION
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**
(in thousands of Kazakhstani tenge)

	Notes	2008	2007 (restated)
OPERATING ACTIVITIES:			
Income before income tax		2,416,995	775,687
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets	28,29,30	304,753	245,597
Loss/(gain) on disposal of property, plant and equipment, intangible assets	5	82,154	(9,277)
Loss on disposal of non-current assets classified as held for sale	12	235,381	-
Impairment of goodwill	32	-	16,844
Change in allowance for doubtful debts	14	98,743	-
Unrealised foreign exchange loss		334,673	1,127,342
Share of (profit)/loss of the associates	9	(308)	2,701
Minority interest		-	7,867
Interest income	33	(2,030,596)	(1,385,603)
Finance costs	34	2,711,815	2,153,266
Operating cash flow before movements in working capital		4,153,610	2,934,424
(Increase)/decrease in accounts receivable		(4,016,419)	13,011,217
(Increase)/decrease in advances paid		(7,558,553)	2,743,329
Increase in loans to customers		(426,604)	(7,248,067)
Decrease in loans to employees		23,902	37,958
Increase in VAT and other taxes recoverable		(2,746,675)	(2,119,611)
Increase in inventories		(20,237,346)	(14,441,606)
(Decrease)/increase in accounts payable		(3,457,279)	3,086,545
Increase in advances received and unearned revenue		224,513	74,767
Increase (decrease) in taxes payable		(16,889)	-
Cash used in operating activities		(34,057,740)	(1,921,044)
Income tax paid		(1,010,863)	(130,892)
Return of grain reserve		-	(1,908,982)
Interest received		-	527,647
Interest paid and coupon paid on debt securities		(2,619,107)	(2,194,993)
Net cash used in operating activities		(37,687,710)	(5,628,264)
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(4,268,465)	(903,764)
Proceeds from disposal of property, plant and equipment		-	653,033
Purchase of intangible assets		(3,307)	(542)
(Deposits placement)/withdrawal of deposits		(326,877)	110,933
Interest received		1,616,049	214,661
Proceeds from disposal of long-term investment		-	20,000
Proceeds from disposal of short-term investments		22,931	-
Net cash (used in)/received from investing activities		(2,959,669)	94,321

**JOINT STOCK COMPANY NATIONAL COMPANY FOOD CONTRACT CORPORATION
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008**
(in thousands of Kazakhstani tenge)


	Notes	2008	2007 (restated)
FINANCING ACTIVITIES:			
Proceeds from issuance of shares	19	16,068,400	3,730,700
Receipt of state financing		12,182,441	6,208,382
Repayment of state financing		(6,208,382)	(6,208,382)
Proceeds from loans		34,583,741	13,475,800
Repayment of funds from debt securities issued		(3,000)	(2,597,000)
Repayment of loans		(26,835,867)	(2,979,300)
Dividends paid		(308,517)	(133,669)
		<u>29,478,816</u>	<u>11,496,531</u>
Net cash from financing activities			
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(11,168,563)	5,962,588
CASH AND CASH EQUIVALENTS, as at beginning of the year		<u>17,416,317</u>	<u>11,453,729</u>
CASH AND CASH EQUIVALENTS, as at end of the year	18	<u>6,247,754</u>	<u>17,416,317</u>

Significant non-cash operations in 2008 included:

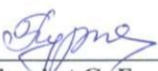
The Group concluded barter transactions for 865,867 thousand tenge (2007: 665,493 thousand tenge).

In 2008 the Group received assets on 547,298 thousand tenge as offset of trade accounts receivable.

On behalf of the management of the Group:


Azimov R.D.
Chairman of the Board

May 5, 2009
Astana, Republic of Kazakhstan


Nurmukhanbet G. E.
Chief Accountant

May 5, 2009

The notes on pages 10 to 50 form an integral part of these consolidated financial statements. The independent auditors' report on the consolidated financial statements is on pages 2 and 3.

**JOINT STOCK COMPANY NATIONAL COMPANY FOOD CONTRACT CORPORATION
AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**
(in thousands of Kazakhstani tenge)

1. NATURE OF BUSINESS

Joint Stock Company National Company Food Contract Corporation (the "Company" or the "Corporation") is incorporated and operates in the Republic of Kazakhstan. In accordance with Government resolutions the Company's principal 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 # 46 dated February 22, 2005 of the Agency of the Republic of Kazakhstan for the Regulation and Supervision of the Financial Market and Financial Operations.

As per decree of the Government of the Republic of Kazakhstan # 858 dated August 19, 2005 "On some issues related to development of pilot "Textile industry cluster" the Group built a cotton processing factory in 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 # 220 dated December 11, 2006 and the Government resolution # 1247 dated December 23, 2006, JSC National Holding Company KazAgro was established. On April 17, 2007 the Corporation's 100% shares were transferred to the share capital of JSC National Holding Company KazAgro, thus, beginning from April 17, 2007 the only shareholder of the Corporation is JSC National Holding Company KazAgro (the "Parent").

The consolidated financial statements include the Company's financial statements, those of its subsidiaries and joint ventures as referred to in Notes 40 and 41, respectively.

As at December 31, 2008 and 2007 the Group employed 1,927 and 1,718 people, respectively.

2. CURRENT ECONOMIC ENVIRONMENT

The Group's principal business activities are in Kazakhstan. Laws and regulations affecting the Kazakhstan business environment are subject to rapid changes meaning the Group's assets and operations could be at risk due to negative changes in the political and business environment.

Recent volatility of Global and Kazakhstani financial markets –In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have either been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in Kazakhstan, notwithstanding any potential economic stabilization measures that may be put into place by the Kazakhstani Government, there exists as at the date these consolidated financial statements are authorised for issue economic uncertainties surrounding the continual availability, and cost, of credit both for the entity and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may be not be recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Group's profitability.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared on an historical cost basis, except for the valuation of certain financial instruments.

4. MAIN PRINCIPLES OF ACCOUNTING POLICY

4.1 Adoption of new and revised standards

Standards and Interpretations effective in the current year

For the year ended December 31, 2008 the Group has adopted the following new and revised Standards and Interpretations issued by the International Financial Reporting Standards Board (the "IFRSB") and the International Financial Reporting Interpretations Committee ("IFRIC") IFRSB that are relevant to its operations and effective for accounting periods beginning on January 1, 2008.

- IFRIC 12 "*Service Concession Agreements*" (effective for accounting periods beginning on or after January 1, 2008);
- IFRIC 13 "*Customer Loyalty Programs*" (effective for accounting periods beginning on or after July 1, 2008);
- IFRIC 14 "*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*" (effective for accounting periods beginning on or after January 1, 2008); and
- IFRIC 16 "*Hedging of net investments into foreign operations*" (effective for accounting periods beginning on or after October 1, 2008).

The adoption of these new and revised Standards and Interpretations has not led to any changes in the Group's accounting policies.

Standards and Interpretations in issue not yet adopted

The following Standards and Interpretations, except for Standards and Interpretations accepted by the Group, had been issued but were not yet in effect at the date these consolidated financial statements were authorized:

- IFRS 1 "*First-time Adoption of IFRS: Evaluation of investments into subsidiaries, jointly controlled companies and associates on first-time adoption*" (effective for accounting periods beginning on or after January 1, 2009);
- IFRS 2 "*Share-based payment: Amendment relating to vesting conditions and cancellations*" (effective for accounting periods beginning on or after January 1, 2009);
- IFRS 3 "*Business Combinations*": *Comprehensive revision on applying the acquisition method*" (revised) (effective for accounting periods beginning on or after July 1, 2009);
- IFRS 8 "*Operating Segments*" (effective for accounting periods beginning on or after January 1, 2009);
- Amendments to IAS 1 "*Presentation of Financial Statements: Comprehensive revision including requiring a statement of comprehensive income, disclosure of puttable instruments and obligations arising on liquidation*" (effective for accounting periods beginning on or after January 1, 2009);
- Amendments to IAS 27 "*Consolidated and Separate Financial Statements*" arising from amendments to IFRS 3 "*Business Combinations*" (effective for accounting periods beginning on or after July 1, 2009);
- Amendments to IAS 27 "*Consolidated and Separate Financial Statements: cost of an investment on first-time adoption of IFRS*" (effective for accounting periods beginning on or after January 1, 2009);
- Amendments to IAS 28 "*Investments in Associates*" arising from amendments to IFRS 3 "*Business Combinations*" (effective for accounting periods beginning on or after July 1, 2009);

- Amendments to IAS 32 “*Financial Instruments: disclosure puttable instruments and obligations arising on liquidation*” (effective for accounting periods beginning on or after January 1, 2009);
- Amendments to IAS 39 “*Financial Instruments: Recognition and Measurement: hedged items*” (effective for accounting periods beginning on or after July 1, 2009);
- IFRIC 15 “*Real estate construction agreements*” (effective for accounting periods beginning on or after January 1, 2009); and
- IFRIC 17 “*Distributions of Non-cash Assets to Owners*” (effective for accounting periods beginning on or after July 1, 2009).

In May 2008, within an annual initiative aimed at the general improvement of the effective International Financial Reporting Standards, the IFRS Committee issued amendments to 20 existing standards. These amendments are related to certain expressions and issues regarding presentation of financial statements, issues of recognition and appraisal. The new version of the above standards and interpretations is effective for accounting periods starting on or after January 1, 2009.

Amendment to IAS 1 “*Presentation of Financial Statements: total income*” requires presentation of information in the consolidated financial statements on the basis of general characteristics and adopts a statement of comprehensive income. Due to the fact that amendment to IAS 1 affects only requirements on disclosures, it is supposed that it will not affect the financial performance, position and cash flow of the Group. The Group is currently developing actions to introduce procedures and collection of information required for observance of all requirements for IAS 1.

The Group will adopt relevant new, revised and amended Standards and new Interpretations from their effective date. The Group’s management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the Group’s financial position and income statements and statements of cash flows.

4.2 Significant accounting judgments and estimates

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

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

Impairment of goodwill

To determine goodwill impairment the Group estimated the value of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The Group used a pre-tax discount rate of 8% (2007: 8%) that reflects current market assessment of the time value of money and the risks specific to the assets. For the year ended December 31, 2008 the Group did not recognize any impairment loss on goodwill (2007: 16,844 thousand tenge) (see Note 6).

Fair value adjustment on loans to employees

As described in Note 10, the Group provided long-term interest-free loans to its employees. The fair value adjustment on loans to employees as at December 31, 2008, estimated at 28,586 thousand tenge (2007: 33,676 thousand tenge), was based on the discounted cash flow model using a current market interest rate of 8% -11.3% (2007: 8%).

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 8% that reflects current market assessment of the time value of money and the risks specific to the assets. In 2008 and 2007, the Group did not recognise an impairment loss with respect to property, plant and equipment.

The determination of impairment of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in the restructuring process, expectations of growth in the grain industry, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions. The identification of impairment indicators, the estimation of future cash flows and the determination of fair values for assets (or group of assets) requires management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods. These estimates, including the methodologies used, can have a material impact on the fair value and ultimately the amount of any property, plant and equipment impairment.

Valuation of the effect of deferred income tax

The Company's management determines the future effect of deferred income tax at each consolidated balance sheet date by reconciliation of the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. New tax rate is applied for calculation of deferred tax assets and liabilities if there were adopted appropriate decisions about the change in income tax rates till the end of the reporting year.

Allowances

Allowances are accrued for amounts receivable, loans to customers and advances paid to farmers where a risk of non-recoverability is assessed to exist. Significant judgment is used to estimate the allowance for doubtful accounts. In estimating doubtful accounts, historical and anticipated customer performance are considered as well as the nature and extent of collateral held by the Group as security against loans and advances made. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements.

The Group accrues allowances for obsolete and slow-moving inventories based on data from annual stock takes conducted at the consolidated balance sheet date. As at December 31, 2008 and 2007 no allowance for obsolete and slow-moving inventories was accrued.

Going concern

These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future.

During the year ended December 31, 2008 the Group incurred negative cash flows from operating activities on 37,687,710 thousand tenge (2007: 5,628,264 thousand tenge). Management believes they will be able to generate sufficient funding from its operating activities and receipt of bank loans and support of shareholders.

The accompanying consolidated financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications, that might result from the outcome of this uncertainty.

4.3 Summary of significant accounting policies

Functional and presentation currency

For the purposes of these consolidated financial statements the consolidated results of activities and consolidated financial position of the Group are expressed in Kazakhstan tenge ("tenge" or "KZT"), which is the functional currency of the majority of the Group entities and presentation currency for these consolidated financial statements.

Foreign currency and operations in foreign entities

The Group maintains its accounting records in tenge, and prepares its consolidated financial statements in tenge, except for Baku Grain Terminal LLP, Batumi Grain Terminal LLP, Amirabad Green Terminal Kish LLP. Tenge is not a fully convertible currency outside of Kazakhstan. Transactions in foreign currencies are recorded at the market rate prevailing at the date of the transaction using market rates set by the Kazakhstan Stock Exchange ("KASE"). For foreign currencies not quoted by KASE, exchange rates are calculated by the National Bank of Kazakhstan using cross-rates to the US Dollar ("USD" or "US\$") in accordance with quotations from "REUTERS".

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the consolidated balance sheet date. All differences arising from a change in exchange rates subsequent to the date of a transaction are recognised in the consolidated income statement.

The functional currencies of the subsidiaries and joint ventures are as follows: in Azerbaijan – Azerbaijan Manat, in Georgia – Lari, in Iran - Rial. As at the reporting date, the assets and liabilities of these joint ventures are translated into the Group's presentation currency at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. Exchange rate differences arising on the translation are taken directly to a separate component of equity. Upon disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to a specific foreign operation is recognised in the consolidated income statement.

The following table summarises the foreign currency exchange rates for tenge as at:

	December 31, 2008	December 31, 2007
USD	120.77	120.30
Euro	170.89	177.17
Azerbaijan Manat	150.77	142.86
Georgian Lari	72.45	76.05
Iranian Rial	0.012	-

The weighted average exchange rates for the years ended December 31, 2008 and 2007, amounted to:

	2008	2007
USD	120.30	122.56
Euro	176.94	167.77
Azerbaijan Manat	146.51	115.67
Georgian Lari	80.73	73.36
Iranian Rial	0.013	-

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and joint ventures listed in Notes 40 and 41.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The purchase method of accounting is used for acquired businesses. All intercompany transactions, balances, and unrealised gains and losses on transactions between Group companies have been eliminated.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Recognition of financial instruments

The Group recognises financial assets and liabilities in its consolidated balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognised using trade date accounting.

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

Financial assets

The Group has the following financial assets: short-term investments, cash and cash equivalents, trade accounts receivable, investments available-for-sale, loans and other accounts receivable.

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (“FVTPL”), “held-to-maturity” investments, “available-for-sale” (“AFS”) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. If cash and cash equivalents are restricted, they are disclosed accordingly in the notes to the consolidated financial statements.

Trade accounts receivable

Trade accounts receivable are recognised and carried at the original invoice amount less an allowance for any doubtful debts. An estimate of allowance for doubtful debts is made when collection of the full amount is no longer probable. The allowance for doubtful debts is accrued by the Group when accounts receivable is not collected within contractual terms. The allowance for doubtful debts is reviewed periodically, and as adjustments become necessary, they are reported as expense (income) in the period in which they become known. Doubtful debts are written off when identified against the allowance made previously.

Investments available-for-sale

Investment securities intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale. These securities are reported as non-current assets unless management has the intention of holding the investment securities for less than 12 months from the consolidated balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Investments available-for-sale are initially and subsequently recorded at fair value. The Group uses quoted market prices to determine the fair value for the Group’s investments available-for-sale. If fair information about such market prices does not exist, fair value is determined on the basis of quoted market prices of the similar financial instruments from different markets. Any changes in fair value of securities available-for-sale is disclosed in statement of changes in shareholder’s equity.

Loans to customers and employees

Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower.

Loans granted by the Group with fixed maturities are recognised at amortized cost using the effective interest rate method. The difference between the nominal amount of consideration given and the amortized cost of loans issued at lower than market terms is recognized in the period the loan is issued as initial recognition adjustment discounting using market rates at inception and included in the profit and loss account on origination of assets. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is recorded as interest income within the profit and loss account using the effective interest method. Loans to customers and employees are carried net of any allowance for impairment losses and fair value adjustment (if any).

Loans and accounts receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method less any impairment. Interest income is recognised by applying the effective interest rate, except for interest income of short-term receivables and loans where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, except for assets stated at fair value through profit and loss are measured for evidence of impairment at each balance sheet date. The financial assets are impaired when there is objective evidence that as a result of one or several events occurring after initial recognition of the financial asset there was a change in expected future cash flows on the investment. For financial assets stated at amortised cost the amount of impairment represents the difference between the carrying value of an asset and present value of the expected future cash flows discounted at the initially effective interest rate.

The carrying value of a financial asset is reduced by the impairment loss directly on all financial assets, except for trade accounts receivable, when the carrying value is decreased by use of the allowance for doubtful debts. When trade accounts receivable are not collectible, they are written off against the allowance for doubtful debts. Subsequent recoveries of amounts previously written off are credited against the allowance for doubtful debts. Changes in the carrying value of the allowance for doubtful debts are recognised in the consolidated income statement.

Except for equity instruments available for sale, if in the subsequent period the amount of the impairment loss is decreased and the decrease can be objectively related to the event occurring after recognition of impairment, then the previously recognised impairment loss is reversed in the consolidated income statement to the extent to which the carrying value of the investment at the date of reverse does not exceed the amount of amortised value, if impairment had not been recognised.

Gains and losses arising from changes in the fair value of available-for-sale investment securities are recognised directly in equity.

Financial liabilities

Trade and other accounts payable

Liabilities for trade and other accounts payable are initially measured at fair value and subsequently revalued at amortised value using effective interest rate method.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses, other than borrowing costs eligible for capitalisation (for example, commission on guarantees of third parties), are recognised in net income or loss when the liabilities are derecognised as well as through the amortisation process.

Offsetting

Financial assets and liabilities are only offset and reported at the net amount in the consolidated balance sheet 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.

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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

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.

Cost of inventory, including grain and cotton, is calculated using the first-in, first-out method.

Starting from April 1, 2001, the Group changed its inventory accounting policy. This change is based on Government resolution # 330 dated March 5, 2001, which presumes the Group to be responsible for the separate accounting of state grain reserves and resources.

For the purposes of these consolidated financial statements state reserves and resources include grain. State reserves cannot be used in any capacity without special approval from the Kazakhstan Government. Own resources can be sold at the discretion of the Group's management.

State reserves and grain resources are accounted for according to Government resolution # 330 dated March 5, 2001 "Rules for the separate accounting of operations with state grain reserves and own grain resources".

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any allowance for impairment losses.

Capitalised cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to the consolidated income statement as incurred.

Depreciation is computed under the straight-line method utilising the useful economic lives of the assets, which are:

Buildings and constructions	14-50 years
Machines and equipment	4-25 years
Vehicles	4-50 years
Other assets	4-13 years

The Group's subsidiary JSC Cotton Contract Corporation uses two methods for depreciation of assets: straight-line method, which is applied to all types of property, plant and equipments, except for technological complex, which is depreciated using production unit method.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate provision for impairment is made.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Impairment

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount, which is the greater of the net selling price and value in use. In assessing value in use, 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.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any allowance for impairment losses. Amortisation is computed under the straight-line method over the estimated useful lives of 6 years.

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The results and the assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments.

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

Borrowing costs

Borrowing costs that are directly attributable to the construction and production of qualifying assets which represent assets, which inevitably take significant time for their preparation for intended use or sale, are added to the value of these assets after the assets are mainly ready for intended use or sale. Investment income from a temporary investment of certain loans, expecting to be used on qualifying assets, is deducted from borrowing costs on loans fit for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Retirement benefit costs

In accordance with the requirements of Kazakhstan legislation the Group withholds 10% of pension contributions from employee salaries, but no more than 78,863 tenge per month for the period from January 1 till June 30, 2008 and 90,188 tenge from July 1 till December 31, 2008 (2007: 73,140 tenge per month). According to the same legislation pension contributions are an employee responsibility, and the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the consolidated balance sheet date only if they are declared before or on the consolidated balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorised for issue.

Contingent liabilities and contingent assets

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

Contingent assets are not recognised in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes to the consolidated financial statements.

Recognition of revenue and expenses

Recognition of revenue

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.

The Group's products and services are generally sold based on contracts. Revenue is recognised at the moment when products are delivered to customer, or at the time when the title is transferred.

In accordance with rules established by the Kazakhstan Government, the Group is entitled to retain a certain percentage of revenue as commission. During 2008 and 2007, commission did not exceed 3% of total revenues from these sales. Commission is used to maintain office facilities, provide employees' salaries, and cover other expenses related to the purchase of goods and services necessary in the course of the Group's business activity.

Recognition of expenses

Expenses are recognised as incurred and are reported in the consolidated financial statements in the period to which they relate.

State subsidies

State subsidies are recognised on a systematic basis as other income over the periods when the related costs which they are intended to compensate are incurred.

Government grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

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 tax authorities. Income tax rates and tax laws used to calculate amounts are those that are enacted or substantively enacted by the consolidated balance sheet date.

The Company's subsidiaries Agrofirm Zhana Zher LLP and Agrofirm Zhana Ak-Dala LLP do not pay corporate income tax as they operate based on special tax regime.

Deferred income tax

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

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

- where the deferred income 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 income nor taxable income or loss; and

- 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 difference will not reverse in the foreseeable future.

Deferred income 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 income 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 income 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 income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary difference can be utilised.

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

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

Income tax relating to items recognised directly in equity is recognised in the consolidated statement of changes in shareholder's equity.

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

Leases

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

The Company as a Lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed

Provisions

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, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting 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 an interest expense.

Related parties

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

Subsequent events

Subsequent events that provide additional information about the Group's position at the consolidated balance sheet date (adjusting events) are reflected in the consolidated financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

4.4 Correction of error

During the year ended December 31, 2008 the Group identified an error in accrual of the value added tax for the years 2005-2007 due to the fact that the Group did not include the amount of interest income to taxable turnover while preparing declarations on value added tax. This led to the overstatement of the value added tax receivable by 204,958 thousand tenge in 2005-2007. In 2008 management of the Group decided to restate prior year consolidated financial statements.

The effect of the adjustments made to the consolidated balance sheet as at December 31, 2007, consolidated statement of shareholder's equity and consolidated income statement for the year then ended is as follows:

	Amount of correction	As previously reported	Restated amount
Consolidated statement of changes in shareholder's equity			
Retained earnings as at January 1, 2007	(53,049)	9,865,029	9,811,980
Consolidated balance sheet as at December 31, 2007			
Value added tax and other taxes recoverable	(204,958)	3,348,961	3,144,003
Income tax prepaid	61,487	98,706	160,193
Retained earnings	(143,471)	8,409,546	8,266,075
Consolidated income statement for the year ended December 31, 2007			
General and administrative expenses	129,174	1,381,174	1,510,348
Income tax expense	(38,752)	309,826	271,074
Consolidated statement of cash flows for the year ended December 31, 2007			
Income before income tax	(121,307)	896,994	775,687
Increase in VAT and other taxes recoverable	121,307	(2,240,918)	(2,119,611)

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at December 31, 2008 consisted of the following:

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other assets	Construction in progress	Total
Cost							
Balance as at January 1, 2007	281,474	1,591,713	1,573,832	1,232,160	168,378	295,273	5,142,830
Additions	18,798	161,127	281,540	99,715	169,232	173,352	903,764
Disposals	(80)	(27,388)	(54,985)	(614,729)	(6,196)	(14,249)	(717,627)
Transfers to assets classified as held for sale	(318)	(92,506)	-	(26,968)	(17,503)	(110,289)	(247,584)
Transfers	-	-	(109,372)	-	-	109,372	-
Balance as 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)	(37,403)	(6,521)	(21,691)	(3,728)	(2,700)	(83,876)
Transfers	18,432	312,481	39,667	-	14,491	(385,071)	-
Transfers to assets classified as held for sale	-	(126,656)	-	-	-	-	(126,656)
Balance as at December 31, 2008	398,321	1,809,992	2,265,411	827,915	361,803	2,412,776	8,076,218
Accumulated depreciation							
Balance as at January 1, 2007	-	(159,295)	(325,272)	(180,210)	(41,503)	-	(706,280)
Charge for the year	-	(67,833)	(93,041)	(67,248)	(17,326)	-	(245,448)
Transfers to assets classified as held for sale	-	925	-	9,798	1,480	-	12,203
Disposals	-	3,751	31,637	34,621	3,862	-	73,871
Balance as at January 1, 2008	-	(222,452)	(386,676)	(203,039)	(53,487)	-	(865,654)
Charge for the year	-	(79,015)	(130,938)	(72,479)	(20,573)	-	(303,005)
Disposals'	-	(5,123)	4,623	1,847	375	-	1,722
Transfers	-	-	(2,932)	-	2,932	-	-
Balance as at December 31, 2008	-	(306,590)	(515,923)	(273,671)	(70,753)	-	(1,166,937)
Net book value							
As at December 31, 2008	398,321	1,503,402	1,749,488	554,244	291,050	2,412,776	6,909,281
As at December 31, 2007	299,874	1,410,494	1,304,339	487,139	260,424	453,459	4,215,729

As at December 31, 2008 and 2007 property, plant and equipment included fully depreciated assets of 77,415 thousand tenge and 29,533 thousand tenge, respectively. As at December 31, 2008 and 2007 amount of idle assets was 2,160 thousand tenge and 229,385 thousand tenge, respectively.

As per decree of the Government of the Republic of Kazakhstan # 858 dated August 19, 2005 "On some issues related to development of pilot "Textile industry" cluster" the Group built cotton processing factory in South-Kazakhstan region. During December 2006 the Group started production at that factory.

In 2008 the Group received construction in progress in Astana amounting to 295,298 thousand tenge as repayment of accounts receivable. As at the date of transfer the property was appraised by independent appraiser.

In 2008 the Group started works on preparation of project documents for construction of factories on production of bio-ethanol and bio-diesel. Expenses for these factories were recognized in 2008 as construction in progress. These projects were performed by BI-Project LLP, Promstroiproekt LLP, Center of consulting and new technologies LLP, and Agency "Central Asian consultants" LLP amounting to 1,283,840 thousand tenge.

In 2008 Expert Agrarian Company LLP started construction of wholesale markets with planned completion in 2011-2013. Expenses for these projects in 2008 amounted to 35,983 thousand tenge.

In November 2008 Kazakhstan Maktasy LLP began construction of the plant for processing of cotton seed. As at December 31, 2008 expenses for this project amounted to 73,313 thousand tenge and were recognized in construction in progress.

During 2008 Amirabad Grain Terminal Kish Ltd. received construction in progress of grain terminal from Behdis Tejarat Alborz as contribution to the charter capital amounting to 590,664 thousand tenge. As at December 31, 2008 50% of the received asset was recognized in the consolidated balance sheet of the Group due to use of proportional method of consolidation. As at the date of transfer the property the Group recognized cost of the contributed asset based on the Minute without number dated June 12, 2008.

As at December 31, 2008 and 2007 the Group had no assets pledged as collateral.

6. GOODWILL

As at December 31, goodwill consisted of the following:

	Kazastyk Trans LLP	JSC Ak-Biday Terminal	Total
Cost			
As at January 1, 2007	130	335,149	335,279
As at January 1, 2008	130	335,149	335,279
As at December 31, 2008	130	335,149	335,279
Accumulated impairment loss			
As at January 1, 2007	-	(33,123)	(33,123)
Loss for the year	-	(16,844)	(16,844)
As at January 1, 2008	-	(49,967)	(49,967)
Loss for the year	-	-	-
As at December 31, 2008	-	(49,967)	(49,967)
Net book value as at December 31, 2008	130	285,182	285,312
Net book value as at December 31, 2007	130	285,182	285,312

Goodwill was recognised as a result of consolidation of the following subsidiaries: JSC Ak-Biday Terminal and Kazastyk Trans LLP. Group management estimated the accumulated impairment loss on goodwill as at December 31, 2008 and 2007 as 49,967 thousand tenge.

7. INVESTMENT PROPERTY

In 2008 the Group received building and attached land in Shymkent amounting to 252,000 thousand tenge as a repayment of accounts receivable. At the date of transfer the value of asset was appraised by independent appraiser. This property is used by the Group for the rent and accordingly it was classified as investment property. As at December 31, 2008 accumulated depreciation of the asset amounted to 1,748 thousand tenge.

8. ADVANCES PAID

As at December 31, 2008 long-term advances represent advances paid by Kazakhstan Maktasy LLP to Continental Eagle Corporation for supply of equipment on 321,248 thousand tenge. In November 2008 Agrofirma Zhana-Ak Dala LLP made prepayment according to lease agreement with JSC Kazagrofinance of 116,460 thousand tenge (Note 36). In accordance with this agreement the supply of assets should be made in 2009. Total amount per lease agreement is 465,839 thousand tenge. The term of the lease is seven years, after which the right of ownership will be transferred to lessee.

Also during 2008 Agrofirma Zhana-Ak Dala LLP made prepayment for receipt of production equipment on 659,438 thousand tenge to CFT S.p.A.

As at December 31, 2007 there were no advances with maturity more than 1 year and advances for the supply of long-term assets.

As at December 31, 2008 advances paid with maturity less than 1 year are represented by advances for purchase of grain signed with local suppliers on 11,927,740 thousand tenge (2007: 4,369,187 thousand tenge). These advances were denominated in tenge. This includes advances for the amount of 3,562,508 thousand tenge which were given in 2006-2007, the maturity dates of which were extended till December 2009. These advances were secured by collateralized land and grain.

9. INVESTMENTS IN ASSOCIATES

Information on Group associate as at December 31, consisted of the following:

	2008	2007
Investments at the beginning of the year	4,542	7,243
Share of profit/(loss) of associates	308	(2,701)
Investments in associates at the end of the year	<u>4,850</u>	<u>4,542</u>

As at December 31, 2008 and 2007 the nature of associate's activities, country of residence and percentage holding in the Group were as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
JSC Kazakhstan International Agriculture Exchange	Kazakhstan	34.7%	34.7%	Trading of agricultural products

10. LOANS TO EMPLOYEES

Loans to employees as at December 31, were represented by the following:

	2008	2007
Principal amount of loan	144,147	167,710
Fair value adjustment	<u>(28,586)</u>	<u>(33,676)</u>
Total	<u>115,561</u>	<u>134,034</u>
Less: loans to be repaid within one year	<u>(25,421)</u>	<u>(35,940)</u>
Long-term loans	<u>90,140</u>	<u>98,094</u>

Loans to employees are interest free. The fair value of the Group's loans to employees was estimated based on discounting the estimated cash flows at the market rate at inception of loan of 8%-11.3% (2007: 8%).

All loans to employees are denominated in tenge. Loans to employees are collateralized by the property.

The movements in the fair value adjustment on loans to employees for the years ended December 31, were as follows:

	2008	2007
Fair value adjustment at the beginning of the period	33,676	46,290
Interest income for the year (Note 33)	<u>(5,090)</u>	<u>(12,614)</u>
Fair value adjustment at the end of the period	<u>28,586</u>	<u>33,676</u>

11. AVAILABLE-FOR-SALE INVESTMENTS

As at December 31, 2008 and 2007 available-for-sale investments of 11,000 thousand tenge were represented by investments in JSC Grain Certificates Guarantee Fund with ownership of 0.91% in its share capital.

On October 1, 2008 the Corporation acquired 321,000 long-term treasury bonds, 10 year – MEUKAM of the Ministry of Finance of the Republic of Kazakhstan. Actual amount of transaction totaled to 326,877 thousand tenge with yield of 5.5% per annum. Nominal value of bonds equals to 1,000 tenge.

12. NON – CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As at December 31, 2008 non-current assets classified as held-for-sale comprised of residential apartments amounting to 126,656 thousand tenge, which are subject to sale to employees of the Corporation and for which the mortgage loans will be provided.

As at December 31, 2007 the Group decided to sell the buildings and equipment for laboratories for expertise of quality of cotton with the value of 229,386 thousand tenge and vehicles amounting to 5,995 thousand tenge to JSC Kazagrex, an entity which has the same ultimate shareholder as the Company. Thus, as at December 31, 2007 these assets were transferred to long-term assets classified as held-for-sale and recognized in current assets in the consolidated balance sheet. On March 19, 2008 the Group signed the contract on sale of assets to JSC Kazagrex. Consequently, the contract was annulled and assets were transferred into trust management. In 2008 the Group recognized expenses on write-off receivables recognized on the contract for disposal of those assets on 258,691 thousand tenge as the Group lost effective control of the assets when they were placed into trust management (Note 35).

13. INVENTORIES

As at December 31, inventories comprised the following:

	2008	2007
Commercial grain reserves	26,220,615	13,728,221
State grain resources	12,378,649	5,076,896
State reserves of grain	7,434,489	6,776,614
Commercial cotton resources	1,512,107	956,602
Other inventory	662,168	1,432,349
Total	<u>48,208,028</u>	<u>27,970,682</u>

As at December 31, 2008 and 2007 the management of the Group believes that the inventory balance will be sold or used within one year at no less than the cost recorded in the consolidated balance sheet. Grain on 7,690,050 thousand tenge (45,000,000 Euro) was pledged as collateral on loan from Rabobank International (Notes 21 and 26). The transfer of title will be made only in case of non-compliance with loan terms.

14. ACCOUNTS RECEIVABLE

As at December 31, accounts receivable comprised the following:

	2008	2007
Trade accounts receivable	7,542,672	4,543,918
Other accounts receivable	873,274	116,102
	8,415,946	4,660,020
Less: allowance for doubtful debts	<u>(90,250)</u>	<u>-</u>
Total	<u>8,325,696</u>	<u>4,660,020</u>

The movement of the allowance for doubtful debts is as follows:

	2008	2007
Allowance at the beginning of the period	-	1,296
Accrued for the period (Note 29)	98,743	-
Write-off against previously accrued provision	<u>(8,493)</u>	<u>(1,296)</u>
Allowance at the end of the period	<u>90,250</u>	<u>-</u>

As at December 31, 2008 and 2007 accounts receivable were denominated in the following currencies:

	2008	2007
Tenge	7,552,368	4,647,304
Russian Rouble	232,337	8,820
USD	128,602	3,688
Euro	412,389	22
GBP	-	186
	<u>8,325,696</u>	<u>4,660,020</u>

As at December 31, 2008 trade accounts receivable from related parties amounted to 126,165 thousand tenge (2007: 93,142 thousand tenge) (Note 36).

As at December 31, 2008 other accounts receivable include receivables from Behdis Tejarat Alborz for unpaid contribution to the share capital of Amirabad Green Terminal Kish Ltd on 412,389 thousand tenge (1,058,301 Euro).

As discussed in Note 2, as a result of recent economic turmoil in capital and credit markets globally, and the consequential economic uncertainties existing as at balance sheet date, there exists the potential that the Group's assets may not be recovered at their carrying amount in the ordinary course of business.

As at December 31, 2008, the Group has trade accounts receivable amounting to 7,542,672 thousand tenge (December 31, 2007: 4,543,918 thousand tenge). The recoverability of trade accounts receivable from third parties depends to a large extent on the efficiency of the fiscal measures and other measures and other actions, beyond the Group's control. The Group's management believes that accounts receivables from third parties less allowance, will be recovered at first request. The recoverability of the Group's trade accounts receivable is determined based on conditions prevailing and information available as at balance sheet date.

15. VALUE ADDED TAX AND OTHER TAXES RECOVERABLE

As at December 31, value added tax (VAT) and other taxes recoverable were as follows:

	2008	2007 (restated)
VAT recoverable	5,677,693	3,061,210
Other taxes prepaid	<u>172,927</u>	<u>82,793</u>
Total	<u><u>5,850,620</u></u>	<u><u>3,144,003</u></u>

16. LOANS TO CUSTOMERS

As at December 31, loans provided to customers include loans given to Kazakhstani farmers for grain sowing and were as follows:

	2008	2007
Current loans with maturity less than 1 year	9,003,881	4,360,847
Non-current loans with maturity more than 1 year	500,000	5,030,000
Accrued interest income on loans to customers	<u>271,158</u>	<u>322</u>
Total	<u><u>9,775,039</u></u>	<u><u>9,391,169</u></u>
Less: loans maturing within 1 year	<u>(9,275,039)</u>	<u>(4,361,169)</u>
Long-term portion of loans to customers	<u><u>500,000</u></u>	<u><u>5,030,000</u></u>

Loans given to farmers of 56,085 thousand tenge are secured by guarantees of Kazakhstani commercial banks that are used in case of default of borrower. Interest rate on loans was 4-11% (2007: 8-13%) per annum. Residual amount of loans was secured by collateral of grain of 2007-2008 harvest, future 2009 harvest, commercial real estate, land and agricultural equipment. During 2008 the Group extended the maturity date of loans for the total amount of 4,992,006 thousand tenge till December 2009 and prolonged collateral agreements.

All loans to customers as at December 31, 2008 and 2007 are denominated in tenge.

As discussed in Note 2, as a result of recent economic turmoil in capital and credit markets globally, and the consequential economic uncertainties existing as at balance sheet date, there exists the potential that the Group's assets may be not be recovered at their carrying amount in the ordinary course of business.

As at December 31, 2008, the Group has loans given to farmers amounting to 9,775,039 thousand tenge (December 31, 2007: 9,391,169 thousand tenge). The recoverability of loans given to farmers depends to a large extent on the efficiency of the fiscal measures and other measures and other actions, beyond the Group's control. The recoverability of the loans to customers given by the Group is determined based on conditions prevailing and information available as at consolidated balance sheet date. It is the management's opinion that no provision on the loans to customers is needed at present, based on prevailing conditions and available information.

17. SHORT-TERM INVESTMENTS

As at December 31, 2008 and 2007 short-term investments consisted of deposits in commercial banks, maturing during 3-12 months, including interest receivable.

As at December 31, deposits were held in the following currencies:

	Interest rate	2008	2007
Deposits in tenge	5.5% (2007: 9-11%)	1,542,627	998,070
Deposits in Euro	10% (2007: 4%)	45,450	166,176
Total		<u>1,588,077</u>	<u>1,164,246</u>

As at December 31, 2008 and 2007 the Group had no pledged or restricted deposits.

18. CASH AND CASH EQUIVALENTS

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

	2008	2007
Deposits with original maturity less than 3 months, tenge	1,697,141	8,893,523
Cash in bank accounts, tenge	4,317,565	3,684,072
Deposits with original maturity less than 3 months, USD	-	2,790,285
Cash in bank accounts, USD	162,620	1,564,397
Cash in bank accounts, other currencies	59,479	305,494
Deposits with original maturity less than 3 months, other currencies	-	164,286
Petty cash, tenge	10,949	14,260
Total	<u>6,247,754</u>	<u>17,416,317</u>

As at December 31, 2008 and 2007 cash and cash equivalents included deposits with original maturity less than 3 months bearing interest from 9.5% to 10% per annum (2007: 4 to 12% per annum).

As at December 31, 2008 and 2007 the Group did not have restricted cash accounts pledged for any liabilities.

19. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

As at December 31, share capital and additional paid-in capital comprised the following:

	2008	2007
Ordinary shares (32,790,683 and 16,722,283 authorised and issued, respectively, par value of 1 share - 1,000 tenge)	32,790,683	16,722,283
Additional paid-in capital	39,745	39,745
Total	32,830,428	16,762,028

In accordance with the decision of the shareholder in 2008, the Group issued additional shares for the amount of 16,068,400 thousand tenge (2007: 3,730,700 thousand tenge). As at December 31, 2008 and 2007 these shares were paid by cash.

As per state budget program *Institutional development of agriculture* and sub-program *Plant markets development support* 4,884,500 thousand tenge have been allocated to implement the following investment projects:

1. Project on construction of grain terminal in Potii (Georgia) in complex with mill;
2. Project on construction of grain terminal in Amirabad (Iran) in complex with mill;
3. Project on Building of wholesale agriculture market with regional terminals;
4. Project on construction of plant for production of cotton seeds.

7,200,000 thousand tenge were used for purchase of grain for stabilization fund. 3,983,900 thousand tenge were provided as loans to farmers.

Dividends of 240,251 thousand tenge and 122,317 thousand tenge were authorised and paid in 2008 and 2007, respectively. In 2008 and 2007 the Group also paid to the shareholder 54,100 thousand tenge and 11,352 thousand tenge, respectively, as the result of operations with state grain.

In 2008 based on the decision of the shareholder the Group transferred 62,850 thousand tenge for celebration of Astana city anniversary. That amount was also recognized in operations with shareholders of the Group, net of income tax on 8,739 thousand tenge.

Additional paid-in capital on 39,745 thousand tenge is represented by the excess of the book value of the property contributed over share capital at par.

20. TAXATION

The Group pays income tax under the tax rate equal to 30% from the taxable income in accordance with legislation of Kazakhstan. In connection with changes in tax legislation of Kazakhstan taken into effect on January 1, 2009, income tax rate in 2009 reduced from 30% to 20%, in 2010 from 20% to 17.5% and from 2011 – from 17.5% to 15%.

The Group's income tax expense for the years ended December 31, 2008 and 2007 was as follows:

	2008	2007 (restated)
Current income tax expense	857,052	251,896
Deferred income tax expense	30,042	19,178
Total income tax expense	887,094	271,074

Recorded during the year in:	2008	2007 (restated)
Consolidated statement of changes in shareholder's equity	(8,739)	-
Consolidated income statement	<u>887,094</u>	<u>271,074</u>
	<u>878,355</u>	<u>271,074</u>

Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes. The tax effect on the major temporary differences that give rise to the deferred income tax assets and liabilities as at December 31, 2008 and 2007 is presented below:

	2008	2007
Deferred tax assets		
Allowance for doubtful debts	14,303	-
Unpaid vacation	3,439	6,878
Difference in depreciable value of property, plant and equipment and intangible assets	476	-
Fair value adjustment on loans to employees	5,717	10,103
Losses carried forward	<u>28,454</u>	<u>61,854</u>
Total deferred tax asset	<u>52,389</u>	<u>78,835</u>
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment and intangible assets	<u>(92,870)</u>	<u>(98,013)</u>
Total deferred tax liability	<u>(92,870)</u>	<u>(98,013)</u>
Net deferred tax liabilities	<u>(40,481)</u>	<u>(19,178)</u>

In the consolidated financial statements for the year ended December 31, 2007, the Group presented in its consolidated balance sheet the net deferred tax liability. In 2008 consolidated financial statements the Group has presented the deferred tax asset and deferred tax liability in the consolidated balance sheet. The statutory income tax rate effective in Kazakhstan, the location of the majority of the Group's entities, was 30% in 2008 and 2007. The taxation charge for the year is different from that, which would be obtained by applying the statutory income tax rate to the net income before income tax. Below is a reconciliation of theoretical income tax at 30% to the actual expense recorded in the Group's consolidated income statement:

	2008	2007 (restated)
Income before income tax	2,416,995	775,687
Income tax at statutory rate of 30%	725,099	232,706
Effect on change of tax rate	(65,438)	-
Tax effect of non-deductible expenses	<u>227,433</u>	<u>38,368</u>
Income tax expense	<u>887,094</u>	<u>271,074</u>

21. LONG-TERM LOANS

Long-term loans as at December 31 were as follows:

	Interest rate	2008	2007
SOCIETE GENERALE (a)	1 mon. EURIBOR + 1.6%	3,623,100	5,315,100
SOCIETE GENERALE (b)	5.8 %	3,815,366	3,543,400
Rabobank International (c)	1 mon. EURIBOR + 1.6%	3,668,993	3,543,400
Royal Bank of Scotland (d)	1 mon. EURIBOR + 2.25%	6,038,500	-
Interest payable on bank loans		<u>87,579</u>	<u>121,690</u>
Total		<u>17,233,538</u>	<u>12,523,590</u>
Including:			
Current portion of long-term loans and interest payable		<u>(3,902,945)</u>	<u>(121,690)</u>
Long-term portion		<u>13,330,593</u>	<u>12,401,900</u>

- a) Loan on 30,000,000 Euro (5,315,100 thousand tenge) was provided by SOCIETE GENERALE for 36 months in accordance with the agreement dated March 30, 2007. The loan matures on April 19, 2010. On January 21, 2008 the loan was restructured through repayment of 30,000,000 Euro (5,241,000 thousand tenge) and receipt of 44,050,000 US dollars. Effective interest rate of 5.68% per annum, and is payable quarterly. The loan is not secured.
- b) The loan on 20,000,000 Euro (3,543,400 thousand tenge) was provided by SOCIETE GENERALE for 36 months in accordance with the agreement dated June 1, 2006. The loan matures on June 8, 2009. Effective interest rate is 5.80% per annum and is payable quarterly. Based on additional agreement dated March 27, 2008 to Agreement dated June 1, 2006 the loan was restructured from Euro to US dollars. The loan is not secured.
- c) Credit line of 60,000,000 Euro was provided by Rabobank International in accordance with the agreement dated August 24, 2007. In 2008 the Group restructured loan denominated in Euro to US dollars. Based on Additional agreement dated January 17, 2008 credit facility was approved for 90,000,000 Euro or its equivalent in Swiss Francs or US dollars. The first tranche was obtained on March 11, 2008 of 30,380,000 US dollars (3,665,651 thousand tenge). The residual amount is presented in short-term loans (Note 26). Effective interest rate is 5.68% per annum and is payable annually. The loan should be repaid by three tranches on August 31, 2009 (this tranche is presented in short-term loans), June 26, 2010, and August 31, 2010. The loan is secured by collateral of grain on 45,000,000 Euro (Notes 13, 26).
- d) The loan on 50,000,000 US dollars (5,985,457 thousand tenge) was provided by Royal Bank of Scotland for 36 months in accordance with the agreement dated August 21, 2008. Effective interest rate was 5.99% per annum and was payable once per 6 months. The loan was not secured and is subject to repayment in September 2010 and September 2011.

The Group is obligated to comply with financial covenants in relation to loans from banks disclosed above. These covenants include current ratio, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the year ended December 31, 2008.

The long-term bank loans are repayable as indicated below:

	2008	2007
During the year	3,902,945	121,690
In the second year	10,311,343	3,543,400
Three to five years	<u>3,019,250</u>	<u>8,858,500</u>
	<u>17,233,538</u>	<u>12,523,590</u>

All long-term loans as at December 31, 2008 were denominated in US dollars, as at December 31, 2007 – in Euro.

22. FINANCIAL LEASE OBLIGATIONS

In March 2008 Agrofirma Zhana-Ak Dala LLP based on agreement with JSC Kazagrofinance received equipment on 45,591 thousand tenge. Financial lease agreement was signed for the period of 7 years with effective interest rate 4.3% per annum. As at December 31, 2008 finance lease obligations amounted to 34,048 thousand tenge including current portion of lease liability on 4,780 thousand tenge (Note 36).

23. DEBT SECURITIES ISSUED

	Maturity date	Interest rate, per annum	2008	2007
Bonds issued – 1 st emission - yield 92.00% (2007: 92.05%)	May 2009	8%	400,000	403,000
Bonds issued – 2 nd emission – yield 91.95% (2007: 91.94%)	March 2013	8%	15,000,000	15,000,000
(Less)/including:				
Unamortised discount on debt securities issued, net			(76,629)	(89,224)
Accrued interest on debt securities issued			<u>976,031</u>	<u>972,337</u>
Total			<u>16,299,402</u>	<u>16,286,113</u>
Current portion			<u>(976,031)</u>	<u>(972,337)</u>
Long-term portion			<u>15,323,371</u>	<u>15,313,776</u>

On May 17, 2005 the Group issued 300,000 bonds with par value 10,000 tenge bearing 8% annual interest rate for 4 years maturing in May 2009. 64,390 bonds were sold for 10,517 tenge each, with the remaining bonds sold for the nominal value.

On March 14, 2006 the Group issued 15,000,000 bonds with par value 1,000 tenge bearing 8% annual interest rate for 7 years maturing in March 21, 2013. 14,990,000 bonds were sold for 992 tenge each, with the remaining bonds sold for the nominal value.

During the year ended December 31, 2008 the Group repurchased 300 bonds with face value of 3,000 thousand tenge for 3,188 thousand tenge (2007: 259,700 bonds – for 2,710,686 thousand tenge), including coupon.

24. ACCOUNTS PAYABLE

Accounts payable as at December 31, were as follows:

	2008	2007
Trade accounts payable	446,865	3,822,932
Other accounts payable	68,382	149,594
Total	<u>515,247</u>	<u>3,972,526</u>

Trade accounts payable were denominated in the following currencies:

	2008	2007
Tenge	402,667	1,345,692
US Dollar	112,222	2,626,788
Russian Rouble	313	10
Chinese Yuan	42	-
Euro	3	-
GBP	-	36
Total	<u>515,247</u>	<u>3,972,526</u>

As at December 31, 2008 trade accounts payable to related parties amounted to 35,686 thousand tenge (2007: 8,473 thousand tenge) (Note 36).

25. ADVANCES RECEIVED AND UNEARNED REVENUE

Unearned revenue of 226,433 thousand tenge as at December 31, 2008 comprised amounts received for issuance of guarantees on 223,766 thousand tenge (December 31, 2007: 49,155 thousand tenge). The subsidiary Expert Agrarian Company LLP provides guarantees over repayment of loans made to customers by the Group. The fee paid by customers is recognized as income over the period of the guarantee.

As at December 31, 2007 advances received on 197,014 thousand tenge included advances received for sale of cotton on 142,718 thousand tenge.

All advances received and unearned revenue as at December 31, 2008 and 2007 were denominated in tenge.

26. SHORT-TERM LOANS

Short-term loans as at December 31, were as follows:

	Interest rate	2008	2007
Ministry of Agriculture of the Republic of Kazakhstan (a)	Interest-free	12,149,382	6,121,812
BNP PARIBAS S.A. (b)	1 mon. EURIBOR+1.5%	1,786,188	5,315,100
BNP PARIBAS S.A. (b)	1 mon. EURIBOR+1.5%	3,538,561	-
Rabobank International (c)	1 mon. EURIBOR+1%	5,275,234	3,543,400
Citibank Kazakhstan (d)	5.09875%	1,811,550	-
Other loans		4,831	4,812
Interest payable on bank loans		54,742	112,644
Total		<u>24,620,488</u>	<u>15,097,768</u>

The Group received the following short-term loans during 2008 and 2007:

- a) Interest-free short-term loans were provided to the Group by the Government of the Republic of Kazakhstan through the Ministry of Agriculture of the Republic of Kazakhstan for financing of the state program on grain purchase for the current year. The amount was received by four tranches of 3,572,000 thousand tenge and 320,000 thousand tenge (spring-summer financing) and 5,621,000 thousand tenge and 2,636,382 thousand tenge (grain purchase for state resources during autumn-winter period). The first amount shall be repaid at maturity by December 20, 2009 according to the agreement # 3-2 dated February 18, 2008. The second tranche under agreement #1 dated April 25, 2008, the third and the fourth tranche under agreement #3-6 dated July 18, 2008 should be repaid not later than December 20, 2009. The loan is not secured.

In 2007 interest-free short-term loans were provided to the Group by the Government of the Republic of Kazakhstan through the Ministry of Agriculture of the Republic of Kazakhstan for financing the state program on grain purchase for the year 2007. The amount was received by two tranches of 3,892,000 thousand tenge (spring-summer financing) and 2,316,382 thousand tenge (grain purchase for state resources during autumn-winter period). The first tranche amount was repaid at maturity by November 1, 2008 according to the agreement # DZ-7 dated March 13, 2007. The second tranche amount was repaid by December 20, 2008 according to the agreement # 2 dated September 10, 2007.

- b) The Company signed loan agreement with BNP Paribas S.A. on July 24, 2007 on 30,000,000 Euro (5,315,100 thousand tenge). The loan was granted by 3 tranches in the amount of 10,000,000 Euro each. The loan is repayable by three tranches. The effective interest rate is 5.58%. First tranche was repaid on January 30, 2008 in advance, the second and the third tranches – on February 19, 2008. On February 1, 2008 and February 20, 2008 the Group received loan for the amount of 14,790,000 US dollars and 29,300,000 US dollars, respectively. The loan is not secured.
- c) The Company signed credit line agreement with Rabobank International on August 24, 2007 with credit facility of 60,000,000 Euro. In addition, additional agreement dated January 17, 2008 was signed for credit line of 90,000,000 Euro. On January 18, 2008 the Group received tranche on 29,400,000 US dollars (3,529,470 thousand tenge), on July 8, 2008 –tranche on 31,750,000 US dollars (3,825,240 thousand tenge). The loan matures in August 2009. The loan is secured by collateral of grain on 45,000,000 Euro (Notes 13, 21). Principal amount of loan outstanding as at December 31, 2007 was repaid in July 2008.
- d) On December 19, 2008 the Company signed the agreement with Citibank for short-term loan on 15,000,000 US dollar. The loan matures on December 18, 2009. Effective interest rate is 5.09875%. The loan is not secured.

The Group is obligated to comply with financial covenants in relation to loans from banks disclosed above. These covenants include current ratio, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the year ended December 31, 2008.

27. REVENUE

Revenue for the years ended December 31, was as follows:

	2008	2007
Sales of grain	32,364,464	22,108,529
Sales of cotton	2,467,447	1,784,897
Commission income	173,155	202,618
Sales of tomatoes	86,949	-
	<hr/>	<hr/>
Total	<u>35,092,015</u>	<u>24,096,044</u>

In 2008 Agrofirma Zhana-Ak Dala LLP started operations on sales of tomatoes.

28. COST OF SALES

The cost of sales for the years ended December 31, was as follows:

	2008	2007
Cost of grain sold	24,004,492	17,038,672
Cost of cotton sold	2,156,794	1,810,782
Salaries and taxes	451,797	335,296
Depreciation and amortisation	189,725	131,663
Cost of tomatoes sold	26,896	-
Other	257,949	94,835
Total	<u>27,087,653</u>	<u>19,411,248</u>

29. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, were as follows:

	2008	2007 (restated)
Salaries and taxes	891,082	902,968
Taxes, except for income tax	185,638	147,739
Income tax withheld	176,616	59,053
Allowance for doubtful debts (Note 14)	98,743	-
Depreciation and amortisation	96,236	108,877
Rent expenses	71,528	71,682
Materials	54,245	64,836
Communication expenses	53,013	43,919
Repair and maintenance	21,052	27,993
Provision for upcoming expenses	20,164	-
Stationery	9,276	3,850
Utilities	9,270	7,402
Social events	7,216	23,660
Other	143,816	48,369
Total	<u>1,837,895</u>	<u>1,510,348</u>

30. SELLING EXPENSES

For the years ended December 31, selling expenses were as follows:

	2008	2007
Grain storage expenses	1,413,852	841,084
Dispatching expenses	1,314,488	1,424,868
Salaries and taxes	272,122	11,546
Loading and railway service expenses	115,568	124,594
Materials	42,058	46,177
Marketing expenses	23,135	20,868
Depreciation and amortisation	18,792	5,057
Other	225,567	236,465
Total	<u>3,425,582</u>	<u>2,710,659</u>

In 2008 based on the state program for creation of stabilization fund the Group incurred significant transportation and storage expenses. In accordance with the memorandums signed with the local municipal authorities, these expenses will be subsequently reimbursed through their inclusion to the price of grain.

31. GOVERNMENT SUBSIDIES

During 2008 the Group received government subsidies amounting to 844,390 thousand tenge (2007: 825,246 thousand tenge) as grain storage expenses.

32. ALLOWANCE FOR IMPAIRMENT LOSSES FOR NON-CURRENT ASSETS

Allowance for impairment losses for long-term assets for the years ended December 31, consisted of the following:

	2008	2007
Impairment loss on goodwill (Note 6)	-	(16,844)
Total	<u>-</u>	<u>(16,844)</u>

33. INTEREST INCOME

For the years ended December 31, interest income is as follows:

	2008	2007
Interest income on seed loans	1,118,992	1,158,328
Interest income on short-term investments	906,514	214,661
Interest income on fair value of loans to employees (Note 10)	5,090	12,614
Total	<u>2,030,596</u>	<u>1,385,603</u>

34. FINANCE COSTS

For the years ended December 31, financial costs were as follows:

	2008	2007
Finance costs on debt securities	1,278,528	1,258,971
Finance costs on loans	1,387,047	806,095
Other finance costs	46,240	88,200
Total	<u>2,711,815</u>	<u>2,153,266</u>

Other finance costs comprise of payment for commissions on loan origination, guarantee and other bank commission.

35. OTHER (LOSS)/INCOME, NET

Other (loss)/income, net, for the years ended December 31, was as follows:

	2008	2007
Fines on grain supply contracts	169,489	1,435,419
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(29,992)	9,277
Membership fee	-	(1,500)
Return of written off receivables	-	43,063
Write-off of receivables (Note 12)	(258,691)	-
Other expenses	(33,502)	(82,015)
Total	<u>(152,696)</u>	<u>1,404,244</u>

Gain on disposal of property, plant and equipment is the difference between proceeds from the sale of an asset and its book value.

As per decision of the Board of Directors of the Corporation dated October 10, 2007 and charter agreement of the Union of legal entities Kazakhstan Biofuel Association, the Group participated in the organization of the Union and paid contribution to the charter capital of the Union for the amount of 1,500 thousand tenge.

In 2007 the Group received repayment of earlier written off account receivable of Alfa Star Company in accordance with the decision of arbitrage on 43,063 thousand tenge.

In 2007 in accordance with significant undersupply and delays in supply of grain by its suppliers, the Group recognized income from penalties and fines of 1,435,419 thousand tenge, in 2008 this amount was 169,489 thousand tenge.

36. RELATED PARTIES

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Also parties under common control within the Group were considered to be related. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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

For the purpose of these consolidated financial statements all intergroup transactions, balances, and unrealised gains and losses on transactions between Group companies have been eliminated.

Due to the fact that the Company's ultimate shareholder Kazakhstan Government through JSC National Holding KazAgro, the Company is a related party to other entities where the state is a controlling shareholder.

Accounts receivable and accounts payable with related parties (profit oriented state-owned entities) as at December 31, were as follows (Notes 8, 14, 22, 24):

	Accounts receivable		Accounts payable	
	2008	2007	2008	2007
JSC National Company				
Kazakhstan Temir Zholy	8,505	92,822	-	-
JSC Kazakhtelekom	29	-	1,575	2,501
RGP Fitosanitariya	-	-	-	2,105
JSC Kazagrofinance	116,460	-	34,048	-
Others	1,171	320	63	3,867
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>126,165</u>	<u>93,142</u>	<u>35,686</u>	<u>8,473</u>

Transactions with related parties (commercial organisations controlled by the government) for the years ended December 31, are as follows:

	Revenue		Expenses	
	2008	2007	2008	2007
JSC National Company				
Kazakhstan Temir Zholy	-	-	1,200,894	1,161,878
JSC Kazakhtelekom	-	-	26,160	24,092
JSC Zheldorimushestvo	-	44,112	-	-
RGP Fitosanitariya	-	-	11,593	9,619
Others	-	481	2,690	21,293
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u> </u>	<u>44,593</u>	<u>1,241,337</u>	<u>1,216,882</u>

Compensation of key management personnel of the Group

Key management personnel comprise members of the Group's Board and Board of Directors (5 persons as at December 31, 2008 and 2007).

Compensation to key management personnel for the years ended December 31, was as follows:

	2008	2007
Salaries	41,449	60,097
Social tax	2,872	5,257
Social security deductions	192	178
Pension deductions	3,975	3,854
Personal income tax	<u>3,682</u>	<u>5,566</u>
Total	<u>52,170</u>	<u>74,952</u>

The remuneration of key management personnel is determined by the Board of Directors.

37. CONTRACTUAL COMMITMENTS

On February 18, April 25 and July 18, 2008 the Group entered into agency agreements (the "Agreements") with the Ministry of Agriculture #3-2, #1 and Agreement # 3-6, respectively, for the state purchase of grain from state resources under subprogramme 100 "Purchase of grain for state resources" as part of budget programme 020 "Provision of food safety and mobilisation needs" (spring-summer financing and purchases during summer and winter). As per Government resolution # 188 dated February 25, 2008 the amount of budget funds necessary to make state grain purchases in 2008 was defined as follows:

- spring-summer financing of 3,572,000 and 320,000 thousand tenge *;
- the state purchase of grain in autumn of 5,621,000 and 2,636,382 thousand tenge.

**The amount of 320,000 thousand tenge was given for grain purchases in state resources by spring-summer financing based on contract #1 dated to April 25, 2008 and was used for autumn-winter financing.*

Funds not used for the state purchase of grain during spring and summer are used for state grain purchases in the autumn.

State reserves are determined annually by Government resolution. The volume of state grain reserves is confidential information and, accordingly, is not disclosed in these consolidated financial statements.

38. CONTINGENT LIABILITIES

Legal claims

The Group is subject to various legal proceedings related to business operations, such as property damage claims. The Group does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's consolidated financial position or consolidated results of operations.

The Group assesses the likelihood of material liabilities and makes provisions in its consolidated financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated.

No provision has been made in these consolidated financial statements for any of the contingent liabilities mentioned above

Kazakhstan taxation contingencies

Kazakhstan legislative acts and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes additionally accrued. Interest is assessed at 22.50%. As a result, penalties and interest can result in amounts that are multiples of any incorrectly reported taxes resulting in an understatement.

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

It is not practicable to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

Insurance

The Group is obliged to insure its civil and legal liability as an employer for harm to employees' life and health during the working process. The Group's employees are the beneficiaries of the insurance. The Group maintains the required insurance coverage under policies purchased from commercial insurance operators in Kazakhstan.

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital risk

The Group manages its capital risk to ensure that it is able to continue as a going concern, maximising profit for shareholder by optimising the balance of debt and shareholder equity. The Group's general strategy has remained unchanged since 2006. The share capital of the Group was properly formed and is in compliance with state legislation.

The Group's capital structure includes shareholder's equity, additional paid-in capital, foreign currency translation reserve and retained earnings.

Basic principles of accounting policy

Data on basic accounting policy principles and methods used, including recognition criteria, the basis for valuation and the basis for recognising income and expenses, in relation to each class of financial asset, financial liabilities and equity instruments is disclosed in Note 4 to the consolidated financial statements.

Category of financial instruments

As at December 31, financial instruments were as follows:

	Notes	2008	2007
Financial assets			
Accounts receivable	14	8,325,696	4,660,020
Loans to customers	16	9,775,039	9,391,169
Loans to employees	10	115,561	134,034
Short-term investments	17	1,588,077	1,164,246
Available-for-sale investments	11	337,877	11,000
Cash and cash equivalents	18	6,247,754	17,416,317
Total financial assets		<u>26,390,004</u>	<u>32,776,786</u>
Financial liabilities			
Bank loans	21,26	41,854,026	27,621,358
Debt securities issued	23	16,299,402	16,286,113
Accounts payable	24	515,247	3,972,526
Total financial liabilities		<u>58,668,675</u>	<u>47,879,997</u>

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate and liquidity risks.

Currency risk management

The Group concludes certain foreign currency transactions. For this reason a risk of changes in exchange rates arises. The Group concludes certain sale and purchase transactions expressed in foreign currency, and also has assets and liabilities denominated in foreign currency.

The Group manages currency risk monitoring changes in exchange rates for currencies, in which its cash and cash equivalents, payables/receivables are denominated. The Group also restructures the currency in which borrowings are denominated where management considers it appropriate and practical.

The book value of the Group's monetary assets and liabilities in foreign currency as at the reporting date has been provided below. This disclosure excludes assets and liabilities denominated in other currencies as they do not have significant effect on the consolidated financial statements of the Group.

	Notes	US dollar		Euro	
		2008	2007	2008	2007
Assets					
Accounts receivable	14	128,602	3,688	412,389	22
Short-term investments	17	-	-	45,450	166,176
Cash and cash equivalents	18	162,620	4,354,682	-	-
Total		<u>291,222</u>	<u>4,358,370</u>	<u>457,839</u>	<u>166,198</u>
Liabilities					
Bank loans	21,26	(29,699,813)	-	-	(21,494,734)
Accounts payable	24	(112,222)	(2,626,788)	(3)	-
Total		<u>(29,812,035)</u>	<u>(2,626,788)</u>	<u>(3)</u>	<u>(21,494,734)</u>
Net position		<u>(29,520,813)</u>	<u>1,731,582</u>	<u>457,836</u>	<u>(21,328,536)</u>

The following table details the Group's sensitivity to a 25% and 20% increase and decrease in the US Dollar/Kazakhstan tenge and Euro/Kazakhstan tenge exchange rates in 2008 and 10% in 2007. Management of the Group believes that given the current economic conditions in Kazakhstan that a 25% decrease is a realistic movement in the tenge exchange rates against the US Dollar and 20% against the Euro. This is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 25% and 20% change in currency rates as at 31 December 2008 and 10% in 2007.

Impact on net profit based on asset values as at 31 December 2008 and 31 December 2007.

	US Dollar – impact		EURO – impact	
	2008	2007	2008	2007
Profit or (loss)	7,380,203	(173,158)	91,567	2,132,854

Interest rate risk management – The Group is exposed to interest rate risks due to its loans. The Group manages the risk by monitoring changes in interest rates and making changes in interest rates on loans given to farmers and change in prices for supply of grain.

Interest rate sensitivity analysis - The following table details the Group's Sensitivity to a 3% and 1% increase and decrease in the interest rates in 2008 and 2007, respectively. Management of the Group believes that given the current economic conditions in Kazakhstan that a 3% increase is a realistic movement in the interest rates. This is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. The sensitivity analysis includes only outstanding financial assets and liabilities.

	EURIBOR – impact		EURIBOR – impact	
	2008 (increase by 3%)	2007 (increase by 1%)	2008 (decrease by 3%)	2007 (decrease by 1%)
Profit or (loss)	717,917	177,170	(717,917)	(177,170)

Credit risk management

Credit risk arising from the inability of a party to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group to that party. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by the carrying value of each financial asset. The Group considers that its maximum exposure is reflected by the amounts of trade accounts receivable, net of allowances for doubtful debts (Note 14), loans given (Notes 10 and 16) and advances paid (Note 8) recognised at the consolidated balance sheet date.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

Procedures are in force to ensure that sales are only made to customers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded. The credit risk is reduced by having transactions on prepayment basis, using penalty provision in cases of late contract discharge. Credit risk is minimised by the fact that the Group's accounts receivables and loans given are secured by the pledged real property and grain for the whole period of loan covering total principal amount and interest.

Liquidity risk management

The Group's shareholder is liable for managing liquidity risk having created a liquidity risk management system for Group management that meets requirements for managing liquidity and short-term, medium-term and long-term financing. The Group manages its liquidity risk by maintaining adequate reserves, bank loans and accessible credit lines, monitoring potential and actual cash flows and comparing the maturity dates of financial assets and liabilities.

The summaries of maturity profile of the Group's financial liabilities as at December 31, 2007 and 2006 based on contractual payments are presented in Notes 21, 23 and 26.

Tables on liquidity risk and interest rate risk

The following tables reflect contractual terms of the Group for its non-derivative financial liabilities. The table was prepared based on the undiscounted cash flows on financial liabilities on the basis of the earliest date at which the Group can be required to pay. The table includes cash flows both on interest and principal.

	Weighted average effective interest rate	Less than 1 months	1-3 months	3 months – 1 year	1-5 years	Greater than 5 years	Total
2008							
<i>Non-interest:</i>							
Trade accounts payable	-	-	-	515,247	-	-	515,247
Interest free loans	-	4,831	-	12,149,382	-	-	12,154,213
<i>Interest:</i>							
Debt securities with fixed interest rate	8%	976,031	-	1,610,756	18,870,000	-	21,456,787
Loans with floating interest rates	1 mon. EURIBOR + 1%	-	66,995	200,986	5,447,933	-	5,715,914
Loans with floating interest rates	1 mon. EURIBOR + 1.5%	-	5,439,837	-	-	-	5,439,837
Loans with floating interest rates	1 mon. EURIBOR + 1.6%	-	103,548	310,643	7,555,182	-	7,969,373
Loans with floating interest rates	1 mon. EURIBOR + 2.25%	-	85,747	257,240	6,625,529	-	6,968,516
Loans with fixed interest rates	5.8 %	-	51,379	154,138	3,643,876	-	3,849,393
Loans with fixed interest rates	5.09875%	-	23,092	1,880,825	-	-	1,903,917
	Weighted average effective interest rate	Less than 1 months	1-3 months	3 months – 1 year	1-5 years	Greater than 5 years	Total
2007							
<i>Non-interest:</i>							
Trade accounts payable	-	-	-	3,972,526	-	-	3,972,526
Interest free loans	-	4,812	-	6,121,812	-	-	6,126,624
<i>Interest:</i>							
Debt securities with fixed interest rate	8%	972,337	-	1,232,240	5,214,374	15,290,000	22,708,951
Loans with floating interest rates	1 mon. EURIBOR + 1%	-	45,001	3,596,901	-	-	3,641,902
Loans with floating interest rates	1 mon. EURIBOR + 1.5%	1,771,700	-	3,844,926	-	-	5,616,626
Loans with floating interest rates	1 mon. EURIBOR + 1.6%	-	125,791	377,372	9,697,228	-	10,200,391
Loans with fixed interest rates	5.8 %	-	51,379	154,138	3,643,876	-	3,849,393

The table below includes cash flows on principal.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Greater than 5 years	Total
2008							
<i>Non-interest:</i>							
Trade accounts payable	-	-	-	515,247	-	-	515,247
Interest free loans	-	4,831	-	12,149,382	-	-	12,154,213
<i>Interest:</i>							
Debt securities with fixed interest rate	8%	-	-	400,000	15,000,000	-	15,400,000
Loans with floating interest rates	1 mon. EURIBOR + 1%	-	-	-	5,275,234	-	5,275,234
Loans with floating interest rates	1 mon. EURIBOR + 1.5%	-	5,324,749	-	-	-	5,324,749
Loans with floating interest rates	1 mon. EURIBOR + 1.6%	-	-	-	7,292,093	-	7,292,093
Loans with floating interest rates	1 mon. EURIBOR + 2.25%	-	-	-	6,038,500	-	6,038,500
Loans with fixed interest rates	5.8 %	-	-	3,815,366	-	-	3,815,366
Loans with fixed interest rates	5.09875%	-	-	1,811,550	-	-	1,811,550

	Weighted average effective interest rate	Less than 1 months	1-3 months	3 months – 1 year	1-5 years	Greater than 5 years	Total
2007							
<i>Non-interest:</i>							
Trade accounts payable	-	-	-	3,972,526	-	-	3,972,526
Interest free loans	-	4,812	-	6,121,812	-	-	6,126,624
<i>Interest:</i>							
Debt securities with fixed interest rate	8%	-	-	-	403,000	15,000,000	15,403,000
Loans with floating interest rates	1 mon. EURIBOR + 1%	-	-	3,543,400	-	-	3,543,400
Loans with floating interest rates	1 mon. EURIBOR + 1.5%	1,771,700	-	3,543,400	-	-	5,315,100
Loans with floating interest rates	1 mon. EURIBOR + 1.6%	-	-	-	8,858,500	-	8,858,500
Loans with fixed interest rates	5.8 %	-	-	-	3,543,400	-	3,543,400

Market risk

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

Fair values 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. As no readily available market exists for a large part of the Group's financial instruments, judgment is needed to arrive at a fair value, based on current economic conditions and the specific risks attributable to the instrument.

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

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments.

Trade and other receivables and payables and originated loans

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

For financial assets and liabilities maturing in over twelve months, the fair value represents the present value of estimated future cash flows discounted at year-end market rates. Average year-end market borrowing rates were as follows as at December 31:

	2008 (% per year)	2007 (% per year)
Tenge		
For 1 to 5 years	16%	8%-13%
Foreign currency		
For 1 to 5 years	15.5%	5.6% - 5.8%

Available-for-sale investments

Marketable available-for-sale investments are represented by corporate shares. The total carrying value of these securities approximates their fair value.

Borrowings

The Group's debt is mostly provided by international development institutions and foreign banks. As a result, the interest rates attributable to these loans although lower than those obtainable from private commercial institutions in Kazakhstan are considered to be the market interest rates for this category of lenders.

40. SUBSIDIARIES

The subsidiaries of the Company and their activities were as follows as at December 31:

Subsidiary	Activities	Country location	Share participation %	
			2008	2007
Kazastyktrans LLP	Transportation services	Kazakhstan	50%	50%
ISC Ak-Biday Terminal	Grain station	Kazakhstan	100%	100%
Expert Agrarian Company LLP	Business review, provision of guarantees	Kazakhstan	100%	100%
Biday Onimdery LLP	Purchase and sale of grain, grain processing	Kazakhstan	100%	100%
Astyk Koimalary LLP	Grain storage and processing	Kazakhstan	100%	100%
ISC Cotton Contract Corporation	Raw cotton processing and storage	Kazakhstan	100%	100%
Agrofirm Zhana-Zher LLP	Production of agricultural products	Kazakhstan	100%	-
ISC Kazakhstan Maktasy	Creation of cotton and textile cluster companies, export and domestic supply of cotton and textile raw materials	Kazakhstan	100%	100%
Agrofirm Zhana-Ak Dala LLP	Storage and sale of tomatoes	Kazakhstan	50%	-
Batumi Grain Terminal Ltd. (Note 41)	Grain terminal	Georgia	100%	50%

In 2008 the Group created Agrofirm Zhana-Ak Dala in partnership with AgroInvest LLP, sharing 50% ownership each. However on the moment of approval of these consolidated financial statements the charter capital of that subsidiary was formed only on 50% by contribution of the Company. Therefore financial statements of this organization was 100% included in the given consolidated financial statements and minority interest was not calculated.

41. INVESTMENTS IN JOINT VENTURES

As per decision of the Board of Directors of the Group dated May 28, 2007, the Corporation established joint ventures with ownership of 50% of the ordinary shares of Potii grain terminal Ltd. in Georgia and Amirabad Green Terminal Kish Ltd. in Iran. These companies were established to carry out import and export operations, transit and barter. Baku Grain Terminal LLP was created in 2006 as a joint venture in Azerbaijan with ownership of 50%.

In 2008 the Group became 100% shareholder of Potii grain terminal Ltd, it was renamed to Batumi Grain terminal. That company was accounted as subsidiary for the purpose of consolidated financial statements for 2008.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of these joint ventures:

	December 31, 2008	December 31, 2007
Current assets	<u>959,856</u>	<u>819,112</u>
Long-term assets	<u>896,726</u>	<u>346,745</u>
Current liabilities	<u>128,548</u>	<u>413,302</u>
Long-term liabilities	<u>-</u>	<u>-</u>
	Year ended December 31, 2008	Year ended December 31, 2007
Income	<u>84,990</u>	<u>17,549</u>
Expenses	<u>116,327</u>	<u>33,228</u>

42. SUBSEQUENT EVENTS

In accordance with the resolution # 126 of the Government of the Republic of Kazakhstan dated February 10, 2009 amount for state purchase of grain through financing of spring-summer period was approved totaling to 5,589,000 thousand tenge and 5,589,000 thousand tenge for autumn period.

The contract # 19 was signed with JSC National Holding KazAgro on February 23, 2009 to approve distribution of 50,000,000 thousand tenge to farmers as loans maturing in September 2009 and February 2010.

In 2009 loans given to farmers on 3,069,632 thousand tenge were repaid. The collateral released from some of these repaid loans was used to secure other existing loans.

Government programs. The Government of the Republic of Kazakhstan has exercised, and continues to exercise, significant influence over the Kazakh economy. In response to the economic crisis, the government of Kazakhstan implemented broad economic reform programs which are aimed to improve economic conditions. As part of those reform programs, the government acquired ownership in major banks in Kazakhstan by contributing capital to improve liquidity of the banking sector. Also, on February 4, the National Bank of Kazakhstan announced a new target for the exchange rate at "150 Tenge per US Dollar, plus or minus 3%", which represent approximately 25% devaluation of the local currency against US Dollar. Kazakhstan is a resource-rich country and the country's tax revenue is highly dependent on the world prices of commodities, such as oil, grain, gold, zinc, copper and uranium. The sufficiency of tax revenues and accumulated reserves is critical to support the programs initiated by the government.

Increase in country credit risk. In February 2009 Kazakhstan sovereign 5-year credit default swaps have been trading at above 1300 basis points. The yields on Kazakhstan corporate bonds also significantly increased which presents significant difficulties in attracting foreign capital into the country.

Inflation. In recent years, Kazakhstan has experienced high levels of inflation. The annual rate of inflation, as measures by changes in the Consumer Price Index, was 18% for 2007, 11% for 2008 and is projected at the rate of approximately 9% for 2009. If inflation is not maintained within the government's projections, the economy of Kazakhstan and, consequently, the Group's financial condition and result of operations may be adversely affected.